

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

|                        |   |
|------------------------|---|
| <b>Decision Maker:</b> | Cabinet   |
| <b>Date:</b>           | 14 April 2014   |
| <b>Title:</b>          | Transforming the Council to 2015 – Report No. 3 and a review of key workstreams and a Transformation Strategy to 2018 |
| <b>Reference:</b>      | 5775  |
| <b>Report From:</b>    | Chief Executive   |

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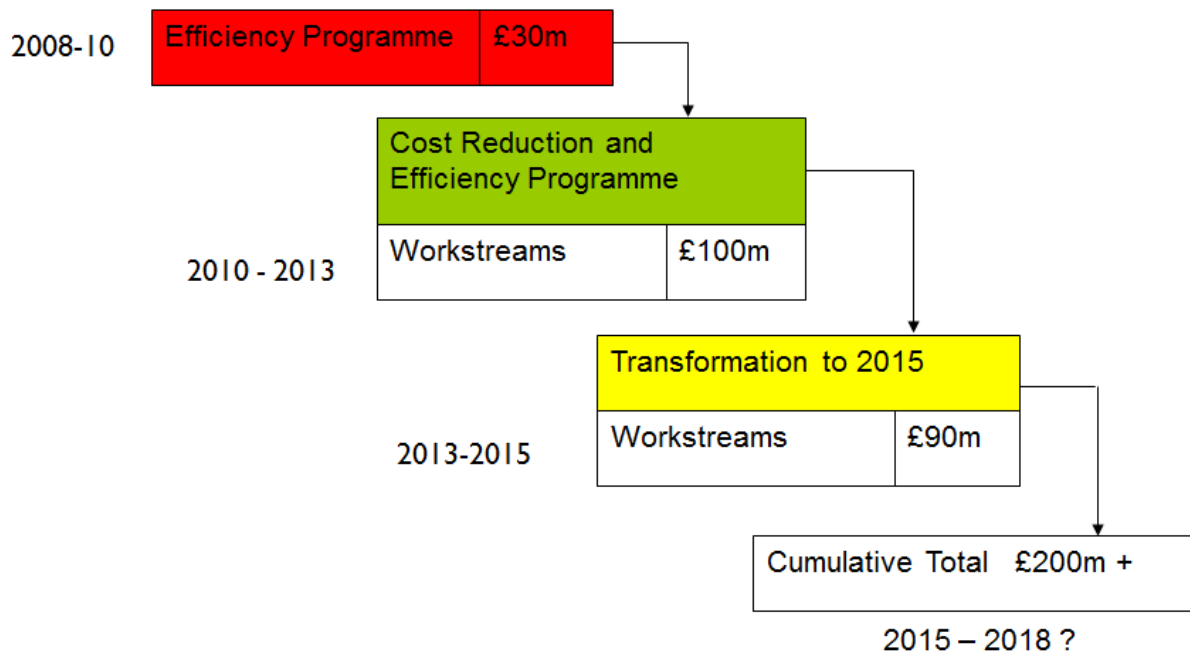
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#### 1.0 Introduction

- 1.1 In July and November 2013 Cabinet agreed the financial and business strategy – Transformation to 2015 – and its relevant workstreams as the basis for dealing with the next tranche of government grant reductions thereby creating a programme of cost reduction and transformation to save an estimated sum of £90 million by March 2015. The budget approved by the County Council on 20 February 2014 embedded the savings strategy in our financial planning. Strong progress is being made on the workstreams and the budget reductions. This report brings Cabinet up to date on progress.
- 1.2 At the same time 2014 is important for two particular issues. Firstly, the programme to implement the Integrated Business Centre (IBC) as the shared services arrangements with Police and Fire come to fruition and secondly, to harvest the benefits of the cost reduction programme approved in the budget, it is imperative that departments stay in line with their cash limits for 2014-15. The former begins the next phase of looking to roll out our capacity to partners and the early steps on how we use such capacity to trade for increased income. The latter retains financial discipline around our spending and saving programmes to give a strong platform for 2015 and beyond, when it becomes inevitable more reductions are required to meet further planned grant reductions in 2016 to 2018. This approach would maintain our strong trend of planning over a three year period, notwithstanding the uncertainty of the country's public finances and what may occur after the General Election in 2015. This report updates Cabinet as part of the increased resilience established around our budget management process – agreed in the budget in February 2014.

## 1.3



## 2.0 Further Risks – but start early

- 2.1 This report identifies future risks to the above strategy and begins a process of looking past 2015 to what requires to be done to the Council's existing operating model to meet the financial pressures forecast for 2015-16 and 2017-18. Experience tells us that starting early on this work, from the basis of a robust transformation programme, improves the probability of success, recognising that identifying and removing further sustainable cost reductions may take months, if not years, in some of our services, contracts and workstreams. The period to 2018 is significant in that it completes a decade of planned reduction in our spending programmes (having started our efficiency work in 2008), alongside some of the lowest Council tax increases in our history. Arguably, as we consider planning cost reductions to the end of the decade, the more difficult the task becomes and the greater the level of change and adaptation is required to some services and policies. In all our services the County Council has retained its core capacity and in many areas expanded that capacity by becoming a supplier to other Councils or public bodies e.g. Children's Services to the Isle of Wight.
- 2.2 This report also identifies the emerging benefits from our change programmes in building a highly skilled public service workforce but also begins to (re) position it in 2014 to take future benefits from a changing public sector landscape. Many local authorities are beginning to lose significant professional capacity. Therefore many will as a substitute, wish to collaborate with other authorities and the private sector to provide what was previously done in house. While the success of cost reduction programmes have been key to meeting grant reductions and low and zero council tax, the programmes have also provided significant business benefits as the Council

takes its place in quite a different public sector landscape with its ability and capacity to provide services to other authorities (e.g. local authorities, LEP's, schools) significantly enhanced by the investment in its infrastructure and staff experience that has accompanied the cost reduction programme(s) over the last six years.

### 3.0 Progress on Transformation to 2015 (3)

3.1 Progress on 'Transformation to 2015' is summarised in the table below.

|  | Approved<br>Target<br>£'000 | Already<br>Secured<br>£'000 | Already<br>Secured<br>% |
|--|-----------------------------|-----------------------------|-------------------------|
| Housekeeping   | 5,000                       | 6,800                       | 136%                    |
| External Spend   | 37,826                      | 11,287                      | 30%                     |
| Adult Services sub-streams                             | 250                         | -                           | 0%                      |
| Children's Services sub-streams                        | 4,377                       | 2,197                       | 50%                     |
| Senior management & other workforce savings            | 7,783                       | 2,553                       | 33%                     |
| Staff overheads & running costs                        | 1,240                       | 617                         | 50%                     |
| (1) Joint working with health                          | 24,410                      | -                           | 0%                      |
| ICT cost reduction                                     | 1,551                       | 365                         | 24%                     |
| Hampshire Workstyle & other asset backed opportunities | 2,000                       | 2,000                       | 100%                    |
| Integrated Business Centre (IBC)                       | 1,297                       | 905                         | 70%                     |
| Business Strategy opportunities                        | 1,500                       | 1,500                       | 100%                    |
| Approach to enabling/working with communities          | 585                         | 154                         | 26%                     |
| Organisational development & Learning & Development    | 80                          | 80                          | 100%                    |
|  | <b>87,899</b>               | <b>28,458</b>               | <b>32%</b>              |
| Departmental Savings                                   | 14,588                      | 6,670                       | 46%                     |
|  | <b>(2) 102,487</b>          | <b>35,128</b>               | <b>34%</b>              |

- Note: the first estimate of the likely outcome will not be available until the end of April (see para 3.3)
- Note: The £102.5M total target is made up of the original £93.2M plus £3M of slipped Adult Services savings and £6.3M of Children's Services savings relating to the loss of Early Intervention Grant.
- The total in the table is the aggregated cash limit by workstream rather than by department

3.2 Progress is strong and suggests that the overall target of reducing expenditure by £90 million by March 2015 will be achieved. So far some £28

million has been identified as a first step to meeting the planning target of £90 million. The significant risk to the overall programme, which needs to be mitigated, is ensuring the success of our joint work with Health around the Better Care Fund, whereby the County Council can access resources, subject to specific criteria, to meet the increasing demand for expenditure on Adult Social Care.

- 3.3 It is (probably) not realistic beyond 2015 to fund from County Council budgets, any further budget contingencies in relation to potential recurring increased revenue expenditure for Adult Social Care as the scale of any such expenditure would dwarf other departmental savings programmes and undermine the strategy around future decisions on Council tax – where we have a current planning presumption of zero or low increases in the future.
- 3.4 Specific departmental and corporate working arrangements are therefore in place with public sector partners from Health and our private sector partner to provide capacity for this work. An early assessment of progress is positive and genuine collaboration looks possible in some activities with Health. Deloitte will finish this work in April for Cabinet in June 2014.
- 3.5 The County Council has some £20 million of exposure to non delivery in this workstream. This is not the same as indicating that cash can be dislodged or decommissioned from existing health spending patterns and made available to Adult Social Care. 2014 will be significant in realising our ambition around this activity and seeing early evidence of emerging trends that impact positively on Adult Social Care.
- 3.6 This workstream will become the centre piece (and our greatest risk) of our corporate transformation work to 2015. The Chief Executive has recently written to the five Clinical Commissioning Groups (CCGs) offering a more robust model for delivery and integration with greater capacity to manage the required programmes of commissioning, decommissioning and redesign. This will ultimately involve the creation of a new (legal) entity for this purpose or some form of joint venture to manage the collective actions of the six organisations, and increasingly the Acute and Primary Care providers..

#### **4.0 VR Programmes**

- 4.1 The relevant VR programmes have begun and the target of finding a further 10% cash reduction in senior management capacity from within budgeted cash limits will be achieved by March 2015. (This comes on top of the 25% reduction to 2013). The full year effect of this will be a saving of £2.4M. Further and wider VR programmes will be progressed in the spring and summer following the County Council's approval to its budget in February 2014. It is proposed to review the senior management position again later in 2014.
- 4.2 So far some £17 million has been saved on senior management costs since 2010. Inevitably this scale of reduction has an impact, potentially on

workloads. It has however allowed levels of hierarchy to be reduced, roles to be broadened and staff to have access to more senior job opportunities and work experience. This has occurred just as private sector professional markets have expanded creating opportunities outside the County Council. Recruitment, retention and reward strategies are all emerging as future issues. A separate paper on this issue is scheduled for EHCC in July 2014.

## **5.0 Managing change, capacity and headcount**

- 5.1 It has previously been reported that up to 1,000 posts could be affected by the change programme. It should be noted that this is not a reduction of 1,000 staff. Many of these posts will be 'budgeted vacancies' (i.e. posts where budget exists but the post is vacant), posts which will be affected by the new technology platform and ultimately may not be required, and vacancies which are not filled when spending and service programmes have been reduced. The management of vacancies is also critical to determining the impact on future recruitment.
- 5.2 In some activities there will be significant staff transfers (for example Police and Fire), successful trading activity and budget spending which will increase departmental staff recruitment. Activities around planned capital spending will generate the need for more capacity from both external recruitment and the private sector consultants. Aligned to this quite complicated pattern is the constant demand from services and the impact of new technology (IT, Property, ETE will all be impacted by this trend)..
- 5.3 Departments are well placed through the HR strategies to deal with the opportunities that also come from using succession planning, secondment and the deployment of capacity to meet new opportunities, further building the resilience of the leadership and management capacity for the future. This is a strong position for the County Council.
- 5.4 The development of effective capacity is crucial to future planning for 2018. This deployment and redeployment of staff on the corporate workstreams and departmental change programmes provides effective experience for future staff development. In some cases limited recruitment will be necessary to maintain momentum and onboard partners in a more partnership and shared service environment. The Council's increasingly strong position in shared and business support services is a major part of future financial stability.
- 5.5 The overall net position on staff will therefore not be known until the spring of 2015, but it can be reasonably predicted that there will be significant increases in the numbers of staff required in certain services, matched by reductions in others. This change in our workforce is tending to move towards a requirement for more higher graded positions as trading and capacity in shared services develops (often in professional services), with technology substituting for posts that previously dealt with administrative and transactional processes. Even this generalisation underestimates the

complexity of the situation in 2014 before it settles down in 2015 when the investment in people and capacity can be taken to market. This provides another 'step change' in our capacity as we look to build customers and partners, to exploit our infrastructure.

## **6.0 Capacity for the Future**

### **6.1 Private Sector Partner**

6.1.1 For the last two years the County Council's capacity has been supported by our private sector partner – bringing capacity, challenge and acumen to different parts of our business: e.g. negotiations on the waste strategy, the IBC design and implementation, business and traded services, analysis of external spend and procurement. This capacity has been at the heart of some of our change programmes. Providing an opportunity to 'get to market quicker' (e.g. IBC and Shared Services) provide business capacity (e.g. traded services) and build momentum and speed (e.g. Corporate Services) have all been leading edge contributions to past success in savings and new markets. 2014 will see the end of this arrangement and the commissioning of succession arrangements, subject to the approval of the Executive Member for Policy and Resources.

### **6.2 Digital Strategies**

6.2.1 As the current change programme draws to completion (the major changes were planned in 2010 onwards) it is realistic in 2014 to take another look at the potential for an 'integrated digital strategy' to become embedded deeper in the working of the Council and its front line services and to look for greater financial and service benefits for more mobile working and the development of newer technologies around i-phones, tablets, mobile devices, etc. that can be made to be highly functional with a modern resilient technology platform (e.g. IBC platform). This work needs to look at how costs can be further reduced, productivity increased and business processes refreshed across all services. The objective being both service improvement, new access channels and cost reductions. This work is now being planned to begin in 2014, recognising that it would be the beginning of a fresher approach to IT than hitherto, with a focus on using the functional applications of technology to reduce cost and find new ways of working. New ideas of customer access and new channels to deliver services would be features of such an approach.

6.2.2 The Council is now embarking upon a three month digital review project which will create a robust roadmap and delivery plan as part of the Transformation to 2018 workstream programme, £233K has been made available to support this project from the Invest to Save Reserve.

### **6.3 Skilled Staff for the Future**

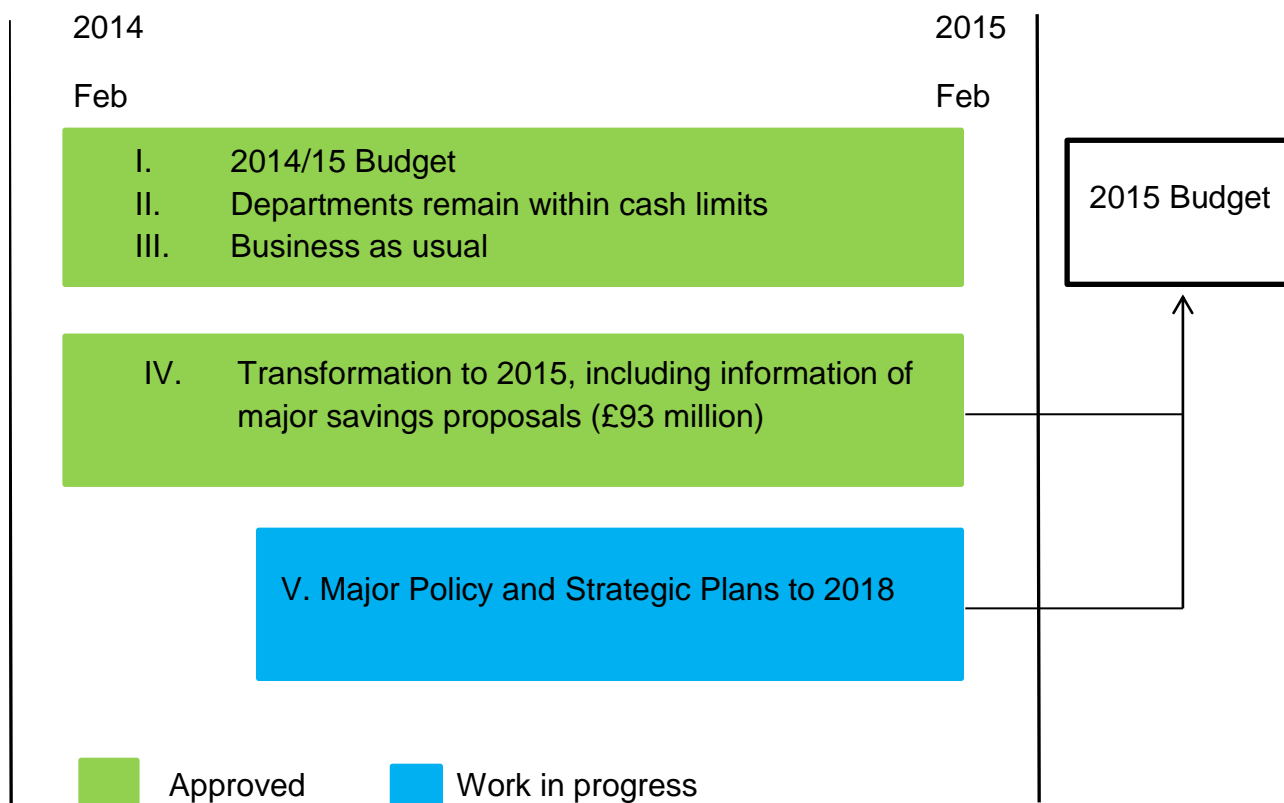
6.3.1 Staff morale remains high and existing staff continue to experience high quality work placements in departmental change programmes, external spend analysis, IT development and cost and management functions. This, allied with 'Transforming Through You' our major HR enabler, provides the County Council with an array of different capacity built on our strong tradition of professional services, unique in many regards but highly relevant for the future. A continuation of these trends will support the County Council's resilience and agility to provide cost effective public services for many years to come.

6.3.2 A skilled workforce with a modern IT platform enabling digital technology to replace existing transactional process provides both a platform for future trading of services and a modern and confident workforce for the County Council. While meeting the cost reductions has been difficult, this outcome is arguably more significant for the future and places many of our functions and services in strong positions for 2015 and beyond. Maintaining morale, high performance and recognising the stress and strains in public services are critical features of our change activity. Continuing to provide certainty as to the County Council's role and ambition for the future helps remove uncertainty that comes from the austerity programme.

### **7.0 Planning beyond 2015**

7.1. Maintaining the discipline of our transformation programme is essential – delivering £90 million of expenditure reductions is critical to ensure the County Council is in a strong and stable financial position to plan beyond 2015. Subject to reviewing the trajectory for 2015, early work could commence to look at how we continue the pattern of reducing cost (to meet grant reductions), being more productive, investing in services, and squaring the circle with low or zero council tax. This pattern or alignment of reduced costs, efficiency transformation and cost effective local services remain central to the overall programme and effectiveness of the County Council. Continuing this 'holy trinity' remains central to future planning beyond 2015.

The position is summarised in the diagram below:



## 8.0 Back to the future

8.1 From our work so far one can draw together some themes for the future. Looking to the future, several different but related strategies begin to emerge around which future capacity and activity should be built including:

- Effective collaboration, performance and early intervention with the health system and its constituent parts, particularly where it leads to reduced costs;
- Continuing to reduce the cost of doing business - hence the importance of a new digital strategy – with more cash able to find its way to front line services;
- Substituting income from (trading) partners for existing HCC expenditure;
- Using our capital programme to maximise economic impact both on our business and on our services;
- Managing costs out of our 'supply chain' (which remains about three quarters of our spending);
- Maintaining a downward trend in the cost of management;
- Maximising the impact of our services in terms of low cost of delivery and high value impact;

- Looking to exploit further commercial opportunities from our asset base; and
  - Exiting from lower priority workstreams and authorities.
- 8.2 While not complete, a strategy for the future around these key themes (re)positions the County Council in the current financial and public services landscape. These emerging strategies, aligned to a strong sense of stewardship of resources, provide forward stability in our partnerships and trading and make sense of our strong financial reserves.
- 8.3 This suggests the importance of reviewing the County Council's operating model over several years to maintain a low council tax with significant capacity to provide high value and impact services in waste, highways, Adult Social Care, Children's services, corporate, culture and shared services. It is proposed that a report on these issues, as part of Transformation to 2018, be prepared for Cabinet in the Summer of 2014, with a forward financial forecast to 2018.
- 8.4 Some of what is planned for the future is the confirmation of past themes:
- Redesigning operating models for services consistent with the (reducing) financial envelope for the service;
  - Future embedding of standard operating procedures to reduce cost and scale up utilisation of our IT platform;
  - Testing the relevance of new delivery models for different services; and
  - Evaluating opportunities for income substitution but protecting services and professional capacity, where it is economic to do so.
- 8.5 While these as processes remain central to our operational costs, it is inevitable that other activities that have so far not been included in our efficiency and transformation work are considered, including;
- Evaluation of the impact of further volunteering, shared ownership and co-design of services with partners;
  - Alternative locality management arrangements for front line delivery;
  - The role and contribution of the voluntary and community sectors;
  - The organisation of services with District Councils;
  - The benefits of partnerships with other major local authorities and business partners; and
  - Reviewing the benefits and costs of existing grant programmes.

## **9.0 Recommendations**

9.1 It is recommended that Cabinet:

- (1) Notes the progress on the Transformation Programme to 2015

- (2) Approves the development of a strategy for 2018 building upon the key themes and strategies outlined in this paper for consideration and approval by Cabinet in the summer of 2014
- (3) Agrees that the Chief Executive bring forward:
  - i) an update on this work in 2 above to Cabinet in July 2014; and
  - ii) regular reports on progress to March 2015 to evaluate how well the targets are being met.
- (4) Notes that separate arrangements are being made (through the Executive Member for P&R) to seek approval to a second version of the Private Sector Partner arrangements.

**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):   |    |
| 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. |    |

**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    |
| Transforming the Council to 2015 – Report No. 2                      | 5286             | 28 October 2013 |
| <b>Direct links to specific legislation or Government Directives</b> |                  |                 |
| <u>Title</u>   | <u>Date</u>      |                 |
|  |                  |                 |

**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.)

|                 |                 |
|-----------------|-----------------|
| <u>Document</u> | <u>Location</u> |
| None            |                 |

## **IMPACT ASSESSMENTS:**

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

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 Assessments will be carried out on the implementation plans, as appropriate.

### **2. Impact on Crime and Disorder:**

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