

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	26 March 2012
Title:	Efficiency & Expenditure Reduction Update: 2011/12 Year-End & Contribution to 2012/13
Reference:	3735
Report From:	Chief Executive

Contact name: Andrew Smith

Tel: 01962 845252

Email: Andrew.j.smith@hants.gov.uk

1. Introduction

- 1.1. Cabinet regularly receives a report on the efficiency expenditure reduction and transformation programme. A report on those issues relating to the transformation of the Council over several years is elsewhere on the agenda. This report is the first report focusing on the end of 2011/12 and the planned programme for 2012/13.
- 1.2. Cabinet and the Council have approved budgets and programmes setting out the programme of reductions over four years into a planned programme to have those reductions delivered in two years. The focus of the programme is to identify corporate workstreams that have the effect of mitigating the impact on frontline and direct expenditure with a view to reducing corporate expenditure overheads and generating efficiencies to protect frontline services. The programme for 2011/12 has been an enormous success and achieved more than the originally planned target which was some 80 – 90% of the original £55 million. To get an overview of the areas of reduction the tables in sections 5 and 6 give a snapshot.
- 1.3. This report also gives a progress update against the Corporate Services Review, Shared Services and Project Extra-Care as well as the latest reduction to staff numbers. It then outlines the 2011/12 anticipated year-end position and the expected contribution to the £45m savings required in 2012//13 as agreed in the budget by Cabinet and Full Council last month, in accordance with the Medium Term Financial Strategy.

2. Context

- 2.1. Cabinet gave final approval to the 2011/12 efficiency & expenditure reduction programme in February 2011 which included the phase three corporate efficiency workstream savings. During the financial year Cabinet

have received regular updates on the achievement against the overall programme that was designed to close the budget gap of £55m.

- 2.2. In December 2011, Cabinet approved the one-off allocation of £2.5m from the risk contingency fund in relation to the minimal timescale slippage into next year anticipated from the total 2011/12 programme.

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: Corporate Services Review, 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 gathering momentum. The implementation will be carried out in two phases. Phase 1 will run from 4 January until 31 March and will concentrate on implementing the template agreed by Cabinet in November 2011 and the 'blueprint design' of the various corporate services functions. Phase 2 will run from 1 April to 31 July and will cover 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 is likely to commence in April 2012.
- 3.4. The Chief Executive is currently considering the implementation programme for the CSR alongside the financial target to generate a further 4% efficiencies in terms of the net cash limit for Corporate Services. The 'Private Sector Twist' approved by Cabinet in November last year will also be procured.

Shared Services

- 3.5. 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 ongoing dialogue with Surrey County Council and the joint working options being developed with Hampshire Constabulary (HC) and Hampshire Fire & Rescue Service (HFRS).
- 3.6. Discussions with Surrey County Council are largely focussed around their experiences in setting up a single transactional hub in the context of Hampshire County Council's Corporate Services Review implementation. Operationally and strategically the two Councils are increasingly working

together in a closer way. The County Council is currently providing strategic property services input to Surrey County Council and discussions about other service arrangements are ongoing.

- 3.7. The HC-HFRS-HCC joint working in Hampshire programme is still on target to deliver a strategic integrated business case. An interim update was considered by the Cabinet in February 2012, which summarised the direction of travel for each of the key programme areas (Integrated Business Case, Individual Blueprints and Key Enabler workstreams). Work is now underway to develop and refine the final proposals for the April Cabinet.
- 3.8. Detailed communications strategy and action plan has focussed on ensuring regular and coordinated updates to staff within the three organisations (often linked to separate internal reviews/change programmes). Stakeholder analysis for the programme has been carried out and a letter was sent to key partner stakeholders in March 2011.
- 3.9. In terms of sold services, the main aim of the programme is to ensure the development of a consistent, effective and commercial approach to selling services to external partners across the County Council. There are a number of workstreams covering a range of issues including financial/management information, customer services/relationships, marketing and workforce development. Key leads have been identified with individual plans being developed in order to update progress, key issues and risks on a monthly basis. The initial objectives are to:
 1. Establish a consistent and clear understanding of existing sold services/commercial activity (including improving management information) and be confident that the frameworks are in place to retain and secure the income
 2. Identify and clearly evidence where the Council can extend and expand, plus identifying any areas (services and/or customer groups) where the authority may wish to limit commercial activity
 3. Identify milestones for the Council's workforce to become more adept in commercial skills and ensure they have the capacity to do this

Project Extra-Care

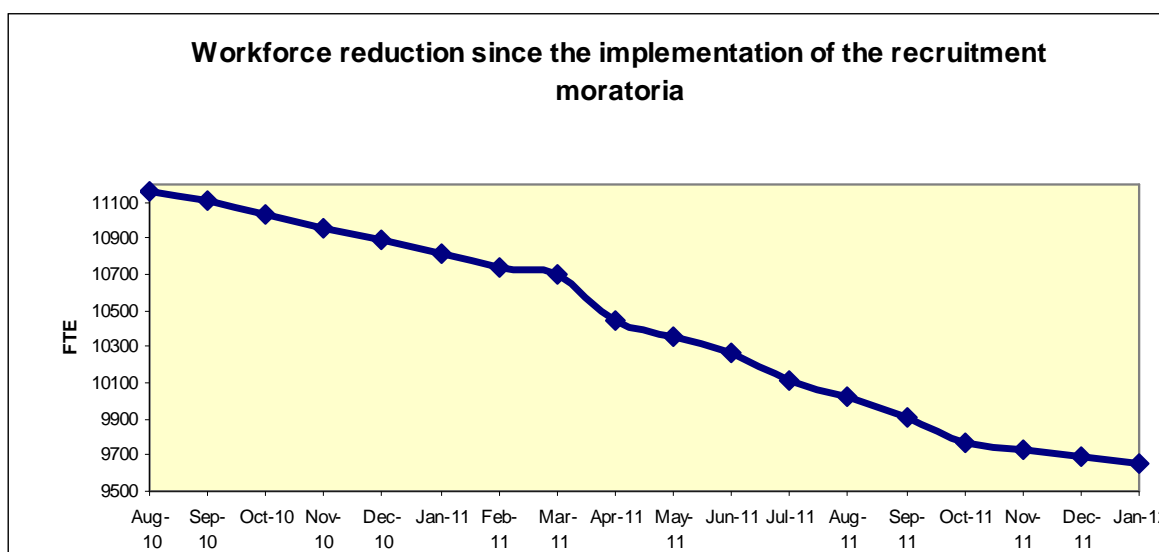
- 3.10. Project Extra-Care is now established and has commenced work to deliver the County Council's aspirations. Key work this period has been on agreeing the procurement route and planning the process, re-visiting the needs assessment and honing the potential sites. Discussions are also under way on potential quick win sites.
- 3.11. The final phase one new build opened in February with the first resident moving into the new £13 million Extra-Care housing development for older people. Newman Court, in Brighton Hill (Basingstoke), has been built in partnership with housing association Saxon Weald, Basingstoke and Deane Borough Council and the Department of Health. It offers 64 one and two bed apartments for people looking to move out of their home and into accommodation which has been tailored for the elderly and people with

disabilities. Newman Court will provide people in Basingstoke with more choice and independence at a time when they need extra care and support.

- 3.12. 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, looking beyond the Phase 3 workstreams, by the end of 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) there has been a net decrease in total headcount of 1,469 (fte).
- 4.3. Regular monitoring of planned efficiency savings still shows that the County Council is on course to make the required savings planned specifically from workforce changes, including senior management reductions in 2011/12.
- 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. Of the total of 868.54 FTE redundancies, 851.98 FTE have been voluntary and 16.56 FTE have been compulsory.

5. 2011/12 Year-End

- 5.1. The 2011/12 year-end position is extremely positive with the £55m savings set out in the Medium Term Financial Strategy expected to be achieved in full, taking into account the £2.5m from the risk contingency fund.
- 5.2. Over half (£28.8m) of the 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.
- 5.3. A significant proportion of the savings comes from the senior management reductions and contract negotiations identified as part of the corporate efficiency workstreams. Other significant savings came from the reviews of workforce levels, IT cost reductions, communication savings and through streamlining the democratic infrastructure. A few specific case study achievements are highlighted in appendix one.
- 5.4. The table below provides a breakdown by workstream.

Summary of Total Efficiency Savings 2011/12	Target 2011/12 £000
Senior Management	7,900
Further Reviews of Workforce levels	4,400
Communications - next phase	1,000
Democratic Infrastructure	900
Grants	1,200
Inspection & Regulation	200
Contract Negotiations - next phase	9,700
Customer Charging	600
Support & Admin - next phase	1,000
Shared Services	400
Learning, Training & Development - next phase	600
IT Cost Reduction - Next Phase	900
Total Corporate Savings	28,800

6. Contribution to 2012/13

- 6.1. The budget was agreed by Cabinet and Full Council in February 2012 which established that £45m of savings was required for 2012/13 with an additional £2m in housekeeping savings to support the prudential borrowing costs to supplement the one-off funds for capital investment priorities. As a result of the successful delivery of the 2011/12 efficiency programme there is a significant contribution to the 2012/13 savings.
- 6.2. In total, half (£23.31m) of the £45m needed for 2012/13 will be delivered by the full-year effect, overachievement and other savings from initiatives started in 2011/12. This places the Council in an extremely strong position to achieve this second part of the unprecedented savings and, in turn, to achieve financial stability within two years.

Summary of Total Efficiency Savings 2012/13	Target 2012/13 £000	*2011/12 effect in 2012/13 £000	New 2012/13 £000
Senior Management	1,670	1,670	
Further Reviews of Workforce levels	7,390	2,620	4,770
Communications -next phase	270		270
Democratic Infrastructure -streamlining the decision making process	300	30	270
Contract Negotiations - next phase	7,590	2,260	5,330
Customer Charging	150		150
Support and Admin - next phase	680	450	230
CSR Integration of Prof Functions			
Shared Services	460	160	300
PBRs/CCRA Merger	460		460
Learning, Training and Development - next phase	200		200
IT Cost Reduction - Next Phase	1,340	570	770
House Keeping	200		200
Total Corporate Savings	20,710	7,760	12,950
Departmental Savings	24,370	15,550	8,820
Sub Total	45,080	23,310	21,770
Additional House Keeping Savings	2,000		2,000
Total	47,080	23,310	23,770

* These savings are the result of initiatives started in 2011/12 which will not be fully realised until 2012/13. As set in February 2012 budget and also includes c£100k planned overachievement over and above the 8% within the overall P&R budget.

7. Conclusion

- 7.1. It should be anticipated that cost reduction and efficiency in the early part of the programme should be relatively easier than in later phases, given the nature of costs and activities within public sector organisations. It should be expected that the second year of the programme will be tougher in terms of achievement but the full year impact of the 2011/12 programme mitigates some of this concern. The planned reduction in our expenditure of £45 million also has to take place alongside the planning and commitment of expenditure within departmental cash limits, otherwise the benefits of the efficiency programme are diluted. Once again it will be important that strong financial discipline is maintained throughout the next financial year.
- 7.2. It will also be the case that the planned reduction in staff numbers will plateau and indeed in some parts of the Council's operations staff numbers could increase. This is most likely in those areas connected to recent growth in budgets in the approved spending by Council on 23rd February 2012.

- 7.3. One particular aspect of the Corporate Services Review will also require investment particularly in relation to the development of a shared business support service located in a way that we can centralise transactions and business processes, thereby reducing the cost to the County Council and partners. Key to this process will be the design and implementation of business processes aligned to a resilient IT platform.
- 7.4. Regular monitoring papers will be brought to Cabinet during 2012/13 to report the progress of the corporate efficiency programme against the £45m savings required. The first of these will be in May/June 2012.

8. Recommendation

- 8.1. It is recommended that Cabinet:
 1. notes the significant achievements in this report are recognised and staff thanked for their efforts to deliver efficiencies to help protect frontline services.
 2. approves the action taken to define and implement the corporate change projects and the 2012/13 efficiency programmes.

Appendix One: Case study Achievements

Case Study Achievement: Workforce Reductions

The 25% reduction in senior managers, identified as part of the corporate efficiency workstream, has contributed £7.7m of efficiency savings towards to the budgetary reductions in 2011/12, the County Treasurer's Department has reduced its senior management cadre by 9.6fte, saving £660,000. This has been achieved through the implementation of a new management structure within the department. In order to make the savings, layers of management have been removed, partners have been engaged to share services and management posts and teams have been integrated. The Treasurer's Department continues to deliver high quality, low cost financial management and transactional services using more efficient and consistent processes, with an increased focus on service and quality.

Case Study Achievement: Contract Negotiations

Savings in excess of £7.5m are being delivered in 2011/12 in Adult Services through a variety of procurement initiatives including the introduction of a panel of preferred providers (PPP) for domiciliary care services.

Prior to the introduction of the PPP, domiciliary care services were spot purchased from an Approved Provider List, which contained in excess of 200 providers. Providers were admitted onto the list if they were registered with CQC, with no additional verification process. Prices were negotiated locally, resulting in considerable variations in price across the County.

Following a detailed and robust accreditation process, that addressed the 3 key areas of price, quality and market development, the PPP was introduced in July 2011. Providers undergo a detailed evaluation process before being included on the PPP, which has served to drive down costs while retaining and attracting quality providers. In addition, providers can no longer charge additional premiums for part hours, weekend work or public holidays resulting in significant savings for the Adult Services department.

Case Study Achievement: IT Cost Reductions

The Phase 3 IT Cost Reduction efficiency workstream had an original savings target of £1m across a number of areas. Out of this, £100k relates to the work IT carried out with departments to consolidate equipment. Savings within departments include replacing PCs for 'thin client' terminals, fewer mobile phones, a new mobile phone contract and reduction in equipment cost overheads. Savings of £250k have been achieved by directly reducing the contractor budget. In addition, savings for Phase 3 were achieved through further IT staff reductions made possible by centralisation of IT support (technical support and help desk), increasing the productivity of IT project delivery and developing the central IT programme office to ensure resources follow priorities.

Case Study Achievement: Hampshire Workstyle Programme

During the course of the year 15 new drop-in facilities were opened for staff providing 49 new flexible workstations. By the end of 2011/12 it is anticipated that some 6,000sqm of accommodation (seven buildings) will have been vacated, with associated financial savings which currently are being ploughed back into the programme. Overall, the programme is on course to deliver the financial profile approved at Cabinet in November 2011 which set out £49m savings over 25 years.

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
	3542	19.12.11

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 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