

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet	
Date:	27 October 2014	
Title:	Transforming the Council to 2015: Report No. 5	
Reference:	6179	
Report from:	Chief Executive	

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1 Executive Summary

- 1.1 In June 2014 Cabinet considered a report providing an update on the Transformation to 2015 (Tt2015) programme. At that time, positive progress was being made with £36m of the £102.5m savings target already achieved or secured, although a number of areas remained uncertain. This is the fifth update report to Cabinet on the planned reduction in spending.
- 1.2 Overall, there has been significant progress over the last few months with £42.6m now achieved or secured as of the end of August 2014. In assessing what the final position will be for 2015/16, the forecast is anticipating £96.4m of savings against the budget target of £102.5m.
- 1.3 Whilst this is £6.1m below the original target, given the scale and complexity of the Tt2015 programme, this is considered a strong position. However, this does include some one-off sources of funding and significant financial risks remain around the financial benefits from the Better Care Fund, which are discussed below. Further information on the breakdown of savings is included in section two.
- 1.4 From the most recent review of the programme, other issues have emerged including: the need to give greater prominence to demand management, the extent of the impact and focus on frontline services, the importance of transformation and managing within departmental cash limits, alongside future saving requirements.

2 Transformation to 2015: Financial Overview

- 2.1 An assessment has been made of how much of the Tt2015 savings programme will be delivered in cash terms during 2015/16. This forms an important part of the decision to determine whether or not the County Council is sufficiently confident about the delivery of the Tt2015 programme that it can switch greater focus to developing the Transformation to 2017 (Tt2017) programme (the next item on the agenda), whereby another £100 million needs to be removed from our cash limits by 31st March 2017.

2.2 The table below summarises the overall position.

Department	Savings Target (£000)	2015/16 Minimum (£000)
Adults	40,666	31,555
Children's	25,618	23,500
ETE	13,194	13,194
CCBS	5,082	5,082
Corporate Services	11,427	11,427
	95,987	84,758
Housekeeping	5,000	10,100
Business Strategy	1,500	1,500
	102,487	96,358

- 2.3 The table shows that the minimum level of anticipated cash savings in 2015/16 is £96.4m against the total budget target of £102.5m which equates to 94%. Whilst there is no room for complacency and this takes into account some one-off sources of funding, this is a significant achievement and moves the Council to an extremely positive position.
- 2.4 Irrespective of the composition of the 2015/16 cash reduction, any one-off sources would need to be made up with recurring savings in 2016/17 and all departments have indicated that they are on track to achieve this. In addition, any delivery shortfall against the budget target of recurring savings would also need to be made up in 2016/17.
- 2.5 It should be noted that the figure for Adult Services has required a separate assessment of the BCF programme given the various variables and back-up plans that exist.
- 2.6 The assumption shown in the table above is that a minimum of £11.25m of expenditure reductions will be delivered against the BCF target during 2015/16. This is the worst case scenario based on the County Council pursuing BCF spend under its direct control (£8m) together with a further £7m of 'plan B' items. The financial deliverability of this has yet to be fully tested and therefore it is assumed that only 75% of this might be delivered during 2015/16. It is also recognised that the potential impact and knock-on risks of pursuing this scenario are significant. A further update will be available by the time of the meeting.

- 2.7 The Council is working extremely hard to improve on this position with CCGs and to progress BCF transformation plans through more coordinated provision, service integration and joint efforts to manage down higher cost demand. The BCF position continues to develop with positive progress towards getting sign-up to a financial risk share agreement from all five CCGs which will improve the Adult Services position substantially. However, this has not been shown in the minimum figure quoted above given the significant challenges to realise the longer term benefits from system transformation beyond the underwriting of the financial risks.
- 2.8 In overall terms for Tt2015, whilst the minimum expected figure indicates that 94% of the programme will be achieved in 2015/16, this needs to be seen in the context that over £8.5m of this may be met from one-off sources.
- 2.9 Therefore, from a purely financial point of view, it is proposed that enough of the programme is now technically safe to enable a significant part of the County Council to shift focus to the Tt2017 Programme accepting that the continuous scrutiny and momentum of the Tt2015 programme will still need to be maintained. Another update will be given to Cabinet in December and the final position reported in the budget.
- 2.10 In considering this position, it also needs to be understood that Departments will still be expected to remain within their cash limits during 2015/16, irrespective of the final delivery of cash savings during the year.

3 Emerging Issues

- 3.1 The challenges presented by Tt2017 alongside the required follow-through in delivery of Tt2015 savings will further stretch capacity and each department is reviewing whether they have sufficient 'change' and leadership capacity and what more can be done to bolster this.
- 3.2 A very clear theme looking forward is that an even more active management of demand pressures is essential to the financial solvency and sustainability of Adult Services and Children's Services. Whilst any operational levers are within these two departments, this is something that will require the whole Council and wider partners to contribute. Arguably, tackling early interventions and demand management needs to become a higher priority in the Council's efficiency and expenditure reduction programmes to date. Clearly this is something that Adult Services and Children's Services have managed and continue to grapple with but it is clear that the scale of the financial pressures require a step-change in approach and a more integrated pan-Council strategy to address what are essentially external demand factors.
- 3.3 The increasing challenge of financial reductions that, by their nature, are reaching more and more sensitive activity is noted. This is exacerbated by the sense that the next round of compound savings will inevitably consist of significant service reductions with no escaping the frontline impact of the funding reductions. The need to recognise the cumulative impact of saving proposals and to collectively choreograph the various related announcements, consultations and decisions has been discussed before. This will become even more relevant in the Tt2017 proposals which are discussed in the next agenda item.

3.4 Overall, the following key themes emerge from the recent review:

- The significance of service level demand in Adult Social Care, given the growth in demography and complexity;
- Importance of transformation (which requires time) as well as service reductions;
- The ongoing and increasing impact of the Council's future relationship with the health sector;
- The importance of demand management strategies to provide a sustainable basis to the savings plans;
- The requirement to continually strengthen leadership and ensure appropriate change capacity; and
- Managing within departmental cash limits alongside savings requirements.

4 Transformation to 2017

- 4.1 Significant progress has been made in strengthening the confidence in the Tt2015 savings with 94% of the budget target expected to be achieved in cash terms in 2015/16. Whilst significant challenges remain and it will be essential to ensure continued focus and visibility on the delivery of these savings, it is right that consideration is given to the timing of the formal initiation of the Tt2017 programme and the Private Sector partner (PSP2) supported Opportunity Assessments, mentioned in the next report.
- 4.2 The Council's approach up until now has been based on taking early decisions to enable the organisation to move quickly to the issues and make the best use of the 'head start' to develop proposals, manage implementation and navigate the difficulties. As agreed in the Medium Term Financial Strategy Update (MTFS) considered by Cabinet back in July, it is suggested that the Council continues with this strategy and maximises the benefit of its position by initiating the early development of Tt2017 proposals. This would be based on the clear understanding that each department is responsible for ensuring follow-through on their Tt2015 targeted savings.
- 4.3 Experience has shown that harvesting efficiencies and delivering transformed services takes time. The degree of difficulty (there are no easy reductions to translate into savings) requires a longer run in time. It is therefore proposed that the annual budget process (save the actual setting of the precept) is brought forward and concluded next summer. This would involve the usual stages including pre scrutiny of the proposals, individual executive member reports, a report to Cabinet in June summarising the overall transformation, savings and expenditure reduction plans and, subject to approval, the cumulative proposals and the overall resource envelope for 2016/17 and 2017/18 being prepared for debate and ratification by Full Council in July.
- 4.4 The budget process would follow in February 2016 mainly to allow for the formal setting of the precept which cannot be confirmed until the December grant

settlement is announced. The early (summer 2015) Cabinet and Full Council decisions would be reflected in the February process

- 4.5 Starting early in this way will allow implementation of the proposals to begin immediately after the summer 2015 and will pave the way for necessary staff and public consultations linked to certain of the proposals and for executive decisions where these will be required. Individual select committees will be able to scrutinise the impact of savings proposals ahead of any decisions being taken by executive members in the usual way.
- 4.6 The summary table below proposes an outline of the timescales.

Timescales	Activity
October 2014	Cabinet consider the updated assessment of the deliverability of the Tt2015 savings and proposal to formally initiate the Tt2017 programme.
November 2014-February 2015	Tt2017 programme begins and departmental Opportunity Assessments undertaken, supported by PSP2. Budget February 2015.
Early June 2015	Early budget envelope reports containing details of transformation, savings and expenditure plans to each select committee and each executive member.
Late June 2015	Report to Cabinet on the cumulative Tt2017 proposals alongside an updated MTFS which confirms the overall resource envelope (again for 2016/17) and for 2017/18.
July 2015	Full Council debate and ratify the Tt2017 proposals for immediate and on-going implementation.
February 2016	The budget process for Full Council confirming precept for 2016/17 and reflecting the Tt2017 proposals previously agreed in the summer of 2015.

5 Conclusion

- 5.1 There has been a significant improvement in the confidence of the Tt2015 programme with a minimum of £96.4m 2015/16 anticipated cash savings against the total budget target of £102.5m. This is 94% of the overall target.
- 5.2 Whilst this is £6.1m below the original target, given the scale and complexity of the Tt2015 programme, this is considered a strong position and a major achievement. Nonetheless, it is a position that cannot be taken for granted or stop the Council from striving to close the gap. Any underachievement in departmental savings strategies becomes an addition to a future year's target reduction.
- 5.3 The complexities and significant risks related to the BCF are clearly acknowledged and, depending on the scenario, there is still a lot of one-off cash in 2015/16 which will need to be converted into recurring savings in 2016/17. Regardless of how this develops, it is clear that there will be an ongoing future interdependency between the Council's financial outlook and its relationship with the health sector.

- 5.4 Despite these complexities, positive progress is now being made with Hampshire's CCGs on the BCF and, given the risk share and contingency plans, this should not prevent the Council from making the most of the time it has to consider options to meet the Tt2017 spending reductions. It is proposed that the Tt2017 programme and departmental Opportunity Assessments (supported by the PSP2) begin in November 2014.
- 5.5 This recognises the significantly strengthened position that the Council is in and continues its strategy to act early to give maximum time to develop proposals, manage the challenges and recognise the complexities of the decisions required. Early signs are that the Tt2017 programme is going to be extremely challenging. In addition, developing further strategies to mitigate and manage demand cost pressures will be an increasingly crucial component alongside savings targets.
- 5.6 In making a decision to begin to think about Tt2017, it is clear that an absolute prerequisite is the continued momentum and scrutiny of the delivery of Tt2015 savings alongside departments remaining within their approved cash limits.

Recommendations

- 5.7 It is recommended to Cabinet that:
1. The positive progress in improving the confidence of the Transformation to 2015 savings is noted and that momentum and scrutiny of the delivery of these savings is maintained.
 2. The final figure for the anticipated 2015/16 savings is fixed as part of the December 2014 Cabinet so that this can be factored into the 2015/16 budget assumptions.

CORPORATE OR LEGAL INFORMATION:

1 Links to the Corporate Strategy

2 Hampshire safer and more secure for all:	no
3 Maximising well-being:	no
4 Enhancing our quality of place:	no
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
Transforming the Council to 2015 – Rept. No. 4	5923	23 June 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.)

DocumentLocation

None

6 IMPACT ASSESSMENTS:

1. Equality Duty

4.1 The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

4.2 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.

5 Impact on Crime and Disorder:

5.1 Not applicable at this stage.

6 Climate Change:

How does what is being proposed impact on our carbon footprint / energy consumption? Not applicable at this stage.

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? Not applicable at this stage.