

**HAMPSHIRE COUNTY COUNCIL****Decision Report**

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	23 July 2012
<b>Title:</b>	Efficiency & Expenditure Reduction Update: 2012/13
<b>Reference:</b>	4124
<b>Report From:</b>	Chief Executive

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## **1. Introduction**

- 1.1. 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 gives an update on the significant 2012/13 savings already achieved at this relatively early stage in the 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. In June 2012 the Cabinet update confirmed that nearly two thirds (£30.650m) of the £47.080m for 2012/13 had been achieved or secured already by the full-year effect/overachievement from initiatives started in 2011/12 and the early delivery of initiatives in 2012/13.
- 2.3. This report provides a further update on the positive early progress and also begins to highlight some of the emerging risks.

## **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 continuing to make 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 intended to continue to reduce staff costs through a second CSR related managed voluntary redundancy exercise that was undertaken during June 2012. Following this, the balance of all staff will be "lifted and shifted" to the new corporate services function by the end of July 2012.
- 3.5. The 'Private Sector Twist' (PST) approved by Cabinet in November last year is currently being procured and is planned to be in place by early July 2012. A key early task for the PST partner will be to work with the CSR project team in designing the new Integrated Business Centre.

### **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).
- 3.7. Cabinet, Hampshire Fire & Rescue Authority (HFRA) and Hampshire Police Authority (HPA) have now each approved the Integrated Strategic Business Case and Individual Blueprint joint working proposals (with the small exception that HPA asked for further partnership working, rather than an integrated structure, is pursued at this time for Legal services).
- 3.8. The joint working programme has now entered a 'planning and mobilisation' phase which will take up to 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. Implementation will take a phased approach over the next three years with opportunities to 'fast track' some areas whilst others take longer.
- 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 has now been collated to establish all current sold services and evaluate them along standard criteria.

This will provide a complete internal assessment of the portfolio of sold services which will inform the overall strategy and be used to set priorities. Key Sold Services (& Partnerships) Board leads are due to review this information and define next steps.

- **Customer & market assessment:** work continues on developing/refining reports 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 alongside the service assessments.

- 3.11. In addition, the customer management and IT workstream held some key workshops over June and July, identifying and developing solutions to make it easier for customers to do business with the County Council (including website development, telephone and email access).

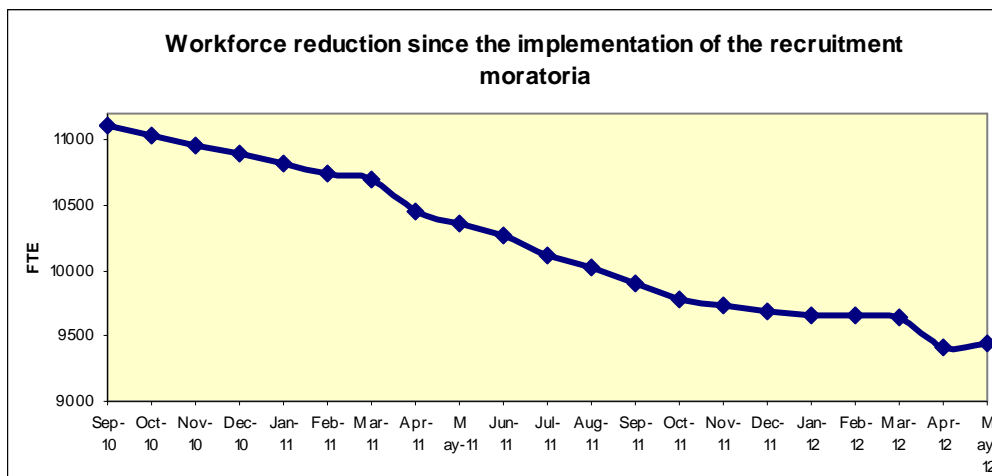
### **Project Extra-Care**

- 3.12. Following Cabinet approval of Project Extra-Care in October 2011, £3million has been allocated to support an initial consolidation phase that will see the extension of provision to meet immediate capacity issues in Basingstoke and Winchester. Detailed design proposals are currently being prepared and, subject to securing the necessary planning approvals, works will commence on site towards the end of the financial year.
- 3.13. To support the provision of new Extra-Care schemes across the rest of Hampshire, a range of preparatory work has been progressed. This has involved undertaking a demand-mapping exercise based on current and projected demographic trends to assess the relative need for extra-care housing by District across Hampshire.
- 3.14. In response to this analysis, an initial assessment of available County Council-owned sites has been made to assess their suitability in terms of size and location to support the development of new schemes has also been undertaken. A small number of suitable Council-owned sites have been identified from this exercise and these are now to be the subject of more detailed testing. However, it is evident that the majority of any new extra-care housing provision will be on third party-owned land.
- 3.15. One scheme which is likely to be one of the first is the redevelopment of Surrey Court, Eastleigh by First Wessex where the County Council will make a financial contribution towards the scheme cost to support the phased delivery of 70 extra-care units (50 units for rent and 20 shared ownership). It is proposed that a formal business case on the Surrey Court project will be brought to the September 2012 meeting of the Executive Member for Policy and Resources to release the required capital funding contribution.

## **4. Staff Numbers & Recruitment Freeze**

- 4.1. The County Council remains on track to make a total of more than £46m net savings from workforce reductions by the end of 2013/14. This includes the target to make a 25% reduction in senior management, which has been achieved.

- 4.2. In the period since the recruitment freeze was implemented (1st September 2010 onwards) to the end of May 2012 there has been a net decrease in total headcount of 1,672 FTE.
- 4.3. The table below illustrates the combined impact of the recruitment freeze, the redundancy exercises, and of normal leavers on workforce numbers.



- 4.4. 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 total corporate savings target for 2012/13 is £47.080m as agreed by Cabinet and Full Council in February 2012 – this excludes the additional 4% (£1.5m) savings from the CSR which need to be secured before the end of 2012/13.
- 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 May 2012:

Summary of Efficiency Savings as at May 2012	£000		
	*Target 2012/13	**Delivered by May 2012	To be delivered
Senior Management	1,670	1,670	
Further Reviews of Workforce levels	7,390	4,610	2,780
Communications - next phase	270	240	30
Democratic Infrastructure -streamlining the decision making process	300	250	50
Contract Negotiations - next phase	7,590	1,480	6,110
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	50	150

<b>Total Corporate Savings</b>	<b>20,710</b>	<b>10,010</b>	<b>10,700</b>
Departmental Savings	24,370	19,960	4,410
<b>Sub Total</b>	<b>45,080</b>	<b>29,970</b>	<b>15,110</b>
Additional House Keeping Savings	2,000	2,000	
<b>Total</b>	<b>47,080</b>	<b>31,970</b>	<b>15,110</b>

\* 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 achieved or secured as at May 2012.

- 5.3. In total, 67.9% (£31.970m) of the £47.080m for 2012/13 has been achieved or secured 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 increase of £1.320m from the end of April position reported to Cabinet in June. 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 rather than the four years of the Comprehensive Spending Review.
- 5.4. This places the Council in an extremely strong position and ahead of many other local authorities.

## 6. Contingency Planning

- 6.1. As highlighted in setting the 2012/13 budget and the experience during the delivery of the 2011/12 savings programme, this is an extremely challenging transformation and savings programme. Prudent levels of contingencies were agreed in order to facilitate delivery through the management of risks and provide short-term cash flow support.
- 6.2. The 2011/12 £24 million of Adult Services savings target has already been successfully delivered, however, there are a number of challenges in relation to delivery of some of the Adult Services savings in 2012/13. It is still very early in the new financial year and therefore these projections will become firmer as the year progresses, there are no specific actions necessary at this juncture, robust monitoring and reporting will continue as part of normal due process.
- 6.3. The position set out is based on period two returns and may improve through the year. The current analysis shows £4.5m slippage against the departmental target of £21m, with a further £1.5m at risk of not being achieved. In addition there is a risk around the corporate income target of £1.6m. There is also the possibility of further support from Health in recognition of the demands on social care budgets. £3.2m and £2.9m of additional funding have been announced late on in the previous two financial years. The programme will be reviewed again later in the year when we have more data and actions taken if necessary.
- 6.4. The following table presents the latest projections particularly related to Adult services and provides a narrative explanation of actions which are in train in order to carefully manage progress:

	<b>2012/13 savings target £000</b>	<b>Achieved £000</b>	<b>Broken down in to:</b>		
			<b>Achievable £000</b>	<b>Slipped £000</b>	<b>At risk £000</b>
Further reviews of workforce	4,260	2,342	918	1,000	0
Contract negotiations	5,439	98	2,266	2,575	500
Learning and Development	202	0	202	0	0
Housekeeping	200	34	166	0	0
Other efficiencies (incl income)	11,113	7,255	1,940	900	1,018
<b>Total 8% departmental target</b>	<b>21,214</b>	<b>9,729</b>	<b>5,492</b>	<b>4,475</b>	<b>1,518</b>
Corporate savings (contributions)	2,946	0	1,346	0	1,600
<b>Total savings</b>	<b>24,160</b>	<b>9,729</b>	<b>6,838</b>	<b>4,475</b>	<b>3,118</b>

### Further Review of Workforce

- 6.5. £1m of £4.2m of headcount reduction savings, which are planned to be achieved through natural turnover in staffing, have slipped due to a slowing down in the rate of people leaving. The savings will be achievable in full by 2013/14.

### Contract Negotiations

- 6.6. Procurement savings have also slipped with £2.6m being behind schedule in delivery. The Electronic Domiciliary Care Monitoring system has been delayed in full implementation due to ongoing technical issues and in response to increased risk in the market. The project plan has been revised and system changes commissioned to get full delivery of an improved system by the end of the year. A major re-procurement of residential care has slipped due to quality issues in the market, which requires a different approach. A more gradual approach that will deliver the same level of saving from 2013 onwards is now in place. A review of smaller contracts has been delayed until 2013/14 to allow more time to work with the affected providers. A part of the original £5.5m (£500k) may not be deliverable due to the need to shift focus onto safety and quality in Learning Disability commissioned care.

### Other Efficiencies

- 6.7. Work to ensure that we take the most cost effective approach to delivering care is not delivering the level of savings anticipated, putting £900k at risk. A different approach is being taken, with a major push on the use of telecare. The business case suggests that this will achieve the £900k of required savings. Procurement timelines mean that the approach will not be operational until 2013/14.

- 6.8. Forecasts of additional income, based on the part year implementation of the Contributions Policy and period two activity data, indicate that the sum raised will be at the lower end of the original forecast range. Overall this means that people are paying £2.6m less in care charges than anticipated, compared to a budgeted non-residential income target of £16m.

## **7. Conclusion**

- 7.1. Overall an early estimate would suggest that some 3% of the savings are at risk in the programme. Such a percentage is well within the planning parameters we have for the overall programme and could be matched by one off adjustments to our overall budget position.
- 7.2. This is the third successive year that the Council has sought to make significant efficiency and expenditure reductions. It is no surprise that it is becoming increasingly harder to achieve and that specific workstreams are not able to deliver all aspects of their anticipated savings.
- 7.3. It is recognised that it will continue to become more and more challenging. The scale and speed of the savings necessary has never before been attempted by the Council and the fact that this contingency planning is only necessary for a relatively small proportion of the overall task is a real achievement.
- 7.4. 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. For these reasons work will begin in earnest in September on the transformation themes agreed by the Cabinet at its meeting on 25<sup>th</sup> June 2012.

## **8. Recommendation**

- 8.1. It is recommended that Cabinet:
1. Note the significant early achievement in the 2012/13 saving targets.
  2. Note the early indications regarding the challenges and early projections related to savings within Adult Services which are being robustly managed and will be reported regularly as part of normal due process. No actions are being recommended at this juncture, the contingency strategy was agreed as part of the budget setting process and is in place should that be necessary.

**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
	3956	25.06.12

**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 &amp; 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