

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
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Title:	Efficiencies and Expenditure Reductions: Transforming the County Council
Reference:	1926
Report From:	Chief Executive

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1. Introduction

- 1.1. At the last Cabinet meeting, following consideration of a report on the in-year Grant cuts and the final accounts for 2009/10, it was agreed that the Chief Executive bring forward a report to this meeting on the development of a framework for further efficiencies and expenditure reductions. The Coalition Government's recent Emergency Budget proposals signalled a much greater reduction in public expenditure generally, than had been thought likely hitherto. The broad terms of the reduction was 25% in real terms over four years, although the detail of this will not be known with more certainty until the Spending Review is announced in October and the annual grant settlement in December 2010. There is speculation that this reduction could be greater for local government than the headline announcements.
- 1.2. In this context it will be important to use the next six months and beyond to design, plan and implement different strategies for efficiency and cost reduction, even though the detail of the cash limit reductions in general and specific departmental terms will not be known until late in the Autumn of 2010. The imperative is that with the financial context in mind, the Council sets a direction of travel that involves real term reductions in its expenditure. It is important to take action now to have maximum impact in 2011/12 and beyond.
- 1.3. While the direction of travel should be established the other unknown is the speed of reductions. Working on the basis that any national programme will be "front loaded" this requires the framework in 1.2 to be initiated, which would change the assumptions in the Medium Term Financial Strategy (MTFS) with regard to grant reductions. This assumption is key to the speed and scope of any efficiency and expenditure reduction programme. The Medium Term Financial Strategy will be updated and brought to Cabinet in October. This report focuses on the management activity and emerging

workstreams which requires consideration over the period from now until the outcome of the spending review is known.

1.4. This paper therefore sets out:

- areas of activity where it is suggested expenditure reductions should take place
- areas of activity which should be the subject of efficiency reviews
- the process by which this activity is carried out

1.5 Efficiency and expenditure reductions in the County Council which protect front line services, will need to be developed into a programme of work over the next three to four years. Some activity will give rise to 'early wins' and 'fast cash'. At the other end of the spectrum, programmes of work and activity will need to be designed and implemented and the financial benefits harvested over time. Impacts falling on staff will need to be compliant with approved HR business processes (which may themselves have to change) and the employment conditions relating to the Council, and by their nature may take longer to implement.

1.6 The report therefore sets out key workstreams and activity which position the Council to make informed decisions when there is greater certainty about the scope, scale and pace of reductions in financial support. The report also argues for a more transformational approach alongside further efficiencies and expenditure reductions.

1.7 **The Scale of the Challenge**

1.7.1 Leaving aside the levels of grant settlements, local government has with multi-year settlements had the benefit of planning with certainty. For the time being at least this has been removed. Working on an assumption of a 25% reduction (although some have argued this could be higher) over three or four years of our grant support (as opposed to our expenditure) would be the removal of about £35-40m of financial support. Add the assumption of low or zero council tax increases and the impact of inflation then on every other assumption the position worsens. Scaling back this volume of activity has not been done before in the County Council. Factor in the further removal of Area and Specific grants and a planning scenario of about 8-10% a year for four years could emerge.

2. **Expenditure Reductions and Efficiencies - Objectives**

2.1. The Council has a strong track record of achievement in delivering efficiencies and value for money. The size and scope of the Council's activities cover most aspects of peoples' lives in Hampshire. Many services are statutory and regulated, many are provided by private sector partners and the voluntary sector, and many are contracted externally over several years. Some services are provided by and with other agencies and partners. Many Council services, while not statutory are highly valued by residents and contribute significantly to the quality of life and the place that

Hampshire is. The Council “buys” about £650m of services activity each year. In developing a medium term strategy for expenditure reductions it is therefore important to establish some clear objectives. These should be in line with existing policies based around:-

- **protecting efficient frontline services (and redesign and reprovision where cost effective to do so)**
- **the rigorous pursuit of value for money**
- **avoiding new commitments where it is prudent to do so**
- **ensure efficiency, productivity and cost reduction exercises are verified prior to any future organisational changes**
- **ensure that the Council retains adequate capacity to deliver future core services**
- **further exploitation of our IT infrastructure**
- **maintaining strong performance**

2.2 The remaining paragraphs in this section of the report concentrate on outlining:-

- (i) where further efficiencies would come from;
- (ii) which activities should be considered for expenditure reductions; and
- (iii) where further work should be considered to identify the value and contribution that can come from different activities.

2.3 **Reducing Senior Management Costs**

2.3.1 Senior Management capacity is critical to future delivery and leadership within the organisation. However it is a significant cost which should be reduced as part of our wider expenditure programmes. There are over 600 staff on management roles graded “H” or above. If service activity is reduced it will be important to reduce management overheads appropriately.

2.3.2 It is therefore recommended that the Chief Executive bring forward in October proposals on how (initially) voluntary or negotiable reductions could be made to management costs. This would include Chief Officers, their Deputies and other departmental management team members. The proposals should look to see how a voluntary scheme could be progressed and what the relevant “pay back” would be on different schemes and approaches to management cost reductions.

2.4 Recruitment Moratoria and Impact

- 2.4.1 The overall cost of non-school employees is £325m p.a. Recognising the budget constraints in the future and the removal of some sources of external funding, a number of departments have already initiated a recruitment freeze (excepting some essential roles) and others a cautious approach. It is proposed to extend this more formally from 1 September 2010 within a controlled framework which the Corporate Management Team (CMT) will oversee and monitor its impact. Where CMT identify the need to fill a vacant post at Grade J or above this would also require approval by the relevant Executive Member.
- 2.4.2 As a recruitment freeze extends, a consequence will be the flexible deployment of staff across teams, sometimes to different role types, locations or departments either by agreement with those affected or by compliance with a 'reasonableness' test resulting in staff possibly being asked to work in a different or unaccustomed role. As a part of this, management will need to make decisions as to areas of their service which are less critical and from which resource can be released. Redeployment processes are being reviewed to ensure they can robustly cater for the larger expected numbers in a fair and consistent way thereby taking reasonable steps to mitigate legal challenge.
- 2.4.3 A reduction of the workforce, achieved by voluntary means wherever possible, will result in a need for restructures to ensure that work can continue to be covered in the most efficient way. In the coming months departments will be identifying where this is necessary with a view to prioritising when these might be achieved. It will be vital to have an organisational view of potential restructures to ensure continuity of key services, a managed approach to change, and maintaining the good will of a majority of staff .
- 2.4.4 A further report in the Autumn will detail the extent and priority of restructures, as well as expected reductions in the workforce over the coming period.
- 2.4.5 It is inevitable that there will be some redundancies, the processes being developed by HR will aim to maximise the benefit of natural wastage, and to seek volunteers wherever possible. The redundancy payments scheme and process are also being reviewed to consider whether changes need to be made to support delivery of the challenges we face. Headcount reduction is inevitable.
- 2.4.6 The Chief Executive has already requested Chief Officers to bring forward any restructuring they wish, consistent with protecting front line services but also reducing significantly the cost of management and service delivery. It is anticipated that all Chief Officers will make revised arrangements which would need to be consistent with the issues raised in 2.3 above. The almost 10% reduction in headcount and 30% reduction in senior management posts in IT is a current example.

2.4.7 The effectiveness of a recruitment moratorium and associated changes is critical to making a financial contribution to future expenditure reductions to minimise the impact on current employment levels.

2.4.8 A number of workforce efficiencies have either already been achieved or are currently underway. Several of these directly affect employees terms and conditions such as the reduction in mileage rates and pay freezes which have been felt most acutely by staff in the lower grades. Therefore, whilst ongoing workforce efficiencies are planned, it is proposed that the impact will spread across all grades.

2.5 **Communications, Marketing and Publications**

2.5.1 Cabinet will be aware that communication, marketing and publication costs are contained within departmental budgets and the Corporate Communications Team in Chief Executive's Department. It is proposed to review current expenditure levels across the County Council and bring forward both revised management arrangements and expenditure reduction proposals. This reduction programme has begun with the decision not to replace the post of Head of Communications for the foreseeable future bringing initially a saving of £100,000 per annum.

2.5.2 It is anticipated that interim management arrangements for the function will need to be made in the short term and a programme of savings identified over a 3 year period. It is quite likely that during this time of change and reduction new skills will be required to be brought in to the Council.

2.6 **Democratic Infrastructure**

2.6.1 Since the replacement of the Committee system with the Executive Leader and Cabinet model in 2000 there has, in line with legislation been increases in the cost of Democratic Services (eg scrutiny functions), and in response to community engagement (eg HATS) an increase in the cost of the activity and the level of resources available to contribute to community grants to local activity. The Chief Executive's budget been increased by some £1.3m for HATs and enhanced scrutiny function. It is recommended that proposals be brought forward for consideration by Cabinet that consider:

- (a) existing business processes and the opportunities for cost reductions;
- (b) the opportunity to reduce or streamline activity; and
- (c) how expenditure and grant activity is organised through the democratic support functions.

In connection with (c) this would include a review of all grants which is discussed below.

2.7 Expenditure on and by Members

- 2.7.1 While expenditure on Members is kept to a minimum it is thought appropriate that a review be undertaken to look at the cost of support to Members, the level of expenditure relating to Member activity and related costs. This review would coincide with proposals to publish more information about Member activity on Hantsweb as part of the wider transparency agenda. This review would include Members' budgets. Member support costs are expected to be £3.3m including some £800,000 for Members' direct grants.

2.8 Grant Expenditure

- 2.8.1 The Environment, Children's Services, Adult Services and Culture, Communities and Rural Affairs Departments all award grants for different activities and currently some £12m is budgeted for grants. The Executive Member for Policy & Resources also awards grants for specific activities. It is proposed that the future volume of grants be reviewed and a programme brought together on how the County Council might better achieve value for money across this diverse activity. It would be anticipated that the volume of activity would diminish significantly in the years ahead. The impact of this diminution of activity needs to be considered.

2.9 Area Based and Specific Grants

- 2.9.1 Notwithstanding recent in-year grant cuts, the Council is still in receipt of about £80m of Area Based and non-school specific grants – principally in Children's Services and Adult Services. It is speculation, but probable that these grants will diminish in the next few years (potentially at a rate quicker than reductions to the mainstream Revenue Support Grant support). It would therefore be prudent to ask all Chief Officers in receipt of any such grant funding to review existing commitments, identify the risk to services of an increased withdrawal and where appropriate, the relevant "exit strategy" to remove such funding from base budgets. Each department should have a relevant financial plan for discussion with Executive Members and collectively with Cabinet. The County Treasurer will co-ordinate this exercise and report further on the financial implications as part of budget preparations for 2011/12.

2.10 Reduced Costs Associated with Inspection and Regulation

- 2.10.1 Cabinet will be aware that the Secretary of State for Communities and Local Government has abolished forthwith the Comprehensive Area Assessment (CAA). It is not yet clear what will happen with the Care Quality Commission (CQC) for Adult Social Care and OFSTED for Children's Services. Lifting this burden and the accompanying bureaucracy is significant. It is therefore recommended that the Chief Executive review how the costs of inspection and regulation can be reduced and removed from departmental budgets.

2.10.2 While many of these costs relate in part to elements of different jobs and roles the cost of reduced inspection is significant. This review will be carried out alongside a review of “Driving Success” to further refine the County Council’s performance management framework for future years. It is anticipated that the number of centrally prescribed National Indicators will reduce and focusing on fewer, more relevant activities of local importance would be more efficient overall. This work will be integrated with the work referred to below regarding the redesign of the Policy Unit. Some of these costs will be released as senior management costs referred to above are reduced.

2.11 Impact of Capital Expenditure Reductions

2.11.1 Capital expenditure in 2010/11 is expected to be around £190m following the recent grant reductions. The review of Building Schools For the Future (BSF) will not be known until the end of September 2010 – when levels of capital expenditure for schools generally might be known. The Environment Department and Property, Business and Regulatory & IT Services (PBR & IT) have also seen the impact of reduced capital allocations and receipts. It is recommended that the Chief Executive with the Directors of Environment and PBR & IT Services, and the County Treasurer bring forward in advance of the normal review of capital an impact assessment on all capital programmes and any consequential financial and staffing impact.

2.11.2 Included within this review should be the evaluation of opportunities to further develop shared services for other councils and the potential to increase income generation, by the provision of specialised technical and procurement services to other councils. This opportunity should include a dialogue with central government of the services we can offer to avoid duplication in other councils.

2.12 Reduced Departmental Expenditure Limits

2.12.1 Traditionally the Cabinet determines in September or October each year the provisional overall budget proposals and the cash limits for expenditure across different services.

2.12.2 The national spending review will not be completed by the next Cabinet meeting in September 2010. For planning purposes it is suggested that Chief Officers and Executive Members be asked to begin their planning on the basis of a 8% cash reduction on their 2010/11 cash limits excluding any grants or other income as described above. This would mean that either by using one (or all) of the workstreams in this report or by reducing their expenditure by 8% by other means, the Council would be in an early position to absorb the outcome of the Government’s expenditure review in late October and be in a position to review the several different impacts on services to make more informed and substantial political decisions amongst relative priorities. This is uncharted water and brings with it consideration

of statutory and non statutory activity and expenditure levels, internal challenge as to why we provide the activity or service, and potential alternative and lower cost models of provision (if they exist). The County Treasurer will bring forward a three (or four) year financial plan once the outcome of the expenditure review is known with more certainty in October 2010.

2.13 Contract Negotiations and Supply Chain Management Cost Reductions

2.13.1 Some 40 suppliers account for £240m of our average £650m spend. Managing cost reductions in these suppliers and their supply chain is not an activity that has been matured in local government. Our Corporate procurement and efficiency savings for 2010/11 already include potential reductions in costs from these suppliers to the County Council.

2.13.2 It is recommended that resources for this renegotiation activity be increased to pursue short and medium term savings balanced against the length of contract and the current scope. While this would impact on service outcomes, the scale of activity and expenditure involved is such that cost reductions in this area are key to a successful overall efficiency programme. Once again the water is unchartered. The Chief Executive proposes to bring together a small team of specialists to bring focus to this opportunity. It is recommended that subsidies to public bus operators be included in this review. (In the context of transparency this section has been included in the report without the analysis of spend by contractor).

2.14 Review of New Expenditure Commitments

2.14.1 While the above explains the long term nature of some of our commitments it is recommended that each Chief Officer be requested to immediately review entering into any new expenditure commitments. While this has to be general by its nature, as an activity it is essential given the potential front loading of any expenditure reductions and the significant exposure the Council has to further grant reductions.

2.15 Income and Charging

2.15.1 It is recommended that all departments pursue this workstream and be asked to consider as part of the budget planning for 2011/12, to explore opportunities for increasing levels of income and reviewing their charging policies, in addition to the income generation proposals already being considered as part of the Corporate Efficiency programme. Current budget for income charging across all services is £95m in 2010/11. In this context it is also proposed to review once again the opportunity to develop the shared services market for professional and specialist services where some of the Council's departments currently have local, regional and national capacity available to support and develop projects with other councils. The shared services market is likely to develop as councils look to rationalise around core professional services and look to the public or private sectors to

provide both marginal and core capacity in specialist areas. Work is already underway in this connection with both Property, IT and HR. It is suggested that all departments look at this opportunity as part of their budget planning for 2011/12.

- 2.15.2 In the medium term the opportunities for greater consolidation with councils also opens up the benefits of sharing senior management across services and across councils.

2.16 Further Asset Rationalisation Activity

2.16.1 The County Council has a national lead in the development of asset rationalisation policies and programmes. The County Council through its Workstyle Programme is rapidly reducing the volume of accommodation it occupies, particularly in Winchester. Opportunities to further rationalise the estate are being discussed with district councils. Most asset rationalisation projects also involve major cultural change. However, the potential reductions in running and operational costs remain significant. The asset rationalisation work is also linked to the development of shared services capacity. In this connection Chief Officers will be requested to review their office requirements and to review their Area based activities to see if further centralisation of activity would lead to a reduction in asset running costs and support and administration costs within Area structures.

2.16.2 There is no “one size fits all” solution to this problem and the use and employment of the office infrastructure relates also to the location of services and the structure of the Council departments. Chief Officers will be requested to look specifically at further opportunities that could exist in this area recognising that in some cases it may be several years rather than months before the benefit of these options can be realised.

2.16.3 It is also recommended that the Director of PBR & IT Services review the opportunities for accelerating and increasing land sales over the next three years. Combined with this review it is proposed to ask the County Treasurer to also look at the review of the County Council’s policies in relation to prudential borrowing. The Director of PBR & IT Services will also consider further opportunities to deploy “invest to save” resources which have significant pay backs in relation to the Workstyle Programme.

2.17 Support and Administrative Costs

2.17.1 Support and administrative costs are spread throughout the Council’s services. Many support and administrative costs are critical to frontline activity and many support functions are key to the work of the Council. It is not possible to develop one simple strategy that protects frontline posts rather than support and administrative functions. Support and administrative functions will often be related to the structure of individual departments and the area based locality working of the Council. All Chief Officers are being requested to review their support and administrative functions to ensure that we have the most cost effective models. Some

departments are also now developing models by which they share administrative functions often made possible by co-location of departments and services. The recruitment moratoria mentioned above will have a direct impact on the volume and level of support and administrative costs.

- 2.17.2 Support and administrative costs are also associated with many of the business processes of the Council. It is proposed to ask the Director of PBR & IT Services to look at opportunities where IT can further remove administrative and support costs along with a review of business processes. Activities such as the central processing of invoices, internal checking of claims and allowances and the development of activities such as web self service, which lower transaction costs for the Council, will be explored. This review should also look at the opportunity, not just to change the front end of our business processes, but to look for further efficiencies in our back office functions and how they are located and used by departments. The further exploitation of Hantsdirect has begun and other opportunities to use IT to enable lower costs and greater centralisation of business processes should be considered where relevant.
- 2.17.3 Building on the success of last year's review of procurement it is also proposed to look at further opportunities to rationalise the Council's supplier base, opportunities to review specifications and reduce costs together with the benefits of further aggregation and to look at the opportunities to manage demand for goods and services. One of the "easiest ways" to save money is simply not to buy the commodity in the first place or at least limit its demand. Suitable processes will be put in place in relation to temporary staff, agency staff, consultants and interim managers to ensure that there is downward pressure on demand for all these activities which tend to be relatively high cost compared to in-house provision.
- 2.17.4 It is therefore proposed to have a deep and thorough business review with a small specialist team reviewing these activities as part of our next phase of the efficiency programme. Internal shared services should become the standard model. More self service should be encouraged and internal burdens lifted from business processes where good governance allows.

2.18 Integration of Professional Functions

- 2.18.1 The County Council has (both for service delivery reasons and recognising its scale and the importance of locality working) had a devolved management structure for many years. In terms of affordability it is proposed to look at the organisation of all the Council's professional and corporate services to consider where a new model of one corporate function would bring greater economies of scale, reduced senior management costs and greater benefits in terms of scale and aggregation. There are many good business reasons why the existing models of provision exist in a devolved model. As Chief Officers review their management structures and the organisation of their services it is proposed that the Chief Executive look at central and corporate functions and alternative models of provision. This would cover all the principal corporate functions of the Council. Similarly it is

proposed to look at how learning, training and development is organised within the Council and whether the budgeted provision could be managed, organised and delivered in a more cost effective way.

- 2.18.2 In reviewing the development of corporate models it is important to recognise the “costs of change”. Transitional costs, redeployment, redundancy costs and impacts on performance are all possible when the Council reviews its organisation and structures. Any proposed organisational or business changes will be predicated on a verifiable business plan that could track the costs and benefits of any such changes.

2.19 Staff Related Expenditure

- 2.19.1 Departments have already begun to review ways of managing staff related expenditure. Expenditure on training, learning, conferences and the like are all under review. Similarly, expenditure on equipment, furniture, IT and other issues such as travelling are currently the subject of demand management in all departments. Through a period of major change and recognising the importance of getting leaner for the future it would be a strategic mistake not to continue to invest sensibly in staff and management and their personal development in relation to the Council’s objectives and services. However, it is necessary for all departments to consider now whether in relation to furniture, equipment and the like that any future purchasing should be stopped or severely reduced. It is also proposed to make further use of the redeployment of furniture and equipment from the Council’s stores which has often come about through the asset rationalisation work mentioned above.

2.20 Business Services

- 2.20.1 The County Council has a long tradition of successful trading operations. The bulk of these reside in PBR & IT Services. It is proposed that a review of these businesses be undertaken to establish their strategic fit with the Council in the future. It will also be the case in major service areas that the role of the private sector and other partners will need to be investigated to see if they would provide lower cost models of service provision or alternative models worthy of exploration. Chief Officers will therefore be requested to explore what opportunities may exist to change the mixed economy models of service provision which the Council has. As part of the wider review of corporate services establish whether other models exist either through shared services opportunities or by creating more centralised demand. There are potential commercial offerings which could be explored to the benefit of the Council.
- 2.20.2 Increasingly shared services, the provisions for specialist services and creating new demand will come about through inter-authority and inter-county collaboration. The County Council is already part of various groups of authorities where opportunities for greater collaboration are being explored. As part of the discussion with our major supply chain providers it

is also proposed to look at what opportunities may exist for changing the scope of existing contracts or replacing them with new models of provision.

2.21 Organisation arrangements and communication

2.21.1 Some of the work mentioned in the workstreams in section 2 has already begun and borne fruit. Some activity will provide major opportunities for cost reductions, other reviews may lead to fewer benefits and more costs. The importance of this work is that the greater the return from each of the workstreams, the better placed the County Council is to cope with future reductions in its funding. There is also a significant trade off between the efficiencies and cost reductions mentioned above, the success of programmes to reduce our commitments and expenditure, the use of our reserves and ultimately the impact on job reductions. There is ultimately a trade off between these four activities.

2.21.2 The organisational arrangements of the Council have served it well. Stable structures regularly modernised and reviewed over the years have ensured that the County Council, while receiving relatively low levels of grant support, has at the same time provided value for money and maintained a low Council Tax. As Chief Officers review these workstreams, their budgets and the organisation of their services it will remain important that the Council's performance does not dip or diminish in any significant way, particularly in relation to service outcomes. It will be important to explain to partners what we are embarking on. It will be essential to understand from the public what they see as the impact and important that we can maintain strong communication links and messages to the partners and staff as we go about these reviews and consider the changes.

2.21.3 The voluntary sector and other partners will have concerns as indeed will our private sector partners who help in the provision of many of our Council services. Many county-wide services also depend on County Council financial support which will be the subject of these reviews. It will therefore be important to communicate the widespread nature of the reviews and, while the County Council rules nothing in or nothing out, it wishes to both explore and be in the strongest possible position to select and develop courses of action for the future that recognise the potential scale of the general financial reductions expected in the public sector, and the as yet unknown specific reductions that will impact on the County Council.

3 Regulation and Inspection – Policy Unit

3.1 In addition to harvesting the cash benefits of less inspection (e.g. the abolition of the Comprehensive Area Assessment) it is important, with the efficiency programme covering such large areas of expenditure, to ensure adequate project management. It is proposed that this activity will become one of the major activities of a redesigned Policy Unit focusing (less on inspection) and more on management activities and efficiencies. The Unit will be supplemented by resources from the Treasurer's Consultancy Unit and from seconded managers from departments.

- 3.2 It is anticipated the Efficiency Board and Members Panel will continue their work but on a larger programme of activity. It is proposed to produce a bimonthly report to Cabinet on progress and issues. Chief Officers and Executive Members will be required to work through the issues on a departmental basis supplementing this work with their own initiatives which make particular sense to services and local circumstances. Chief Officers will report further on this as part of the budget planning for 2011/12.

4 Process and Next Steps – Transforming the County Council

- 4.1 Subject to Cabinet's approval to the workstreams in section 2, the reviews and activity mentioned would become in effect the centrepiece of our phase 3 efficiency strategy. The intention would be to bring back to Cabinet in October an early impact assessment of these workstreams both from a corporate and departmental perspective and to have for approval any relevant business models, financial frameworks and expenditure reduction exercises. This would allow the Council to make an early assessment of the effectiveness and the scale of benefits from each of the workstreams which would feed into the discussion on the outcome of the national expenditure review in October 2010.
- 4.2 The County Treasurer will, subject to approval by Cabinet to this report, bring forward to Cabinet in October a revised financial framework and financial assumptions to take us into the budget process for 2011/12. It is anticipated that the County Council therefore during November and December be in a position to assess impacts and to consider priorities, pressures for change and the effectiveness of this programme of activity. This would be the backcloth to the setting of the 2011/12 budget.
- 4.3 Alongside the process mentioned above, it will be important to organise the relevant consultation issues with staff, partners and the wider public. Subject to Cabinet's agreement to the report this will begin immediately. In practice the bulk of this activity will happen also during September and October.
- 4.4 At some stage there will also need to be an assessment of the overall financial impacts of the 2010/11 budget position. It is quite possible that the consequences of in-year cuts to grants and pressures on services will create financial pressures later in the year that would have to be subsumed into the budget discussions.
- 4.5 It should also be noted that while the suggested expenditure reduction figure is set as the same for each department, it could reasonably be expected that in the period November and December Members could indicate political priorities and preferences once they have more knowledge of the impact of certain reductions. This would give rise to the final decisions being made later in the year. In the medium term it will also be important that demographic and other demand pressures are factored into this discussion and the impact and sustainability of demand led budgets are factored into revised cash limits for future years.

- 4.6 Reducing activity and expenditure year on year is one option as reduced financial support comes to the Council. Such an approach is not without difficulties. Year on year cost reductions, redundancies, moratoria and budget reductions creates a different psychology within the Council particularly on the morale of staff and partners.
- 4.7 Other more strategic approaches will be required such as:
- transforming and redesigning services and business processes
 - looking for new partners and ways of delivering services
 - operating services with reduced infrastructure
 - developing a new business culture and less risk averse operations
 - questioning the County Council's involvement in some service delivery and providing public services on the basis of direct provision
 - responding to a different idea and philosophy of what public services provide
 - shaping new markets and creating and enabling new providers that do not yet exist in the provision of public services
- 4.8 This argument suggests a more transformational change in public services, challenges the departmental models of provision, and argues for a different role by the Council in providing public services. This argument would also suggest that the scope and form of the organisation could change radically from the current model. Fewer departments, less direct provision, more enabling and commissioning and a narrower focus of activity on services, the environment and the role of the Council. In practice there is not a choice between either option.
- 4.9 Everything identified in the workstreams in Section 2 of the report should be pursued. Everything mentioned in a more transformational scenario is as equally relevant. Reducing our costs and activity while at the same time redefining how and what the County Council does, is the strategic direction of travel that is recommended in this paper.
- 4.10 The County Council therefore has because of its scale and capacity, a unique opportunity to lead the development of public service provision within Hampshire (and beyond) as in the years ahead organisational and administrative boundaries become less relevant. The argument in this report recommends to Cabinet that we take a direction that creates a new leaner Council transformed into a different provider of public services with existing and new partners. Transforming the County Council's workforce, creating new markets and partners and at the same time absorbing change in other key sectors, for example health, at the same time as the Coalition Government pursues its own policies makes it even more important that the Council accelerates its thinking, planning and implementation of the required changes. Strong internal challenge alongside the workstreams identified in this report provide the County Council with the highest probability of successfully meeting the challenge of significant reductions in public expenditure.

5 Conclusion

- 5.1 Further efficiencies and costs reductions aligned with the transformation of what the Council does, together with the opportunities that come from our strong financial standing gives the County Council a unique opportunity to reposition the organisation in a way that best protects and develops public services for the people of Hampshire.

6 Recommendations

It is recommended:

- (i) that Cabinet approve the efficiency and cost reduction programme set out in Section 2 above
- (ii) that the Chief Executive bring forward to Cabinet the relevant financial and progress reports on each of the workstreams (including further enhancements to the programme)
- (iii) that a recruitment moratorium be implemented with effect from 1st September 2010 as described in 2.4
- (iv) that Chief Officers and Executive Members be requested to consider the impact of this programme and report back to Executive Members and corporately to Cabinet the issues, implications and impacts of these (and other local measures) as part of the budget preparation and planning for 2011/12
- (v) The Chief Executive report to the October Cabinet meeting on proposed organisational changes.

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

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Improvement plan link number (if appropriate):	
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision to agree the development of a framework for further efficiencies and expenditure reductions within the County Council.	

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

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

N/A

2. Impact on Crime and Disorder:

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