

Council meeting 12 April 2012

04.12/C/09

Public business

Efficiency savings 2011/12 and 2012/13

Purpose

To provide the Council with the information requested on efficiency savings made in 2011/12 and budgeted for 2012/13

Recommendation

The Council is asked to note the efficiency savings detailed in this paper

1.0 Introduction

- 1.1 The Council at its February meeting during discussions on the 2012/13 budget asked that a paper, specifically detailing past and anticipated efficiency savings be submitted to a future meeting.
- 1.2 This paper seeks to address Council's request for specificity on the efficiency savings already incurred and the extent to which further and continued efficiency savings are anticipated within the 2012/13 budget.

2.0 Background

- 2.1 Because we are a young organisation we have no long-established baseline against which to measure efficiency gains. However we can validly measure actual outcomes against the budget for 2011/12. That budget was set using the modelling assumptions inherited from the RPS particularly as it applied to Fitness to Practise activities. Overlaid onto those core modelling assumptions were the further developments of activities that were not transferred from the RPSGB but

which the GPhC has developed from new (policy and communications activity being the most obvious example). The parameters e.g. total expenditure, of the budget were in turn based on and consistent with the modelling work undertaken on behalf of PRLOG and on which the Department of Health impact assessment was based.

However we must acknowledge that budgeting without an established baseline to work from presented some challenges and some of the savings made against the 2011/12 budget arose from those challenges and the transition path needed to be taken to arrive at our revised organisational structure.

- 2.2 One of the biggest challenges to measuring efficiency savings is that of taking into account the effect of inflation. During times of high inflation the impact of price increases can overwhelm and obscure what are genuine but underlying efficiency savings. Reducing one's consumption of energy by being more efficient about the use of electricity, gas or fuel can be totally obscured by rapid increases in the price paid per unit of energy consumed.
- 2.3 In this paper because of the difficulty of identifying the impact of price increases within departmental budgets we have not attempted to quantify the efficiency savings that have undoubtedly arisen from costs having risen at a lower rate than inflation. However it cannot be ignored, that with inflation over the last year in excess of 5% there have been real efficiency gains as average GPhC salaries have increased by less than 2%.
- 2.4 It is important that we take both, inflation and our budgeting challenges into account so we can be realistic about what we have delivered through hard work and genuine efficiency, as well as being transparent and realistic about what can be delivered in the future.
- 2.5 In defining and identifying efficiency gains for the purpose of this paper we have allocated the savings against two categories:-
- 2.6 Non recurring efficiency gains (one off cost savings) which have occurred in the period as a result of deferred expenditure.
- 2.7 Recurring efficiency gains which are of a permanent nature where we have reduced costs, by eliminating an activity, or have organised ourselves to do things differently and have thus reduced the per unit cost of any activity.

3.0 **2011/12 Efficiency savings**

3.1 The non recurring efficiency gains in 2011/12 amount to some £1.2m (even after taking into account the cost of alternative arrangements such as the use of temporary staff) and arose from delayed expenditure as departments were running under budgeted headcount as organisation structures were changed and positions recruited for. Despite these vacancies all the organisation's necessary regulatory responsibilities were discharged. These savings were split fairly evenly between Regulatory Services and Policy and Communications.

3.2 Efficiency gains of a more permanent nature arose from changing what is done or by doing things differently and therefore cheaper. In 2011/12 these more permanent efficiency savings amounted to some £2.3m. This represents an efficiency saving of 13.5%. These are detailed on the attached Appendix 1.

4.0 **2012/13 Efficiency savings**

4.1 The permanent efficiency savings of £2.2m, identified in 2012/13 (see Appendix 1) have been carried forward and reflected in the 2012/13 budgets..

4.2 Other measures of efficiency are to be found in the expectation of rising activity levels and the relative cost or resources budgeted to be used to cover these activities.

4.3 An example of these are the number of registrants on the register per member of staff in the customer services area. In 2011/12 this average was 2096 registrants per member of staff, in 2012/13 this average is budgeted to be 2336 which represents an efficiency improvement of 11%.

4.4 We are well on our way to achieving our goal of eliminating the backlog of cases inherited from the RPSGB while maintaining an acceptable age profile for GPhC cases.

This has all been achieved while staying within the parameters established for our original budgets, which is a genuine indicator of the organisation's efficiency.

5.0 **Equality and diversity implications**

5.1 There are no known equality and diversity implications arising from this paper.

6.0 **Communications implications**

6.1 It is important that the GPhC stakeholders are aware of the organisation's determination to operate efficiently while achieving the overall goal to deliver our regulatory responsibilities in a timely and effective manner.

7.0 **Resource implications**

7.1 There are no immediate resources implications arising from this paper

8.0 **Risk implications**

8.1 This paper addresses two key risks:

- A risk that the organisation may be, or may be perceived as being, complacent as to the need to challenge itself continuously to improve the efficiency of our operation in a measurable and accountable way;
- A risk (which in fact appears to be much more likely) that the organisation under-states the efficiency gains already achieved and built in to our budgeting for the coming year.

Recommendation

The Council is asked to note the efficiency savings detailed in this paper

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Appendix 1**Recurring Efficiency Gains 2011/12 and 2012/13**

1. Council and Governance saved £224,000 by meeting on a lesser number of days and by reducing the costs of such things as the fees paid for drafting rules.
2. Communications saved £67,000 by reducing the costs of printing materials and by printing Regulate less frequently.
3. Education saved £61,000 by not publishing and printing MEP using instead with an online resource.
4. Regulatory services however made the greatest level of efficiency savings which amounted to £2.0m. Of this £156,000 occurred in the Inspectorate by working with a lower than budgeted headcount which will be continued, and travelling and training costs by centralising and cutting back on the frequency and budgets for inspectorate meetings.
5. By reducing the length of hearings before the FTP committees, and the frequency with which the IC sat, hearing costs were reduced by £310,000.
6. Legal Fees were reduced by £977,000 as a result outsourcing fewer cases to external legal firms and instead using our in house advocates. The renegotiation of the rates paid to the panel firms also contributed to lower costs in the cases which were put out to external firms.
7. The budget established to enable the cases inherited from the RPSGB to be dealt with was under spent by £476,000 due to the efficient way in which the just disposal policy was implemented and the rate at which cases were progressed. It was expected that such a similar budget of around £500,000 per annum would need to be established for four years if the backlog were to be dealt with in a timely manner.

The efficiency with which the cases have been progressed can be seen from the overall reduction of the legacy case load of 589 we inherited and its current level of 74.

At the same time the overall case load including GPhC and legacy cases is now reduced to 323 cases a reduction of 45% overall.