

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	23 June 2014
Title:	Transforming the Council to 2015 – Report No.4
Reference:	5923
Report From:	Chief Executive

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1. Introduction

1.1 At the Cabinet meeting on 14 April 2014, it was agreed that:

- b) Progress to achieve the reduction in spending of £93 million by 2015 be reported to Cabinet on a regular basis; and
- c) Work begins on developing the major workstreams to align the Council's revenue spending to 2018 with a further reduction in grant support, inflation and service pressures.

This report brings Cabinet up-to-date on progress.

1.2 In practical terms the target has been amended to £102 million to take account of slippage in earlier years' savings. The major point raised in the last report related to the financial contribution for the Better Care Fund (BCF) which represented some £20 million per annum and in practice was assessed as the major risk to the programme. Further details are mentioned below. Overall progress with the workstreams is good with all departments making significant progress.

1.3 The key judgement, still to be made, and it is recommended that this be considered by Cabinet in October – is the point at which there is robust evidence that *Transformation to 2015* and its workstreams have, or will deliver the savings target - laying a sound foundation for future budgets and the target for *Transformation to 2018*.

2.0 Better Care Fund

2.1 Discussions with the Clinical Commissioning Groups (CCGs) have progressed. Deloitte have confirmed that there is at least a mid-range point of some £14 million from which it is possible CCGs would support Adult Social Care spending. It is proposed, under the Better Care Fund budget

requirements, to indicate to the CCGs that the full £20 million will be required. This is a step forward and reduces the uncertainty, which was discussed in the last report to Cabinet. Developing an 'assurance statement' around this position is now work in progress and this is a precursor to the formal agreements that will need to be in place by April 2015. This will be followed by an accounting review. However, looking ahead and to ensure that these resources are available on a recurring basis, year after year, it is important to maintain momentum in this partnership work to enable:

1. New joint management and leadership arrangements to emerge to ensure accountability for the resources and the required adaptation;
2. Recognition of the importance of this workstream to both the County Council and the CCGs, and their respective financial requirements. In order to reduce spend, we need to have robust partnership arrangements in place that are fit for purpose for the future; and
3. The County Council to look beyond the existing financial focus, to much larger opportunities, in the integrated Health and Social Care sector.

2.2 These are early days but progress is positive. Another check on the availability and robustness of this plan is scheduled for September. Recognising the fact that the workstream is required to generate recurring resources to match existing activity and new activity levels, it is anticipated that the joint management arrangements will develop over the coming months into permanent adjustments in the shape of Adult Social Care leadership and partnership arrangements. A report on this issue is being prepared for the Executive Member and EHCC because of the workforce implications.

2.3 As this report was being finalised, NHS England announced a further review of health service operational spending plans, including BCF. These submissions have to be worked through and submitted to NHS England by the end of June. For this reason and until October 2014 at least, while recognising progress, the BCF contribution to Transformation to 2015 and in particular the Adult Social Care savings proposals should remain flagged as high risk. In the meantime, other options should be explored on how to maintain the overall programme should significant slippage occur.

3.0 Review of Overall Programme – A look ahead to the finishing line

Progress in Transformation to 2015

	Approved Target £'000	Already Secured £'000	Already Secured %
Housekeeping	5,000	6,800	136%
External Spend	37,826	11,734	31%
Adult Services sub-streams	250	0	0%
Children's Services sub-streams	4,377	2,197	50%
Senior management & other workforce savings	7,783	2,633	34%
Staff overheads & running costs	1,240	627	51%
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%
	63,489	28,995	46%
Departmental Savings	14,588	7,020	48%
	78,077	36,015	46%

B Joint working with health 24,410 (See Para 2.1 above)

3.1 It was agreed that more robust management and performance reviews would be created given the larger risks in *Transformation to 2015*. The table above focuses on what has been secured. Given the risks it was appropriate to review what is likely to be achieved. This has been completed and will be reviewed again in September 2014, prior to Cabinet in October 2014.

3.2 This review identified that significant progress is being made with £61 million (56%) of the programme on track and low risk. Of the remaining planned savings £11 million is deliverable, good plans are in place for another £23 million but there are risks (e.g. procurement, implementation and negotiation to take place). A further £13.5 million requires further work. Unsurprisingly, given the scale of the savings required and the demand led nature of certain services, the most significant risks are with Adult Services

and Children's Services. This position is explained partly by complexity and unavoidable reliance on some partners, but also by the increasing difficulty of finding successful reductions on declining budgets against apparently increasing need. Equally it is important to be mindful of the strong financial position the Council is in to 'cash flow fund' any shortfall of a particular savings strategy where it is better to take later, a larger prize, rather than a cash reduction that in the medium term is less than optimal.

3.3 The overall programme of reductions can also be categorised around:

- Workstreams under the direct control of the County Council;
- Contracted services with private sector providers; and
- Expenditure connected to services with external organisations and partnerships.

3.4 The risk to the overall programme is generally less when it is a workstream under the County Council's control and greatest when its services are connected to external organisations.

3.5 From a management perspective it is also apparent that having the relevant capacity to plan, manage and deliver savings is a key issue. Further work around building and developing existing staff and our private sector partners is planned to ensure that we have the right type and quantity of resource for the reductions.

3.6 By the end of June this will mark significant progress and we are probably ahead of where we could have anticipated we would be, with a focus on the key risks to the programme. Being on course and ahead of target is a strong position. Delivery on the remainder of the programme is the key task for the next three months. In October a 'stock take' will be important to:

1. Reviewing arrangements with the health system
2. Knowing with greater certainty the timing and phasing of reductions; and
3. The likelihood of the overall programme delivering the desired reductions.

3.7 This way, we retain a systematic overview of the programme and our ability to identify early any adjustments or compensatory action that might be required.

4.0 Triple Lock

4.1 At the risk of repeating part of the last report it remains critical that:

- Departments meet their savings targets;

- Expenditure within departments and services remains within the approved budget cash limits; and
- Planning for a low or zero Council Tax remains a central planning assumption.

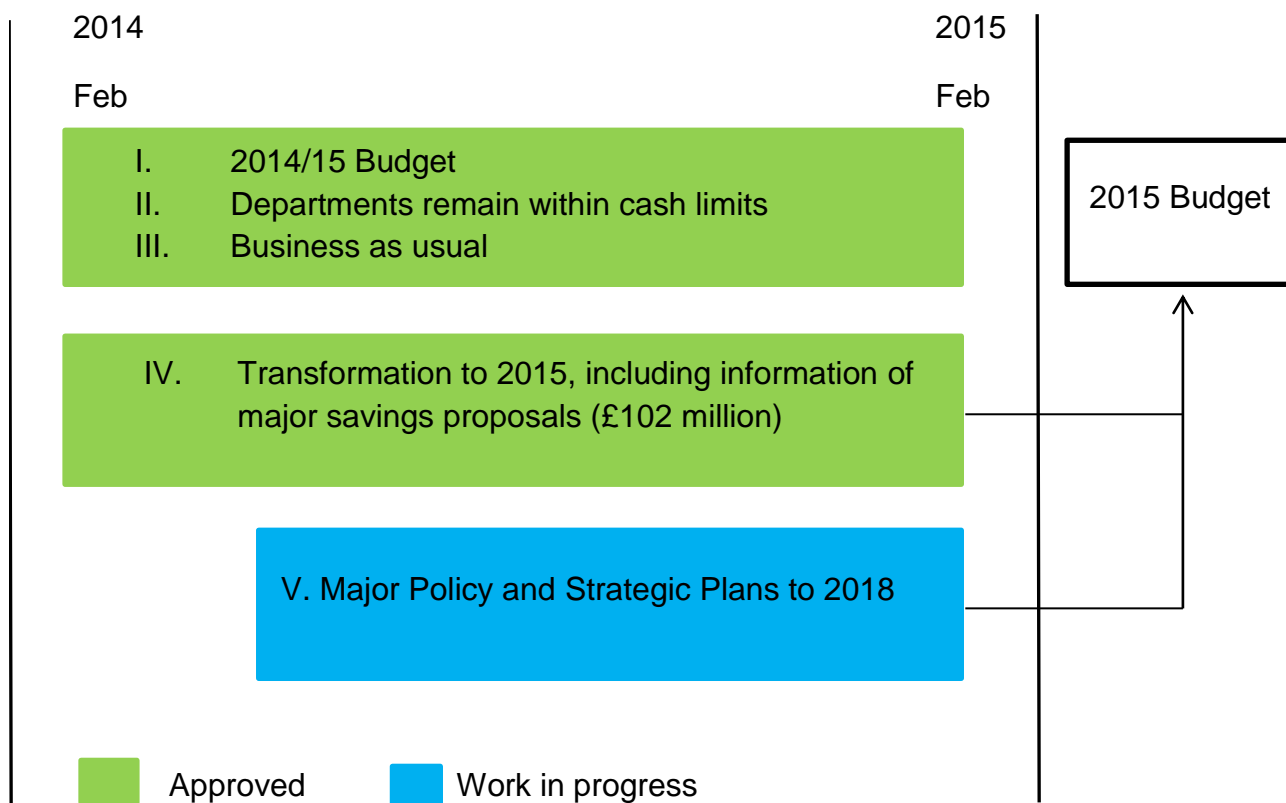
4.2 Early monitoring indicates that progress is good and this ‘triple lock’ remains in place. Next month the Director of Corporate Resources will prepare the update of the Medium Term Financial Strategy to 2018, setting out another three-year horizon and the shape of the financial landscape which the County Council will face. This milestone has traditionally signalled the beginning of two other workstreams involving Cabinet and Executive Members: planning for the Council’s budget in February 2015 and updating our Transformation Programme to 2018 on the assumption that good progress is reported during the summer. This position will be revised in October 2014.

5.0 Performance

5.1 Members will be aware of the recent LGA Peer Review and more importantly the recent ‘harder test inspection’ of Children’s Services. The outcome from the latter is evaluated as *good* with *outstanding* leadership characteristics. Elsewhere on today’s agenda is the bi-annual and overall performance report from which it can be gleaned that, notwithstanding the difficulties of the financial position that the County Council faces, good progress on *Transformation to 2015* is being matched with no discernible reduction in the Council’s performance – illustrating the very important contribution of staff and partners throughout these challenging times, but more importantly identifies that while meeting unprecedented reductions in resources, performance remains strong. One final observation, since 2008 when we began this process it is noticeable that the degree of difficulty, and the amount of resources required to deliver either change of reductions has increased significantly.

6.0 Transformation to 2018

6.1. On the basis of this report, the work for *Transformation to 2015* is sound with important delivery, consultation and political decisions still to be taken. Therefore, we cannot afford to ‘take our foot off the gas’. Departmental delivery is essential. Based on this position it is recommended that the position be reviewed again in October 2014 and a decision made then about beginning workstreams related to *Transformation to 2018*. The next Cabinet meeting in July will consider the Medium Term Financial Strategy for the next three years. A report is also scheduled for Cabinet in July on a review of the Capital Programme, which would provide a platform for future decisions. The overall planning of the programme is summarised below.



7.0 Recommendations

7.1 It is recommended that Cabinet approves the current programme and progress for *Transformation to 2015*, and:

1. Considers at its meeting in October, an update on Transformation to 2015; and
2. The issues and framework for *Transformation to 2018*.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	no
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	no
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	no
Corporate Improvement plan link number (if appropriate):	
OR	
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

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Transforming the Council to 2015 – Rept. No. 1	4939	24 June 2013
Transforming the Council to 2015 – Rept. No. 2	5286	28 October 2013
Transforming the Council to 2015 – Rept. No. 3	5775	14 April 2014
Direct links to specific legislation or Government Directives		
<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:

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

2 Impact on Crime and Disorder:

- 2.1 N/A

3 Climate Change:

- 3.1.1 How does what is being proposed impact on our carbon footprint/energy consumption?

- 3.1.2 N/A

- 3.1.3 How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

- 3.1.4 N/A