



Hampshire County Council

Efficiency Plan 2016/17 to 2019/20

Efficiency Plan

1. Introduction

- 1.1 This Plan is an addition to the County Council's Efficiency Plan which was approved as part of the County Council's [Medium Term Financial Strategy](#) (MTFS) in July 2016. The narrative sets out what the County Council will do to address the financial challenge over the medium term to 2019/20.
- 1.2 The MTFS is framed by the strategic plan which sets out the County Council's purpose, ambition and priorities for the medium term and the County Council has been developing its service plans and budgets for 2017/18 and future years in keeping with the ['Shaping Hampshire'](#) priorities.

2. Financial Context

- 2.1 Local government has taken the biggest hit in terms of central government cuts since 2010. The scale of the reductions, alongside a degree of volatility around the phasing and timing of these cuts, make it difficult for authorities to plan their spending priorities strategically. As a consequence, the need for effective medium term planning has never been stronger.
- 2.2 In response to concerns from the sector, as part of the Local Government Finance Settlement, the Government announced that it would offer a four-year settlement to authorities who can 'demonstrate efficiency savings' over the period up to 2019/20. This offer, which is seen as supporting local authorities in strengthening financial management, provides authorities with greater but not absolute funding certainty.
- 2.3 The commitment to four-year funding through this Efficiency Plan will enable the County Council to plan its service delivery with greater certainty of funding over the medium term thereby ensuring the best possible outcomes for the residents of Hampshire. However, it should be noted that whilst the four year settlement is helpful to the medium-term financial stability of the County Council, this certainty only relates to the Revenue Support grant which is a decreasing proportion of total council funding.
- 2.4 The County Council's gross expenditure continues to be in the region of £1.9bn and the Authority remains in a very strong financial position, which is testament to the organisations ability to plan and ensure that it is appropriately placed to deal with the future challenges that lie ahead.
- 2.5 Up to 2015/16, some £242m has already been removed from budgets and plans are in place to save a further £98m by 2017/18, taking the total to £340m. In many cases those savings have been required to meet rising demand for our provision of services to the most vulnerable, as well as addressing our falling funding.
- 2.6 Further savings targets of £140m, with £120m to be delivered by departments by 2019/20 were set out in the MTFS and approved in July 2016.

3. County Council Priorities

- 3.1 Hampshire County Council is one of the country's leading local authorities, with many services rated as 'excellent' and the Authority's ambition is to be a *modern business providing public services*. This means doing things more efficiently and providing high quality, responsive services that meet the needs of our customers and improve the quality of life for the residents of Hampshire. Our plan to achieve this focuses on four strategic aims, which bring together a number of priorities under the following themes, to form the overarching framework for our services:
- Health and Wellbeing – Improving health and wellbeing for all.
 - Economy – Promoting economic prosperity and protecting the environment.
 - Communities – Working with communities to enhance local services.
 - Efficiency – Delivering high quality, cost-effective public services.
- 3.2 Reductions in central funding to councils combined with rising demand for care services mean that our corporate strategy and medium term financial plan focus on targeting resources at the most vulnerable people while becoming more efficient. The County Council recognises that its ability to continue to deliver front line services will depend on its capacity to generate new funding streams, streamline the way that residents access services and support and encourage self-sufficiency, whilst protecting the most vulnerable.
- 3.3 As a result, the County Council has had to make some tough decisions and whilst service improvement remains at the heart of everything the County Council does, increasingly services will be targeted at those who most depend on them – particularly children at risk of abuse and neglect, and adults who cannot look after themselves.
- 3.4 The County Council's corporate strategy will be refreshed in early 2017 in line with the expected funding settlement and will be subject to public consultation late spring 2017. Specifically, residents' views will be sought on the allocation of County Council spending against its priorities.

Devolution

- 3.5 The County Council commissioned Deloitte to conduct an independent study to provide an initial analysis of how services could be provided across the whole county at lower cost. The [report](#) explored a number of detailed options for unitary local government at the Hampshire and Isle of Wight (HIOW) level. Deloitte concluded that the creation of a new unitary structure for local government in Hampshire could result in lower council tax for the majority of Hampshire households, streamline services and deliver tens of millions of pounds of savings each year.
- 3.6 At this stage, there are no firm proposals on how the local government structure in Hampshire might develop. Therefore whilst a new unitary structure could generate efficiencies over the next four years, it is not currently included as a potential option within this efficiency plan.

4. Our Approach to Delivery of Efficiencies and Savings

- 4.1 The current financial strategy that the County Council operates, works on the basis of a two-year cycle of delivering departmental savings to close the anticipated budget gap, providing the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the Grant Equalisation Reserve.
- 4.2 The County Council's success in delivering its savings plans is demonstrated by the fact that it has been able to contain expenditure within budget and has achieved under spends in each of the financial years since 2010/11, despite taking significant sums of money out of the budget. The County Council has a proven track record in successfully responding to the financial pressures in local government, managing with significantly reducing resources and freezing Council Tax for five consecutive years.
- 4.3 The MTFs approved in July 2016 provided more background to the overall financial position to 2019/20. Of particular importance, is the fact that not only is the County Council able to meet, on a one off basis, the additional deficit in 2017/18 generated as a result of changes to the resource distribution methodology, but has also identified sufficient resources to bridge the estimated deficit of £70m in 2018/19. This has enabled the County Council's successful strategy of setting two-year savings targets to be continued.

The Increasing Challenge

- 4.4 One of the key features and underlying success factors of the transformation programmes within the County Council is that the planning, development and implementation of the programmes are undertaken well in advance. This has meant that where possible early savings can be safely achieved and conversely that reserves (from early savings delivery) can be used to bridge budget deficits in 'interim' years. This has given the time and capacity to properly implement the savings over a longer time frame with greater care and less disruption.
- 4.5 This was a key feature of the Transformation to 2017 (Tt2017) Programme. However, it must be recognised that as attention is turned to the Transformation to 2019 (Tt2019) Programme there is absolutely no doubt that this fourth major cost reduction exercise for the County Council since 2010 will be significantly more challenging than any previous transformation and efficiency programme against a backdrop of a generally more challenging financial environment.
- 4.6 Inevitably, Tt2019 will involve complex transformational, policy and service change across all services over the next few years. This will be undertaken alongside any slipped delivery of the Tt2017 Programme and an unrelenting *business as usual* agenda – all set within the context of an uncertain Government led devolution agenda.
- 4.7 In addition, given the financial context and the fact that the Tt2019 Programme will increase the cumulative total of savings to £480m, it is inevitable that some of the changes will involve service reductions in addition to efficiencies and income generation.
- 4.8 The decisions taken by the County Council in October 2015 to approve the [Tt2017 Savings Proposals](#) moved the programme from development into

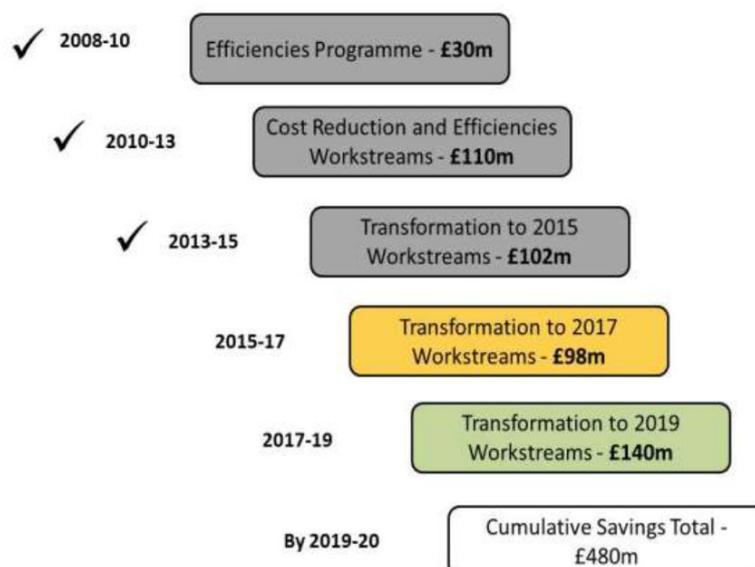
implementation. This was some 17 months before the savings were required to be fully realised but this timeline allowed for effective preparation prior to implementation.

- 4.9 The Chief Executive's report on [Transformation to 2017 – Report No.8](#) provided an update to Cabinet in September 2016. At this stage progress for the programme as a whole is largely in line with expectations with a total of just over £55m already secured and this figure is set to increase to between £68m and £70m by the end of the calendar year. That said, the size of the remaining challenge faced must not be underestimated and further close monitoring of the programme will continue to ensure the programme is delivered so that the financial resilience and stability of the County Council is maintained.
- 4.10 Looking ahead, the programmes of work in Adults' Health and Care will continue to require real attention, strong leadership and management focus. There are a number of risks, dependencies and external factors that will require ongoing management input and attention and in a number of areas, risks to delivery could actually increase rather than reduce, at least in the immediate term. On the other hand, the relative success with the overall programme to this point means that appropriate leadership attention can begin to be turned towards the planning for the successor Tt2019 Programme.

5. Transformation to 2019

- 5.1 As set out in the MTFS, the County Council is embarking on a new transformation programme which is expected to deliver savings over the medium term and this programme is the main driver to ensuring the County Council has a balanced and sustainable set of services.
- 5.2 The Tt2019 Programme will mean a cumulative cost reduction of £480m for the County Council over the past decade (see Figure 1 below). A separate and first dedicated report on Transformation to 2019 will be prepared for Cabinet later in the calendar year.

Figure 1. – Cost Reduction Exercises Including Tt2019 Programme Requirement



5.3 Translating the £140m into departmental savings targets to be delivered as part of the Tt2019 Programme results in the following allocation, after an ongoing corporate contribution of £20m, which equates to further cash limit reductions of approaching 19% over the two years:

	Tt2019
	£'000
Adults', Health & Care	55,732
Children's Services (Non-Schools)	30,132
ETE	19,005
P&R	15,131
Departmental Total	120,000
Corporate	20,000
Total	140,000

5.4 Plans to tackle the longer term deficit will begin to be developed over the coming months with a draft programme for Tt2019 likely to be completed early next financial year. The development of the Tt2019 Programme will be taken forward carefully and diligently with the planning process purposefully designed not to impact on the traction and work still to be completed for Tt2017. This dual running will give the County Council the best opportunity of delivering on the current programme alongside providing the maximum amount of time to develop, consult on and then deliver a robust forward programme to April 2019.

5.5 The Tt2019 planning approach mainly outlines and describes the suggested way forward for work to undertake opportunity assessment in the period to the end of March 2017. The focus over this period will be on discovering and defining high level opportunities that can then be developed and implemented from next spring. The process and timescale mirrors Tt2017 and the overarching timetable as set out in the MTFs.

5.6 The planning approach proposes that departments use a seven-strong thematic framework to help arrive at a series of opportunities for their service areas. The framework is described below in more detail:

- Demand Prevention – Developing highly targeted services aimed at enabling communities and individuals to take more responsibility for themselves and promoting independence and self-sufficiency.
- Early Intervention – Prioritising highly targeted intervention services and investing to reduce demand downstream.
- Demand Management – Ensuring better management of customer demand at the front door, providing lower cost channel options and shift, alongside improved customer satisfaction.
- Operational Productivity – Exploiting new and improved ways of working, increasing output from the same or less resource and improving service quality and user satisfaction.

- Supply Chain – Significantly reducing spend through demand prevention and containment and through improving our commissioning capabilities, including a focus on outcomes, better use of data and a more concerted partnership approach to suppliers.
 - Increasing External Funding – Increased trading and identifying new income streams alongside reviewing charges and service charging options.
 - Reducing / Stopping Services – Given that this programme will increase the cumulative total of savings to £480m it is inevitable that some of the changes will involve service reductions in addition to efficiencies and income generation.
- 5.7 This aims to systematically point future work to where it will have most value but alongside this, recognises that a number of different inter-related initiatives may need to move forward in parallel in any one service area for the optimum level of savings to be achieved.
- 5.8 Some elements of the Tt2017 Programme are already planned to ‘ramp up’ as we approach 2019/20. In addition, there are other elements of work in train that will start to contribute to closing the gap in 2019/20, namely, fully exploiting the capability developing through the Digital Strategy that will help truly transform the way all services operate within the County Council, on going work on the Business Development Strategy and opportunities in respect of better and innovative use of assets.
- 5.9 In addition, the MTFs highlighted the themes and workstreams to be developed within the framework above, in line with the timescales agreed in July 2016 to form a coherent strategy to deliver savings of £140m by 31 March 2019.

Governance Arrangements

- 5.10 The planning approach promotes a department-led governance model but recognises that the Corporate Management Team (CMT) should retain clear Executive oversight and control.
- 5.11 Departments will form Director-led Tt2019 Programme Boards. These Boards will have varied membership beyond the Departmental Management Team and their embedded Business Partner support from Finance and HR, and will meet at a regularity that works locally. Crucially they will also engage effectively with support services covering Workforce Development, IT, Customer Engagement Legal, Procurement and Property, as appropriate, and senior staff from the these support service areas may well be invited to be part of a Department Programme Board. In others, virtual support groups may be established.

Risks to Delivery

- 5.12 The main risks to delivery of this Efficiency Plan fall into three categories; increases in demand led services; ability to deliver savings and uncertainty over future income from council tax and business rates. However, the capacity to manage financial risk and the strong governance arrangements in place mean the County Council is well placed to manage these uncertainties.

5.13 The County Council has a good track record of successfully delivering significant savings as evidenced through the £242m of savings secured to date with £98m to be achieved as part of Tf2017 bringing the total to £340m. Delivery of a further £140m of savings will, as previously highlighted, be secured through the application of a proven and rigorous approach, although it must be recognised that our ability to achieve this without serious impact on frontline services is becoming increasingly more difficult.

6. Contingencies and Reserves

- 6.1 To provide capacity to manage financial risks, the County Council holds contingency provisions; an appropriate risk assessed level of balances and reserves that are suitable and adequate.
- 6.2 Contingency provisions (£40.5m in 2016/17) are held in respect of key risk items such as inflationary pressures, income risk and demand pressures to enable those more volatile budgets to be managed. These provisions represent the recommendation by the Director of Corporate Resources of a prudent approach to budgeting given the potential pressures the County Council faces. It is important to note that whilst these do represent significant available resources, they must be set in the context of the size and complexity of the County Council's gross budget and the efficiency and change programme.
- 6.3 Each year a review is undertaken to establish the appropriate level of balances to be held based on an assessment of strategic, operational and financial risks facing the authority including the ability to deliver planned savings. The recommended level of balances for 2016/17 based on the risk assessment is £21.5m.
- 6.4 In addition to these general balances and contingencies, the County Council has access to reserves as part of an on-going strategy for the management of the County Council's financial resources over the medium term. The County Council's Reserves Strategy (set out in the MTFs) is now well rehearsed and continues to be one of the key factors that underpin our ability not only to provide funding for transformation of services but also to give the time for the changes to be properly planned, developed and implemented.

7. Capital Strategy

- 7.1 The County Council's capital programme has been maintained and expanded over recent years, continuing the trend of ensuring that we invest wisely in maintaining and enhancing our existing assets and delivering a programme of new ones.
- 7.2 The County Council also has the opportunity through its capital programme (and borrowing powers) to support its MTFs and the Efficiency Plan through the progression of schemes where there is a clear financial benefit. Such schemes focus on clear priorities, and those that generate revenue benefits in future financial years, in the form of clear and measurable revenue savings or longer term income generation either directly or through council tax or business rate yield.

- 7.3 Service improvement is at the heart of everything the County Council does and it is also important in the current financial climate that key services are able to continue and prosper. Therefore, whilst it is recognised that prudential borrowing and the resultant impact on revenue must be a key consideration, where there are specific priorities in line with the County Council's focus on service improvement then the programme will continue to be expanded where it is affordable to do so and delivers measurable revenue savings.
- 7.4 Whilst welcoming the new flexibility in the use of capital receipts, the County Council has already set aside revenue funding for transformation schemes within the MTFS and will continue to do so over the short to medium term. This will enable capital receipts to continue to be used to fulfil the Council's Capital Strategy to drive the economic growth of the region and "invest to save" schemes for the County Council. However, the Authority will continue to bear this flexibility in mind as opportunities to generate savings are explored and progressed.
- 7.5 The County Council's ability to continue to provide significant resources to invest in specific priorities, in line with the County Council's focus on service improvement, and to generate revenue benefits in future financial years, even in times of austerity, is a testament to the strong financial management and rigorous approach to planning and delivering savings that has been applied; and to the benefits that can be achieved from working at scale.