

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Cabinet
Date:	25 June 2012
Title:	Efficiency and Expenditure Reduction Update 2012/13
Reference:	3956
Report From:	Chief Executive

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1. Introduction

- 1.1. Cabinet receives at regular intervals reports on progress with our Cost Reduction, Efficiency and Transformation programme. This is the first report on the 2012/13 target.
- 1.2. This report gives a progress update against the Corporate Services Review (CSR), Shared Services and Project Extra-Care as well as the latest reduction to staff numbers. It then outlines the 2012/13 savings already achieved at this early stage in the new financial year.

2. Context

- 2.1. In March 2012 it was reported to Cabinet that the 2011/12 efficiency and expenditure reduction programme had achieved in full the £55m savings set out in the Medium Term Financial Strategy, taking into account the £2.5m from the risk contingency fund. Over half (£28.8m) of these savings came from the corporate efficiency workstreams which focussed on reducing the running (business) costs of the organisation in order to minimise the impact on frontline services.
- 2.2. Focus and attention has now turned to the 2012/13 efficiency & expenditure reduction programme which Cabinet gave final approval to in February 2012. This included the phase four corporate efficiency workstream savings.
- 2.3. The same robust monitoring and management arrangements as last year will continue to be used to support the delivery of these spending reductions. This paper is the first monitoring update reporting progress against the 2012/13 saving targets.

3. Big Three Workstreams

- 3.1. As previously reported to Cabinet, there are three strategic transformation workstreams that are being progressed alongside the efficiency & expenditure reduction programme: CSR, Shared Services and Project

Extra-Care. The scale and significance of these workstreams merits specific focus and a short progress update is given against each of these below.

- 3.2. Appropriate programme governance approaches are in place and operating for all three with strong management oversight and support. As part of this, the interdependencies are recognised and are being coordinated.

Corporate Services Review

- 3.3. Following Cabinet approval given in October 2011, the CSR project implementation is making good progress. The implementation is being carried out in two phases. Phase one ran from 4 January until 31 March and was successfully completed. Key outcomes were the 'blueprint design' of the various corporate services functions and the appointment of two top tier posts.
- 3.4. Phase two runs from 1 April to 31 July and covers the balance of detailed design of functions and staff reconfiguration and re-structuring. It is proposed to implement the new corporate services arrangements as swiftly as practicable, in accordance with the Council's HR processes. It is intended to continue to reduce staff costs through a second CSR related managed voluntary redundancy exercise that will commence in June 2012.
- 3.5. The selection of a private sector partner, approved by Cabinet in November 2011, is currently being procured and is planned to be in place by early July 2012.

Shared Services

- 3.6. Shared Services has two distinct aspects relating to 'shared services' and 'sold services', both of which are important and interlinked. The main focus for Shared Services relate to the joint working options being developed with Hampshire Constabulary (HC) and Hampshire Fire & Rescue Service (HFRS) as well as ongoing dialogue with other councils.
- 3.7. Cabinet, Hampshire Fire & Rescue Authority (HFRA) and Hampshire Police Authority (HPA) each considered the Integrated Strategic Business Case and Individual Blueprint joint working proposals in April 2012. A summary of the Governing Body decisions are:

- **HCC Cabinet (30/04/12):**
 - Cabinet approved the Strategic Integrated Business Case and the Individual Blueprints.
- **HFRA (Finance and General Purposes committee) (27/04/12):**
 - The committee used their delegated authority to approve both the Strategic Integrated Business Case and the Individual Blueprints.
- **HPA (17/04/12):**
 - The Individual Blueprints were approved, with the exception of legal services which they asked for partnership working to continue to be pursued but did not approve an integrated structure.
 - In relation to the Strategic Integrated Business Case, the HPA asked for more clarification regarding some areas and, therefore,

did not approve it at that stage. They asked for the report and further information to be brought back to their next meeting on the 12/6/12 for further consideration at which point it was approved.

- 3.8. The joint working programme will now enter a 'planning and mobilisation' phase (two to three months). This will develop the programme plan for the design, build, gateway review sign-off and implementation of the joint working arrangements, and will be closely aligned to each organisation's current transformation and change programmes.
- 3.9. The County Council is also continuing to have a positive shared services dialogue with Surrey County Council and joint working activity in some areas is progressing at a pace, specifically in relation to property services. In other areas progress is slower and this is to be expected.
- 3.10. In terms of sold services, work continues to progress well with a number of key activities underway in order to collate all the intelligence required to develop the sold services strategy as well as ensuring the County Council has the culture, processes and systems in place to support commercial activity going forward. Two specific key milestones are being targeted:
 - **Service assessment:** information is currently being collated to establish all current sold services and evaluate them along standard criteria. The findings of this exercise will be used to identify priorities and set next steps.
 - **Customer & market assessment:** reports are currently being developed/refined to capture key information on customers to baseline and analyse 2011/12 information and forecast 2012/13. This information will be used to understand the customer base in more detail and set priorities.

Project Extra-Care

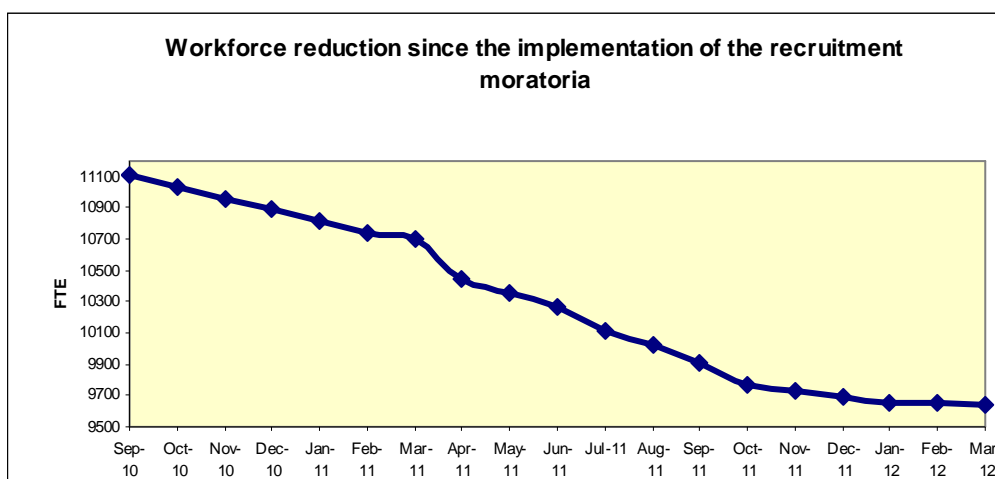
- 3.11. The Project Extra-Care programme management arrangements are in place and working well, with a Project Initiation Document, overall project plan, and a risk register having been developed. In addition to the internal governance structures a District Partnership Group has also been established to facilitate engagement with borough & district councils.
- 3.12. Phase one consolidation has now been fully mapped and is moving towards full implementation, with phase two now subject to detail planning. Extensive engagement has been undertaken with the provider sector, and following consideration of these, and consideration of legal and procurement issues, four methods of scheme delivery have been identified to maximise opportunities whilst protecting investment. Detailed work is now being undertaken to identify, and prioritise specific opportunities countywide, taking into account the resultant property disposal requirements. Attention is also being given to ensuring an appropriate engagement strategy and related communication plan.
- 3.13. A business case is currently being developed, for submission to the Executive member P&R in July seeking approval for funding for the first scheme to commence as part of phase two, at Surrey Court in Eastleigh.

Other schemes that will form part of phase one are at early stages of discussion with potential developers.

- 3.14. The Capital Programme includes a maximum funding envelope of £45m for Extra-Care housing, subject to the relevant business case being agreed.

4. Staff Numbers & Recruitment Freeze

- 4.1. In total, by the end of the 2013/14 financial year the County Council will have made a total of more than £46m net savings from the workforce reductions and will be spending £32m per annum less per year thereafter than would have been the case had the redundancies not occurred.
- 4.2. In the period since the recruitment freeze was implemented (1st September 2010 onwards) to the end of March 2012 there has been a net decrease in total headcount of 1,473 (fte).
- 4.3. The County Council has achieved its target for 2011/12 of over £12m of savings planned specifically from workforce changes, including senior management reductions.
- 4.4. The table below illustrates the combined impact of the recruitment freeze, the redundancy exercises, and of normal leavers on workforce numbers.



- 4.5. The moratorium on filling non essential roles, and the voluntary approach to redundancy are serving to limit the number of compulsory redundancies.

5. 2012/13 Corporate Efficiency Workstream Achievement to Date

- 5.1. The budget was agreed by Cabinet and Full Council in February 2012 which established that £44.980m of savings was required for 2012/13 with an additional £2m in housekeeping savings and a further £0.100m savings proposed by the Leader. This gives a final corporate target of £47.080m for 2012/13 as outlined in the table below – this excludes the additional 4% (£1.5m) savings from the CSR which need to be secured before the end of 2012/13:

2012/13 Corporate Saving Baseline	
The 2012/13 8% saving	£44.980m
Additional housekeeping saving related to inflation	£2.000m
Additional savings from the Leader's grant budget; additional savings in Hog production and Hampshire Now; and a small decrease in savings from Members expenses	£0.100m
Overall final 2012/13 savings target	£47.080m

- 5.2. Regular reports will be brought to Cabinet throughout the year to report progress against the £47.080m savings target. The following table provides an update, by corporate workstream, against this total as at the end of April 2012:

Summary of Efficiency Savings as at April 2012	£000		
	*Target 2012/13	**Delivered by April 2012	To be delivered
Senior Management	1,670	1,670	
Further Reviews of Workforce levels	7,390	4,510	2,880
Communications - next phase	270	240	30
Democratic Infrastructure -streamlining the decision making process	300	250	50
Contract Negotiations - next phase	7,590	1,400	6,190
Customer Charging	150	40	110
Support and Admin - next phase	680	630	50
Shared Services	460	460	
PBRS/CCRA Merger	460		460
Learning, Training & Development - next phase	200		200
IT Cost Reduction - Next Phase	1,340	580	760
House Keeping	200	40	160
Total Corporate Savings	20,710	9,820	10,890
Departmental Savings	24,370	18,830	5,540
Sub Total	45,080	28,650	16,430
Additional House Keeping Savings	2,000	2,000	
Total	47,080	30,650	16,430

* As set in February 2012 budget and also includes c£100k planned overachievement over and above the 8% within the overall P&R budget.

** Savings secured as at April 2012

- 5.3. In total, nearly two thirds (£30.650m) of the £47.080m for 2012/13 has been achieved already by the full-year effect/overachievement from initiatives started in 2011/12 and the early delivery of initiatives in 2012/13. This is an incredible achievement and places the Council in an extremely strong position to achieve the target for the second year of the programme and, in turn, to achieve financial stability within two years.
- 5.4. This places the Council in an extremely strong position and ahead of many other local authorities.

6. Invest to Save

- 6.1. The efficiency and expenditure reduction programme has now entered its second substantive year, a significant amount of the total savings have been achieved already and there are plans in place for the remainder. The management, monitoring and reporting of their delivery has been embedded as mainstream 'business as usual'.
- 6.2. The focus for the Council has shifted to the organisation's broader transformation and positioning for the future. The CSR plays a critical role in this as it shapes the capacity and direction of the professional functions at the heart of the organisation.
- 6.3. The CSR lays the foundations and enables a move to the longer term transformation of the Council to innovate, develop new models of operation, become more entrepreneurial and anticipate the changes to come in public services.
- 6.4. It has been acknowledged that it will be necessary for ongoing investment in our staff, processes, workspaces and technology to enable the Council to remain and strive further ahead. This will allow the organisation to continue to strengthen services, achieve further efficiencies and develop different business models through shared and sold services.
- 6.5. This provides a strong route map and strategy for growth for the Council by investing to save through transformation, business improvement and collaboration.

7. Conclusion

- 7.1. Once again progress is strong. There now needs to be sustained effort on the workstreams and within departments to complete the programme at the end of the year. At the time of writing the Council is only in the second month of the financial year. A further report is being prepared for July in which the first cut of a risk assessment around the programme can be considered.
- 7.2. Regular monitoring updates will continue to be brought to Cabinet during 2012/13 to report the progress of the corporate efficiency programme against the £47.080m savings required.

8. Recommendation

- 8.1. It is recommended that Cabinet:
 1. Note the significant early achievement in the 2012/13 saving targets.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because:

This proposal does not link to the Corporate Strategy but, nevertheless, is necessary for Members to support the progress made in the 2011/12 efficiency and expenditure reduction programme.

Other Significant Links**Links to previous Member decisions:**

<u>Title</u>	<u>Reference</u>	<u>Date</u>
Efficiencies & Expenditure Reductions: Transforming the County Council Phase 3– reports 1, 2, 3 & 4.	1926	26.07.10
	2088	27.09.10
	2206	25.10.10
	2320	29.11.10
	2321	22.12.10
Efficiencies & Expenditure Reductions: Transforming the County Council Phase 4/3 – reports 1, 2, 3, 4 & 5	2701	28.02.11
	2868	18.04.11
	3064	27.06.11
	3148	25.07.11
	3366	24.10.11
Efficiency, Expenditure Reduction & Transformation: 2012/13 Phase 4: report 1, 2 & 3	3543	19.12.11
	3368	24.10.11
	3468	28.11.11
Efficiency & Expenditure Reduction Update: 2011/12 Year-End & Contribution to 2012/13	3542	19.12.11
	3735	26.03.12

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

Departmental efficiency monitoring

Policy & Programme Office

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. It is to be expected that the efficiency reviews will have an impact on staff and communities. To ensure that the Council meets its statutory equality duties each workstream has been asked to consider potential differential impacts on people and communities. In addition each budget proposal is subject to a equality screening process. More detailed Equality Impact Assessments have/will be carried out on the implementation plans, as appropriate.

2. Impact on Crime and Disorder:

2.1. N/A

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption? N/A

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? N/A