

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Cabinet
Date:	29 October 2012
Title:	Cost Reduction, Efficiency and Business Strategies: Milestones and Next Steps
Reference:	4368
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1. Introduction

- 1.1. The purpose of this report is to bring Cabinet up to date with the initiatives that began in the summer of 2010 and formed the bulk of our Cost Reduction, Efficiency and Change Programme. Progress on the key projects (regularly reported to Cabinet) is good and on schedule and the financial and organisational targets are all in line and achievable by the end of this financial year (an update is provided in section 10 of this report).
- 1.2. This report therefore brings Cabinet to another milestone around a series of measures to both reduce our costs and lay the ground for investment for the future. Since the summer of June 2010 all the relevant issues have now been reported to, and approved by Cabinet. In many cases there will now be a period of implementation and delivery on projects (e.g. it will be some twelve months or more before the Integrated Business Centre (IBC) comes on line, which is a centrepiece for our partnership and shared services work) before the benefits are harvested.
- 1.3. This report recommends that the work of the last two years be acknowledged as coming to a successful conclusion but that it acts as a platform for a continued and wider transformation programme to 2015, based upon the Cabinet decisions of June 2012. The workstreams of the efficiency programme are evolving into a platform upon which to build the wider transformation programme to meet the likely challenges the Council will face over the coming years to the next spending review period, thought to be in 2015.

2. Cost Reduction, Efficiency and Staff Numbers

- 2.1. It has been previously reported that the programme to reduce our expenditure by £100 million over two years was broadly on schedule and in line with the agreed financial targets. Separate reports have been prepared for Cabinet outlining the areas of Adult Social Care where further time will be required to harvest the financial benefits of their savings initiatives. As previously reported, the likely outcome of the cost reduction programme is that something like 97% of the £100 million will be achieved, and the total, a few months after the two year period. It is anticipated that the final report on this programme will come to Cabinet in December and the final expenditure reductions and efficiency issues factored into the 2013/14 budget process for approval by the Council in February. This was the approach taken in earlier years.

3. A further 4% for Corporate Services

- 3.1. Last year in approving the Corporate Services Review, Cabinet agreed that the savings figure should be extended beyond the 16% (that had been used for other services over the last two years) to 20%. In effect bringing forward further savings in our corporate infrastructure. It can now be confirmed that following a second voluntary redundancy exercise and a range of reorganisation issues during the implementation of the Corporate Services Review, that the 4% will be achieved. This is a significant achievement and to an extent, brings to an end the major review of Corporate Services that was begun some twelve months ago.
- 3.2. There are still some housekeeping and operational issues to be resolved. The review has been successful in making a significant contribution to our efficiency targets, but also creating a template for a leaner and more modern and dynamic grouping of central services, more able and focused on the services of the County Council and the wider development of shared and sold services to other public authorities. The reduction in staff numbers is some 140 over a two year period.

4. Private Sector Partner

- 4.1. Members will recall that the Private Sector Partner was conceived out of the above review and was identified as the principal means of bringing knowledge, commercial acumen and external experience and focus to the work of the County Council. Deloitte were selected as the partner and they have begun work in earnest with our own staff to develop the Integrated Business Centre (IBC) and help on Phase Two of the Learning and Development Framework for the future development of staff. The location of the IBC being the next step in that process. This idea of 'in sourcing' external experience and advice is not new but few Councils will have tackled it in the nature of a 'public to private partnership' with a focus on growth and improvement in performance, as opposed to cost reduction. It is early days in such a partnership and the real benefits will come as the partnership matures and tackles the key themes that Cabinet have identified for the work required between now and 2015. In terms of future capacity building the development of this partnership is a significant step.

5. Police and Fire Partnership

- 5.1. This work has also now started and while it is once again early days the opportunities for joint working, sharing of management and resources and the development of shared business processes and professional services will give the Council and our partners new capacity, new opportunities and create an infrastructure around an IBC capable of being scaled up and exploited in future years.
- 5.2. Progress has been strong following the approval in April and June 2012 by Cabinet, Hampshire Fire & Rescue Authority (HFRA) and Hampshire Police Authority (HPA) to proceed with the development of joint working services across HCC, HFRS and HC. The priority focus for detailed design has been on the 'early adopter' workstreams of professional finance, procurement, property/estates management and occupational health & wellbeing. The expectation is that interim arrangements for joint services can start as early as March 2013
- 5.3. It is anticipated that Hampshire Police will begin to occupy Mottisfont Court as part of our HQ from October 2013.

6. Business Strategy

- 6.1. Elsewhere on the agenda there is a comprehensive report on Sold and Shared Services. This is the first report of its type whereby a comprehensive, strategic review has taken place over a diverse range of the Council's services. Many of the services have the possibility of continuing solid achievements, business objectives and achieve financial targets in the coming years. Many of them have the capability to expand and generate income and new business. Most of them have the ability to provide services to external organisations. One of the efficiency workstreams for 2012 was to bring forward this review which represents another milestone completed in 2012.

7. Extra Care in Adult Social Care

- 7.1. The long term finance and economics of Adult Social Care is a national concern. In Hampshire we have been successful in matching demand with both efficiencies and spending. The extra care initiative makes steady progress and is a key way in which we can displace future costs with a different model of provision, allowing choice, independence and the operation of partners and the private sector in a particularly strong market in Hampshire. The programme is being developed over the next six to seven years and as evidence becomes available it remains one of the key ways in which we can begin to change the provision of Adult Social Care to help meet what will be rising demand but within a cost framework that will remain challenging.
- 7.2. Work to consolidate phase one has continued. Consultations on the proposed closure of three older persons residential care homes at Addenbrooks Gosport, Cornerways Winchester, and Thurlston House Fleet were agreed by the Executive Member for Adult Social Care on 25th May, and ran from 28th May to 21st August 2012. Following consideration of the responses received as part of the consultation process a recommendation to proceed with the closures was agreed by Executive Member for Adult

Social Care on 21st September. Detailed design proposals for the extensions to the Nursing Homes at Westholme in Winchester and Oakridge in Basingstoke are being finalised for submission, and subject to planning approvals, works will commence on these sites in Spring 2013, with a planned 52 week build programme.

- 7.3. Redevelopment of Surrey Court, Eastleigh by First Wessex has now commenced. Following consideration of a detailed business case the Executive Member for Policy & Resources agreed on 5th October to make a grant of £850,000 towards the overall development costs. This scheme will deliver 70 extra-care units (50 units for rent and 20 shared ownership) in two phases, with phase one of 42 units scheduled to open in January 2014 and phase two consisting of the remaining 28 units in February 2015.
- 7.4. To secure the delivery of the required phase two developments, four delivery mechanisms have been identified, including the establishment of a formal procurement framework. Approval to establish an OJEU compliant procurement framework was given by Executive Member for Policy & Resources on 10th July with the Framework being formally launched later this month (October). Whilst this is being developed, further opportunities along the lines of Surrey Court will continue to be pursued.

8. Investment in Staff

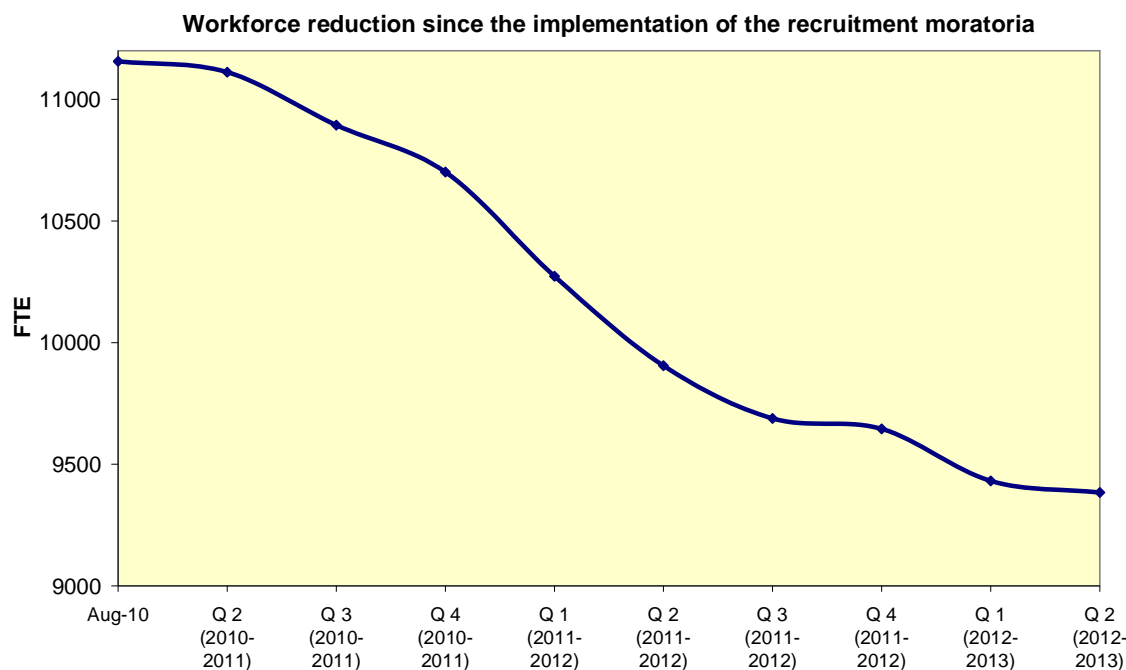
- 8.1. The above changes have had at their heart a desire to modernise the way the Council operates, reduce our infrastructure costs, whilst at the same time maintaining our performance. The mantra of low Council Tax and high performance has been central to our thinking and delivery. The largest single cost within the Council remains its pay bill of £264m and while we have recognised the impact of the staff moratorium and the senior management reductions, the organisation continues to acclimatise itself to providing services in Hampshire and elsewhere with considerably fewer people (almost 2000 fewer than in 2010).
- 8.2. However, it was obvious sometime ago and has been widely recognised for many years in the Council that investment in staff, managers and our partners is key to our future success. This led to a very significant initiative which was badged under Phase I of our Learning and Development programme which is scheduled to run to the end of March 2013 covering in excess of some 400 or so senior staff - further details on the programme are attached at Appendix 1. One of the early pieces of work with our Private Sector Partner is to look at the design of Phase II of that programme and how we can align investment in our people and our change and behaviour programmes with maintaining high performance and low cost.
- 8.3. We anticipate that by next Spring the second phase of this programme will be capable of implementation and the development of a wider programme across all categories and groups of staff remains the ambition for the next few years.

9. Staff Numbers and Recruitment Freeze

- 9.1. 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.

- 9.2. In the period since the recruitment freeze was implemented (1st September 2010 onwards) to the end of September 2012 there has been a net decrease in total headcount of 1727.84 FTE.
- 9.3. The table below illustrates the combined impact of the recruitment freeze, the redundancy exercises, and of normal leavers on workforce numbers.



- 9.4 The moratorium on filling non essential roles, and the voluntary approach to redundancy are serving to limit the number of compulsory redundancies. Between now and the end of the financial year the staff mentioned in paragraph 3 above will leave the Council.

10. 2012/13 Corporate Efficiency Workstream Achievement to date

- 10.1. 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.
- 10.2. The following table provides an update, by corporate workstream, against this total as at the end of August 2012:

Summary of Efficiency Savings as at August 2012	£000		
	*Target 2012/13	**Delivered by Aug 2012	To be delivered
Senior Management	1,670	1,670	
Further Reviews of Workforce levels	7,390	5,770	1,620
Communications - next phase	270	240	30
Democratic Infrastructure -streamlining the decision making process	300	250	50
Contract Negotiations - next phase	7,590	1,780	5,810
Customer Charging	150	70	80
Support and Admin - next phase	680	650	30
Shared Services	460	460	
PBRs/CCRA Merger	460		460
Learning, Training & Development - next phase	200	50	150
IT Cost Reduction - Next Phase	1,340	580	760
House Keeping	200	100	100
Total Corporate Savings	20,710	11,620	9,090
Departmental Savings	24,370	20,740	3,630
Sub Total	45,080	32,360	12,720
Additional House Keeping Savings	2,000	2,000	
Total	47,080	34,360	12,720

* 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 August 2012

- 10.3. In total, 72.9% (£34.360m) 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 £2.390m from the end of May position reported to Cabinet in July. This is a significant achievement and means the Council is on track to largely achieve financial stability within two years rather than the four years of the Comprehensive Spending Review.

11. Contingency Planning

- 11.1. 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.
- 11.2. It was noted by Cabinet in July that Adult Services achieved £24m of savings in 2011/12 but that there are a number of challenges in relation to delivery of some of the Adult Services savings in 2012/13.
- 11.3. At that time it was highlighted that the current analysis shows £4.5m slippage against the corporate/departmental target of £21m, with a further £1.5m at risk of not being achieved. In addition, it was reported that 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).

- 11.4. These trends continue to be managed closely and it is hoped that the situation will improve during the year. No further specific actions are necessary at this juncture, robust monitoring and reporting will continue as part of normal due process. Members will be aware that the cost reductions are being achieved at the same time as performance is maintained and improved. This position was extensively discussed at the last Cabinet meeting when reviewing 'Open for Business'.

12. Transforming the Council

- 12.1. In essence for the last two years we have designed, approved and reported on a series of themes, change projects and management issues. In practice we have been running our efficiency and cost reduction work for four years. The programmes and workstreams are (while badged separately) all connected to, and interrelated to our overall programme of Transforming the Council. The Cabinet at its meeting on 25 June 2012 approved a range of workstreams that would constitute the beginning of a new programme of work to take us to 2015 and beyond.
- 12.2. In essence this report is to some extent signing off the Cost Reduction and Efficiency programme of the last two years. Future reports will be prepared under the theme of Transforming the Council on a regular basis to Cabinet. In reality and on the ground the nature of public policy and the nation's public finances mean that as soon as any theme, target or project delivers its outcome or savings we are bound, in pursuit of further efficiencies, to begin to think, develop or start another set of initiatives.
- 12.3. This constant pursuit of efficiency cost reduction, growth, quality and performance will be evident in the future programmes reported to Cabinet, beginning early in 2013 under Transforming the Council. A key theme is to build on what worked and to ensure that the change programmes are aligned to our budget solutions and our service outcomes. In reality as the efficiency work has progressed it has become clearer that there is no effective end point or steady state but more the consistent pursuit of strategies that produce best value in the use of resources and the optimum outcome for services.

13. Open for Business

- 13.1. Closely aligned to the cost reduction and efficiency programme was the policy developed under 'Open for Business' to ensure that key activities and issues could be tracked alongside our efficiency and budget. To some extent as we move towards the delivery of the efficiency programme as the platform for a wider transformation programme, it may be appropriate to signal a change in the branding of this policy (to acknowledge the decisions that Cabinet have now taken) so that we move from 'being open for business' to 'being in business' which more appropriately recognises progress and achievement since 2010. A summary on progress in 2012 is given below.

Summary of Key Themes and Projects - Implementation

		2012
1	Cost Reduction and Efficiency Programme	✓
2	Corporate Services Review	✓
3	Corporate Services Additional 4%	✓
4	Private Sector Partner <ul style="list-style-type: none"> • IBC development commissioned • L&D Phase "" 	✓ ✓
5	Police and Fire Partnership	✓
6	Business Strategy for Shared and Sold Services	X
7	Transforming the Council Approved to 2015	✓
8	Open for Business	✓
9	Extra Care – Adult Social Care	✓

✓ = developed and approved

X = on today's agenda

14 Recommendations

14.1 It is recommended that Cabinet:

1. Approves the sign off of the 2012-2012 Cost reduction programme as described in the report, and
2. Notes the proposals to build the replacement programme over the period to 2015.

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 2012/13 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
	4124	23.07.12

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

Learning and Development Phase 1 – Priority Leadership Skills

- 477 managers at H grade and above participating
- Phase 1 timescale - January 2012 to March 2013
- Seven Priority Leadership Skills areas were identified that were broadly common to all departments within the County Council:
 1. Commercial acumen
 2. Financial management
 3. Performance management
 4. Strategic thinking and decision making
 5. Political nous
 6. Taking and managing risk
 7. Managing increased expectations
- A programme of learning interventions have been put in place, covering the seven areas above, to promote and reinforce the required cultural change and development of identified skills. A range of methodologies have been employed to accommodate different learning styles and knowledge levels – informed by skills analysis. Expertise from the private sector has been well-utilised and overall evaluation feedback has been positive.
- A full review and evaluation of the Priority Leadership skills programme will be completed at the end of the programme in March 2013.