

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	28 October 2013
<b>Title:</b>	Transforming the Council to 2015 – Report No.2
<b>Reference:</b>	5286
<b>Report From:</b>	Chief Executive

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#### 1. Executive Summary

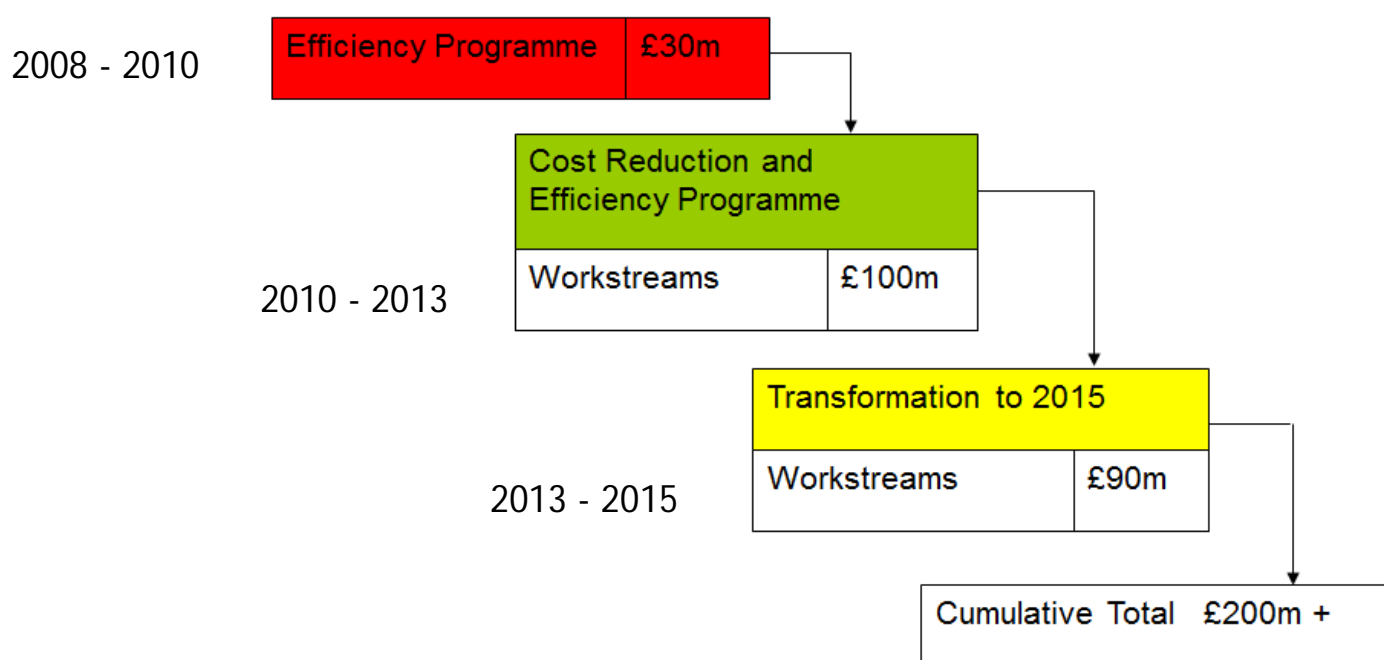
1.1 The Cabinet at its meeting on 24 June 2013 approved the report from the Chief Executive on the development of a strategy to reduce the Council's planned revenue spending by some £80 million by April 2015. Since then further information on grant reductions (including the loss of New Homes Bonus) and other related matters and Cabinet's decision to roll up the 2% annual efficiency target for 2014/15 into 2015/16 has increased this target to £90 million. The earlier report developed key themes and workstreams, identified a range of potential areas for reduction and areas where further work was required. This report updates Cabinet on progress and recommends new activities as part of the overall strategy. Good and significant progress has been made. As an observation it is obvious that finding a further £90 million is difficult, as it comes on top of the £130 million identified and delivered to March 2013. Early indications are that the target will be achieved.

#### 2. The Financial Context

2.1. Since the Cabinet last considered this issue, further information has been released by the Secretary of State for Communities and Local Government (CLG) which was reported to Cabinet in a review of the Medium Term Financial Strategy (MTFS) in July 2013. This report indicated that the Council's financial planning remained both prudent and prescient in that it rehearsed a position, now becoming more obvious, that grant reductions could continue until 2018 and beyond.

2.2. In practical terms the national settlement translated into a further 12% reduction in revenue spending across all services by April 2015. At the same time the Cabinet approved a strategy for the use of certain reserves. Two of these: 'Invest to Save' funding and the 'Cost of Change' are directly relevant to Transformation to 2015, providing significant resources to provide capacity and fund delivery of the planned reductions. The use of the relevant resources is identified below. In the same time period it has become obvious that central government will provide through the national financial system, further significant resources to meet the inexorable increase in Adult Social Care costs. Exactly how this will play out locally has still to be finally determined – but will involve close cooperation with Clinical Commissioning Groups (CCGs) and other parties in the health system to ensure that Hampshire realises a fair and relevant share of the additional resources. This activity will become a corporate workstream on its own merits.

The financial position is summarised in the diagram below and will be the subject of further reports.



2.3 Planning beyond 2015 to 2018 is becoming increasingly significant as Transformation to 2015 provides a platform for transformation and efficiency work beyond the next general election. Further reports will examine the benefits of accelerating this planning process in the spring of next year. This will depend on progress to harvest the planned reductions.

### 3. Progress and Issues – Transformation to 2015

3.1. Work on different workstreams approved by Cabinet in June has identified, so far, some £75 million of activity that could count towards the target. The next step is to develop these workstreams into departmental and corporate

submissions to test their viability, sensitivity and deliverability, as part of the budget preparation for February 2014. Initially, it was planned for the reductions to be developed over the Council's budgets in February 2014 and 2015 – although with the benefits of early action and momentum it is planned to develop the total programme into the 2014 budget, paving the way (if possible), for early work on the position to 2018. Cabinet is asked to note and agree that the planning assumption is that there will be no increase in Council tax in 2014/15

- 3.2. In terms of impact and progress the position is summarised below. Several workstreams interact so the table gives, in terms of progress, a 'roughly right position' rather than financial precision. Experience of previous workstreams indicates that momentum is important – particularly calibrating early results from the workstreams and departmental planning to meet cash limit reductions. Progress overall is strong.

<b>Rank</b>	<b>Workstream</b>	<b>Progress</b>
1	Housekeeping – Debt and Investment Management – Inflation Management	Green
1	External Spend	Green
1	Senior Management & Other Workforce Savings	Amber
1	Integrated Business Centre (IBC)	Green
1	Joint Working with Health	Amber
1	Strategic Transformation	Amber
2	Staff Overheads and Running Costs	Amber
2	Adult & Children Social Care Joint Working	Green
2	Business Strategy Development	Amber
2	ICT Cost Reduction	Green
3	Hampshire Workstyle & Other Asset Backed Opportunities	Amber

Rank is by importance to longer term transformation and financial impact.

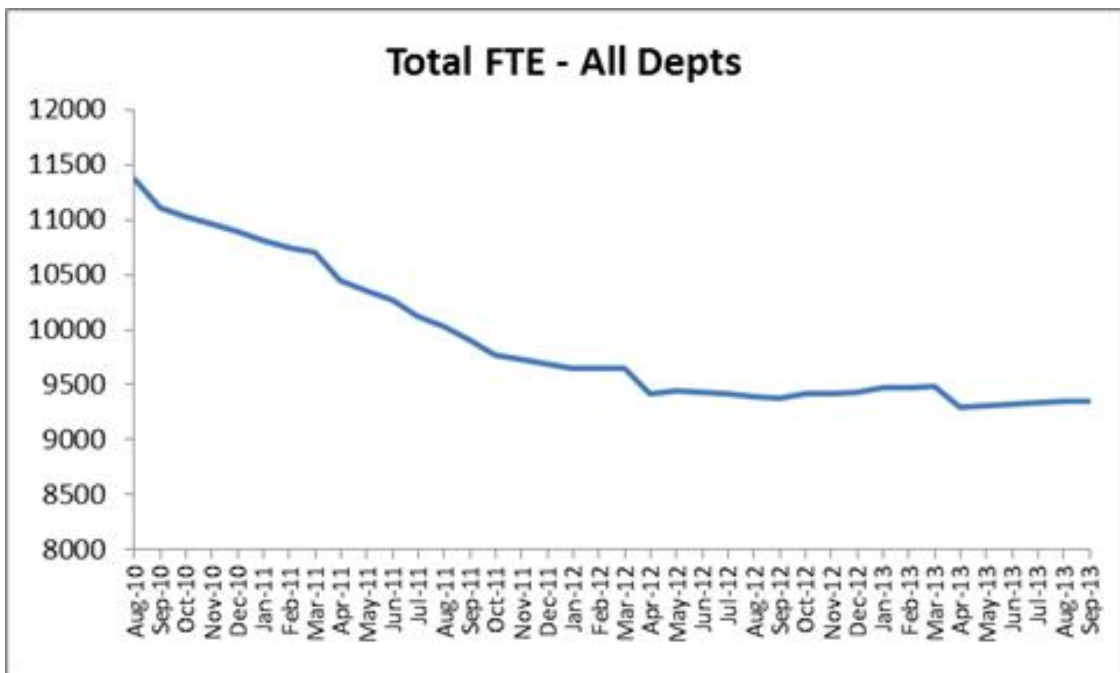
Progress is by Red, Green and Amber.

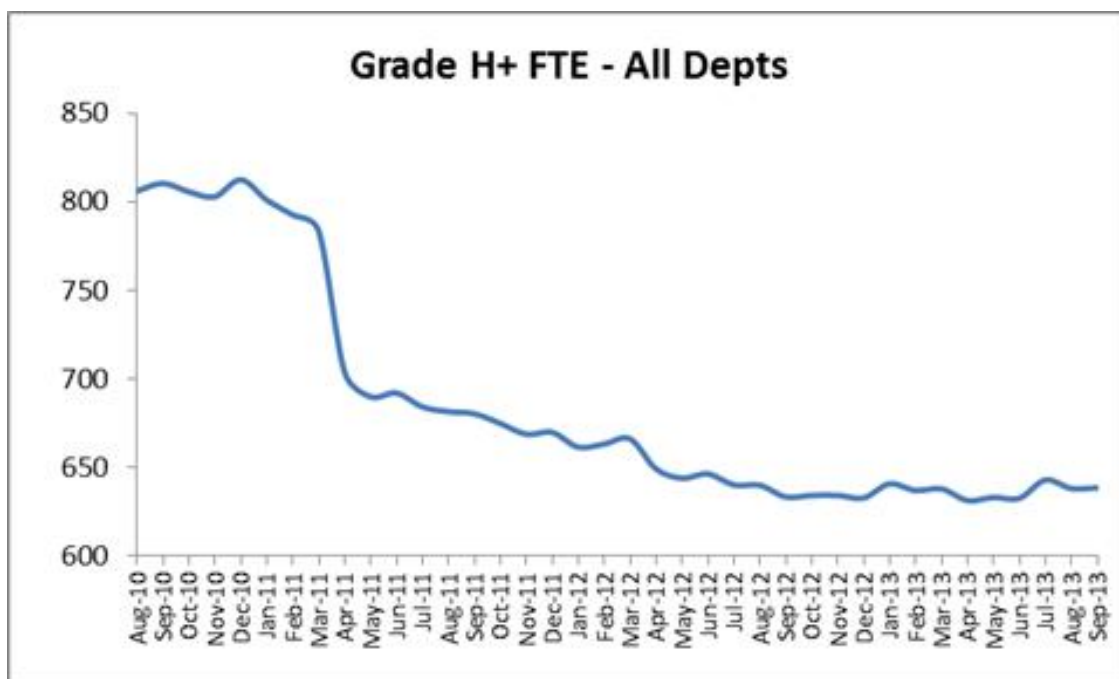
#### **4. Voluntary Redundancy and Staff Numbers**

- 4.1. The Transformation Programme approved by Cabinet requires the removal of a further £90 million of planned expenditure by March 2015. Roughly 25% of

our spending is on staff salaries. The existing policy of the County Council is to use voluntary redundancy as a mean of reducing staff numbers, particularly where the reorganisation of services or functions is planned to meet efficiency and transformation targets. Subject to retaining suitable capacity across different functions and services this proved an effective means of reducing our costs between 2010 – 2013. It is anticipated that once again voluntary redundancy exercises will be carried out across most services and by the time Cabinet considers this report these initiatives will have begun in different parts of our Corporate Services activity and is being rolled out across other departments.

- 4.2. The figures below indicate the significant reduction in staff numbers between 2010 - 2013 and also a significant reduction in senior managers over the same timescale. It is planned that in late October/early November to look again at senior management structures across the Council to look for further efficiency, transformational opportunities, shared services functions and overall to reduce further costs. Particularly within Corporate Services the model of developing ‘business partners’ with small teams that cover more than one department is the model that looks most effective, efficient and consistent with our shared service activity with Police and Fire.





4.3 The illustrations above indicate the nature of the previous reductions. Throughout the period to 2013 morale has remained high – one reason why performance remains so. The next phase of VR will need to be handled in a significant and business led way, recognising capacity, succession planning, turnover and redesign options that will exist in the next few years. The current change programmes around IT, the IBC and greater use of digital channels will all impact on the number of people we require in the future. In a number of areas staff decisions could converge with the County Council's business objectives making VR and its (extended) implementation a very significant business process to meet future cost reductions. This convergence would be a powerful tactic to meet cost reductions as it provides the benefits of VR, normal retirements and natural wastage.

## 5. Beyond 2015

5.1. The work which has begun under Transformation to 2015 is probably the largest change programme the County Council has undertaken. By summer next year many of our existing initiatives will bear fruit including:

- the delivery of the IBC will reduce our costs and provide significant 'trading capacity' in public services markets;
- our shared management initiative with Police and Fire will be established;
- our initiatives with the Health Sector to integrate services and draw across resources for Health and Social Care will have begun;
- our IT platform will be refreshed;
- the required VR programmes will be established with timescales and savings identified; and

- the major financial issues will have gone to Cabinet providing an early indication of our results and the extent of the reductions required to meet the cash limit reductions.

These changes in capacity and capability also provide a springboard to breed new business opportunities particularly in public to public markets.

## **6. Department cash limits, reductions and workstream targets**

- 6.1. In broad terms each departmental cash limit has to reduce by 12% by the end of March 2015. The table at appendix 1 summarises the position. At the same time each department has to remain within the (adjusted) cash limit, depending upon the pattern of reduction. Each workstream has been set a target giving a spend reduction profile that can be viewed in two dimensions: departmental or workstream reductions – whichever is taken the target remains 12% across services.
- 6.2. In the short term the proposals for (2014-2015) will be brought forward to the Leader's 'Budget' meetings in November for detailed consideration by Executive Members and the County Council in February 2014. It remains key to future planning that departments operate within their cash limits thus providing the platform for future savings proposals to be realised. Secondly, where departments are able to advance and harvest savings these be retained to meet future savings targets and fund the cost of change (e.g. redundancy costs).

## **7. Integration of Services**

- 7.1. In the last spending round some £3.8 billion of funding was announced for Health and Social Care services, to be shared between the NHS and Local Authorities to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people.
- 7.2. The funding is described as a single pooled budget for Health and Social Care services to work more closely together in local areas based on a plan agreed between the NHS and the Local Authority. The use of the fund is being prescribed nationally.
- 7.3. It is anticipated that local plans will be in place by the spring of next year so planning has begun on how to take this initiative forward with Clinical Commissioning Group (CCGs). It is anticipated that plans will be developed jointly by CCGs and local authorities, signed off by each, and in turn the Health and Wellbeing Board.
- 7.4. Much of this resource will be existing spending in health activities requiring the health sector to decommission activity. A significant element will be new resources – probably tied into a performance related plan focusing on key outcomes for Health and Social Care. It is probably not realistic for Adult Social Care to find a further 12% reduction in their spending without access to these resources. The planning and organisation of activity around this

workstream becomes therefore one of our key activities for the next 12 months in Transformation to 2015.

## **8. Shaping Hampshire: modern, public services for the future**

- 8.1. In 2010, when the cost reduction and efficiency strategy was developed (consisting of a large number of interrelated workstreams to achieve £100 million in savings), Cabinet agreed that a strategic narrative was needed to signal our intention to continue to develop and refocus services, while meeting the challenges of significant grant reductions. This narrative was based around a theme of *Open for Business*, which provided an operating model for business planning and a framework for reporting progress to Cabinet. The *Open for Business Plan* also informed the organisation's overarching communication strategy, reinforcing the County Council's intention to provide services alongside the process of reduction and transformation.
- 8.2. It is recommended that a similar approach is taken to 2015 and beyond, using the narrative *Shaping Hampshire: modern, public services for the future*. Building on the success of the last three years, the *Shaping Hampshire Plan* signals the Authority's intent to further transform and shape services for the future, in line with our evolving financial strategy. It establishes the County Council's position at the forefront of developing modern, sustainable public services that recognise the need for change balanced with the responsibilities of looking after Hampshire's people and place.
- 8.3. The *Shaping Hampshire Plan* brings together key priorities for the Council into a coherent shared strategy. In addition to the Transformation to 2015 work streams, it also integrates priorities of the Health and Wellbeing Strategy; Children and Young People's Plan; Workforce Development Strategy; and other key policy areas. The Plan covers the period 2013-17, reflecting the term of the current administration.
- 8.4. *Shaping Hampshire* has been informed by analysis of Census data (2011); the Joint Strategic Needs Assessment (2013 refresh); and the Hampshire Economic Assessment (2011). Within the Plan, areas of work are organised by four coherent themes, reflecting the breadth of the County Council's responsibilities: health and wellbeing; communities; economy; and efficiencies. A key aim has been established for each of these themes, supported by set priorities. The draft Plan is provided at Appendix 2, together with an Executive Summary.
- 8.5. The Plan has been designed to be accessible for residents, partners and staff, providing a framework for communications activity. A delivery plan will be developed to measure progress against the Plan, which will be reported to Cabinet on a six monthly basis.

## **9. Invest to Save**

- 9.1. The sum of £5m was set aside as part of the outturn position for 2012/13 to provide 'invest to save' funding to support the Transformation to 2015

programme. Delegated authority was given to the Chief Executive and Director of Corporate Resources, in consultation with the Leader and the Executive Member for Income and Capital Receipts, to approve bids against this sum in order to ensure there was a quick but consistent decision making around this funding. A total of £1,171,000 of this sum has already been committed to support the External Spend workstream and procurement capacity.

## **10. Recommendations**

10.1. It is recommended that Cabinet:

- (1) Endorses the action taken so far to meet the savings targets;
- (2) Notes that for planning purposes the preparation for the February 2014 budget includes proposals for 2015/16;
- (3) Endorse the use of 'invest to save' resources as outlined in the report;
- (4) Supports the continued development of budget strategies that ensure departments remain within their cash limits and any approved contingencies for the particular year; and
- (5) Approves the 'Shaping Hampshire Plan'.

## Appendix 1

	2011/12	2012/13	2013/14	2014/15	2015/16	Total over 5 years
<b>Saving targets</b>	<b>8%</b>	<b>8%</b>	<b>2%</b>	<b>0%</b>	<b>12%</b>	<b>30%</b>
<b>June 2013</b>	<b>£100m</b>		<b>£9.5</b>	<b>£10.6</b>	<b>£50-80m</b>	<b>£170 - £200m</b>
<b>October 2013</b>	<b>£100m</b>		<b>£9.5</b>	<b>£0 – rolled into 15/16</b>	<b>£93m</b>	<b>£202.5m</b>

## CORPORATE OR LEGAL INFORMATION:

**Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	no
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	no
Corporate Improvement plan link number (if appropriate):	
<p><b>This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision to enable workstreams and activities to progress to meet the planned reduction in revenue spending by the County Council.</b></p>	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Transforming the Council to 2015 – Report No. 1	4939	24 June 2013
<b>Section 100 D - Local Government Act 1972 - background documents</b>		
<p><b>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.)</b></p>		
<u>Document</u>	<u>Location</u>	
None		

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. It is to be expected that the workstreams 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 an equality screening process. More detailed Equality Impact Assessment 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