

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	30 March 2015
<b>Title:</b>	Transformation to 2017 – Report No. 2
<b>Reference:</b>	6591
<b>Report From:</b>	Chief Executive

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#### 1. Executive Summary

- 1.1. Cabinet at its meeting on 15 December 2014 agreed provisional cash limit reductions for Transformation to 2017. These are illustrated below and represent a 14.5% reduction on existing cash limits. To prepare for this reduction a programme of reviews has been undertaken over the last two months to consider options, timing, and further opportunities for efficiencies. This has been planned around a series of Opportunity Assessments for all expenditure. This report:
- Reviews the outcome of the Opportunity Assessments undertaken by each Chief Officer for their service (how the 14.5% will be found);
  - Provides the framework for another change and transformation programme (Transformation to 2017) to remove the required £98 million of expenditure;
  - Identifies key issues and risks; and
  - Introduces a new approach (a dashboard) for more robust tracking and monitoring of the cash limit budgets and progress between now and 31 March 2017 (on the basis that each transformation programme becomes more difficult than the previous one).
- 1.2. The report concludes by looking at the capacity to deliver 'business as usual' alongside the change programme. Early indicators are that progress and traction are positive. Next steps and key dates are also included along with an early update of Medium Term financial issues.

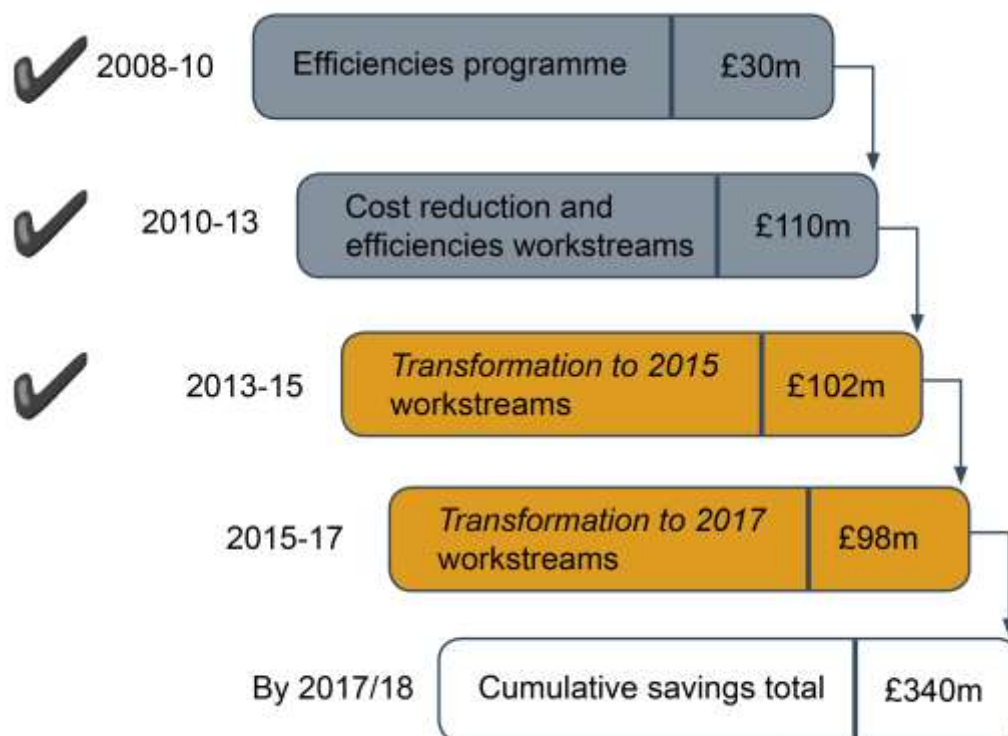
## 2. Reducing Spend by 14.5%

2.1. The target for Transformation to 2017 is to:

- Match the Council's spending and savings strategies to the Medium Term Financial Strategy;
- Enable a programme of activities to reduce the cash limited expenditure down to the levels that are expected from the existing and next round of reductions from the Comprehensive Spending Review;
- Take a look at what activities might feature in programmes beyond 2017; and
- Create (again) a financial framework for low (or zero) Council Tax increase in the future, and further reductions in grant, which are aligned with highly regarded public services for residents.

### 2.2. The Financial Challenge

2.2.1 Members will be familiar with the diagram below. This illustrates the recurring nature of the reductions and the cumulative total. Since 2008 the Council has managed to reduce its spending in line with reduced grants, increases in demand, and maintaining Council Tax at the same level for six of the last seven years. The key to this success has been the ability of the Council to act quickly and to build a cost reduction programme that reduces expenditure by the time it falls out of the Medium Term Financial Plan. Starting early and planning for the future from a sound base has made a difficult task more achievable.



## 2.3 2017 Cash Limit reduction

2.3.1 The table below outlines the provisional targets that have been set for Departments. The remaining £8m will be found from Housekeeping savings.

	<b>2015/16 Cash Limit £'000</b>	<b>Deduct Specific Grants £'000</b>	<b>Baseline Spend £'000</b>	<b>2017/18 Savings Target £'000</b>
Adults	297,073	(339)	296,734	43,100
Children's - Schools	731,704	(731,704)	0	0
Children's - Non Schools	142,103	(955)	141,148	20,502
ETE	101,876	(694)	101,182	14,697
P&R	123,939	(43,384)	80,555	11,701
<b>Total</b>	<b>1,396,695</b>	<b>(777,201)</b>	<b>619,619</b>	<b>90,000</b>

2.4 Success in the past has been that workstreams have been co-ordinated and traction built on the programme by:

- Early decisions on reduced cash limits;
- A comprehensive programme of activity; and
- A framework for the timing of key political decisions – connected to the savings strategy.

2.5 All of these issues have been dealt with by the Cabinet. The Transformation programme to 2017 (in a way similar to earlier programmes) is built up from different perspectives; departmental and County-wide. Sometimes an activity is specific to a departmental activity, other times a whole Council approach is required. However defined, Cabinet policy is that savings accrue to the department whenever they arise. The total departmental savings are then fed into the Medium Term Financial Plan to make a whole Council adjustment. In other words, everything is deployed against future savings targets.

2.6 For Transformation to 2017 several themes have (once again) the ability to contribute to the total savings picture. In terms of scale these are:

- The benefits of Enhanced Voluntary Redundancy (Specific and sometimes early savings);
- Further reduction on external spend (in other words deeper levels of market management);
- Further phases of housekeeping;
- Further rationalisation of asset management opportunities (locality working);

- Redefining the service offer;
- Exploring opportunities for demand management;
- Extension of digital operations and capability; and
- Further cost reductions in management capacity.

### **3. Asset Management and Health Related Projects**

- 3.1. The rebalancing of the Capital Programme took place last year. Currently, there is some £850 million or so identified by way of projects for this year and the next three years. The Council's existing policy is to take an interest in further land acquisition and future investment in asset related projects that would generate future income streams. The Director of Culture, Communities and Business Services is currently assessing these issues and the significant financial returns that will come from providing County Council land for the local planning process which is ongoing across Hampshire.
- 3.2. In the last 12 months there have been various discussions with Acute hospitals, Trusts and CCGs relating to asset management opportunities. The existing Extra-Care programme is a strong indicator of how well assets can be deployed into alternative uses to provide high quality cost effective social care and quality of life outcomes.
- 3.3. Work has therefore begun with the different organisations in the health sector to see the extent to which redundant assets in that sector could provide commercial or social care opportunities for the County Council. Similarly, the reorganisation of services and the pressure in the health system could provide opportunities for the County Council to become involved in, acquire or develop specific sites for health and social care activity. The current system would for the medium to long term require future bed capacity, local community health services, pathways out of hospital care, reablement and discharge capacity.
- 3.4. Similarly, out of hospital models around community services with the involvement of GP practices, and a significant social care workforce, will all become part of a new set of opportunities around locality working and potentially community hubs. Digital capability and mobility will provide staff with less dependency on asset based accommodation, and at the same time offer flexible use of strategies for multi service based activity. These three issues: the reuse of assets, the creation of digital capability, and transforming the workforce will become future powerful levers on how the financial objectives for Transformation to 2017 and beyond are met. In the short term the opportunities around Winchester and Romsey health systems alongside the already approved Extra Care schemes will be explored with the health system to identify future joint funded initiatives and opportunities to improve local access to health and social care facilities. This is consistent with the County Council's ambition to see a greater devolvement of health related services into community based models.

Work with Southern Health Trust is also nearing completion around Community health and social care.

#### **4. Digital and IT**

4.1. Work has now begun on building further digital capability for the County Council and will involve reviewing customer access arrangements, moving to greater levels of self service, rethinking the contribution of Hantsdirect, building greater web capability and using digital technologies to allow a more flexible workforce, less dependent on office based locations and enabled to allow new ways of fulfilling service requirements. This builds on the existing back office capacity for transactions and data handling. Over time productivity improvements, asset rationalisation, and greater flexibility in access to Council services will emerge. This recognises the impact and use of digital technologies in everyday life but also the need for effective superfast broadband across the County. At the same time the remaining work that was excluded from the Corporate Services Review in 2012 is being completed by way of a separate review of IT Services to establish further savings as a contribution to Transformation to 2017.

#### **4.2. Market Management**

4.2.1 The Council spends approximately £600 million pounds per annum with various contractors and supply chains. A constant theme of previous programmes has been the need to find greater economies in that spend. This workstream will focus on the programme of procurement and commissioning that is scheduled to happen over the next two years, with a view to making a significant contribution of the order of some £20 million to the Transformation to 2017 savings target. It is proposed to internally review commissioning and procurement capability to further enhance its ability to take advantage of greater integration of commissioning in social care, and potentially leadership opportunity with the Health Sector. It is also proposed to take a deep review of non-contracted spend with a view to achieving departmental efficiencies in that spend. This will be a major theme of the next two years. New capacity will be needed in this area.

#### **4.3. Opportunity Assessments**

4.3.1 The Opportunity Assessments have identified approximately 20 workstreams with potential savings of some £55 million. The next stage of this work is to now build the teams, the leadership and capacity to work through these opportunities. These relate to: reduced staff numbers, market management (mentioned above), service redesign and increased income generation.

4.3.2 This work has in the past been a joint initiative with the Private Sector Partner. It is inevitable that this approach will require specialist support from Deloitte and capacity blended with internal teams and professional leadership. This has previously brought considerable success to the Transformation Programmes and provides opportunities to work at pace whilst delivering 'business as usual'. It is proposed, subject to Cabinet's approval in June, to build the consultation programme around these

workstreams. A further report on the workstreams will as usual be brought to Cabinet for approval and that will be the next step in identifying the work that can be attached to the savings in the table in paragraph 2.3 above. This would provide a schedule of workstreams with specific targets – continuing the approach of recent years.

#### 4.4. **Voluntary Redundancy**

4.4.1 The County Council continues to run a voluntary redundancy programme and where it makes sense to release staff and there is a strong business case to do so – usually an average payback across the services of about 12 months – then these opportunities will be taken. The criteria for voluntary redundancy has been established by the Employment in Hampshire County Council Committee. These will be reviewed again in the summer with a view to a new voluntary redundancy programme possibly early next year as Transformation to 2017 unwinds.

4.4.2 The cost reduction programme in 2012 included a 25% reduction in senior management capacity. It is anticipated that a further 10% reduction will be delivered through the voluntary redundancy programme.

#### 4.5. **Locality Working**

4.5.1 The success of Hampshire's Workstyle programme has been recognised for many years as a major source of cost reduction, but also significant benefits flowing from the disposal of redundant assets. As productivity and efficiencies continue to be sought it becomes more obvious that many professional activities have to be done once on behalf of many. Similarly, the idea of single functions operating within separate assets is an outmoded service model. Integration within the County Council will require the asset base to be transformed so that it becomes multi-functional and with multiple occupiers. This approach also sits strongly within integration with Health and other tiers of Local Government, and of course would make sense in further discussion of devolving activities to a wider Hampshire.

4.5.2 Inevitably transformation in this workstream goes at a slower pace than others. Initial findings from research with other local authorities that have sought to address this issue with savings in mind suggest that the achievements have so far been more limited than original ambitions. Reductions in the size of the workforce, together with new IT and improving digital capability will allow the County Council to get further economies in its asset base and the cash benefits of further rationalisation. This work is underway.

4.5.3 A further report on the opportunities of this workstream will be provided to Cabinet in the summer. It is already obvious that this will be a workstream that will go on beyond 2017. This workstream and its benefits could be significantly accelerated should a swift move to more locality working or community hubs around social care and health be achieved.

#### **4.6. Leadership and Development**

4.6.1 Cabinet approved a sum of £1 million in June 2014 for the development of a new Leadership and Development model. This work is underway with Deloitte and Oxford University. This work will look to develop:

- Competence and capacity for future public service markets;
- Leading edge leadership capacity with capability to work across organisational boundaries; and
- Competence and acumen with a public sector ethos consistent with future trading and income growth.

4.6.2 This approach makes sense of the extended organisation, particularly with Police, Fire and Health, and the developing shared and traded services models. A report on its development is planned for EHCC in July. It is a significant means of retaining and developing talent in the organisation.

4.6.3 At the same time 'business as usual' and Transformation to 2017 requires the County Council to ensure that it maintains and develops its capacity, building a flexible digitally empowered workforce, and ensuring that its capability is transformed at the same time as reviewing services. This will be as important as any workstream delivering savings.

4.6.4 Increasingly, financial pressure in public services makes it essential that the County Council shares infrastructure costs with District, Borough, Unitaries and other Counties as partners. Developing this theme is very much part of the programme to further exploit economies of scale and sharing of services. IT, asset management and professional services being at the forefront of this theme.

#### **4.7 Capacity and Funding**

4.7.1 The next month will see the completion of the first stage analysis of savings opportunities. Thereafter it is proposed as normal to build the relevant transformation capacity and project teams to deliver the savings. The Private Sector Partner will play a key part in the next stages of work. In some areas of activity within market management such as competitive negotiations and integrated commissioning new capacity will be required. In other areas it will be a case of adjusting structures to provide the required teams to focus on the savings workstreams.

4.7.2 A key strand of the Transformation to 2017 Programme is the potential role that Digital can play in enabling a range of savings opportunities as outlined in paragraph 4.1 above. The County Council has already been successful in securing £3.1m from the Government's Transformation Fund to support this work on the basis that the County Council will also provide matched funding towards the Programme.

4.7.3 In addition to the funding outlined above, the approved financial strategy has earmarked the Corporate Efficiency Reserve for supporting future Transformation Programmes and is therefore available to meet the costs of changes to the IT architecture as part of the IT review, together with other corporate elements of the Transformation to 2017 Programme.

- 4.7.4 Given the need for flexibility and quick decision making in allocating this funding, it is also recommended that delegated authority be given to the Chief Executive in consultation with the Leader and Director of Corporate Resources to agree the allocation of this funding.

## 5. Timelines and Decision Making

- 5.1. Cabinet received a report in December 2014 that set provisional savings targets for Departments for the two-year period to 2017/18. Within that report it was explained that in keeping with previous savings programmes, the intention was to bring forward proposals for decision in order to give the time and capacity to deliver them prior to April 2017. The timetable assumed that the County Council would take decisions on detailed savings proposals during the summer of 2015, following the detailed budget review process that is currently being carried out with the private sector partner.
- 5.2. As part of the approval process for these detailed savings proposals, the County Council has also been preparing to undertake a comprehensive public consultation exercise on the options available for meeting the anticipated budget gap over the next two financial years. Preparations for this work have been ongoing in the early part of 2015, running in tandem with the opportunity assessment process being undertaken by Departments and the private sector partner. It is also important to strike a balance between early decision making and detail with regard to Executive Members, Cabinet and full County Council taking decisions, arguably taking slightly longer in preparing proposals will allow greater certainty in decision making and smoother progress towards implementation.
- 5.3. In this regard, the quality and success of the consultation exercise was always going to be reliant on the ability to be able to properly articulate in sufficient detail what sort of measures Departments would need to implement to meet the provisional savings targets that were set in the December 2014 report. Without this level of granularity it would not be possible to undertake an effective public consultation within these timescales.
- 5.4. The initial output from the opportunity assessments is beginning to take shape as outlined in the previous sections of this report and a high level timetable for the remainder of the process and decision making is therefore set out below:

Item	Date
Development of detailed Departmental savings proposals following further review and clarification of the initial opportunity assessment	By end of April 2015
Internal scrutiny and peer review of proposals	By end of May 2015

Final draft of consultation document produced and approved	Early May
Public consultation period	26 May to 6 July
Collation and interpretation of responses	Mid July to end of August
Savings proposals and consultation feedback considered by Select Committees and Executive Members	Mid September
Savings proposals and consultation feedback considered by Cabinet	5 October
County Council to consider savings proposals and consultation feedback	22 October
'Normal' budget setting process for setting the 2016/17 budget and council tax	January / February 2016

- 5.5. This timetable would still be in line with the County Council's aim of approving the savings programme in order to give sufficient time to implement the savings in full by April 2017, but also gives the time and capacity to properly formulate the detailed proposals that will inform a more effective consultation. Of particular note is the extent to which a future Government will continue to support, with grant, those Councils that hold Council Tax at zero and their approach to Council Tax increases, upon which the public would have to be consulted. This will not become clear until some time after the 7<sup>th</sup> of May 2015.

## **6. Monitoring the Programme**

- 6.1. A final report on the Transforming the Council to 2015 Programme is presented elsewhere on this agenda. It recommends the formal closure of the programme following the latest forecast position of savings delivery which indicates that the £102.5m target will be exceeded in 2015/16 albeit that some of the savings or funding is one-off.
- 6.2. The report also outlines proposals for enhanced 'financial resilience' reporting to the Corporate Management Team and Cabinet that will focus not only on the bottom line cash limit positions of the Departments but will continue to monitor the delivery of savings and the extent and use of Departmental reserves.
- 6.3. A revised 'dashboard' style of reporting has been developed which provides a concise, transparent summary of the overall picture whilst also

providing sufficient granularity to look at specific areas in detail where this might be appropriate.

- 6.4. It is intended to adopt a similar style of dashboard reporting to the Corporate Management Team and Cabinet for the Transforming the Council to 2017 Programme that will constantly focus on the need for delivery of savings by April 2017. This will feature in future progress reports to Cabinet.

## **7. Transformation to 2017**

### **7.1 Risks**

- 7.1.1 The key risk to the programme is there being insufficient time for cost reduction, service redefinition and demand management to have an impact. The decision by Cabinet in December 2014 to act early has mitigated the impact of that risk. The other major risk is that the major work programmes and themes identified in this report have insufficient time to work or reduce traction on the issue, hence not releasing the cash required by the transformation programme. Once again, approval by the Cabinet to the report today allows the earliest possible start on the major workstreams, which will deliver the cash reductions. These are in a detailed planning stage for the next 6 weeks and will be in the next report to Cabinet for approval prior to the consultation exercise. The other risk that is closely monitored throughout the year is our capacity to deliver safe and effective public services across all the County Council's functions, and at the same time deliver the outcomes from Transformation to 2017. This will be closely monitored by the new reporting arrangements. Turning 'one off' financial contributions in Transformation to 2015 into recurring contributions in Transforming to 2017 becomes a key task.

## **8. Conclusion**

- 8.1 At this very early stage in the programme of Transformation to 2017 it is possible to identify strong and effective progress. Undoubtedly the Transformation programmes are getting tougher. This will be the third major programme in seven years. The success of the programme is that efficiency, cost reduction and productivity remain major contributors to the savings targets, hence reducing the burden that falls on the cost of services and their transformation. In other words, the more that is delivered by efficiency, cost reduction and market management, the smaller amount to come from direct services to the public. This remains the guiding principle of Transformation to 2017 without which there would be much greater risks and greater levels of service reduction and change. Previous change programmes have benefited enormously from early political decision, effective leadership and project management, and a skilled and motivated workforce. These will all be required over the next two years.
- 8.2 The transformation programme is inextricably linked to the financial position. Therefore, alongside the implementation and development of the programme it is imperative that departments remain within their planned

cash limited expenditure, but given flexibility to use early savings for reinvestment purposes to build flexibility and capacity in to the workstreams.

## **9. Recommendations**

9.1 It is recommended that Cabinet:

- a) Agrees the approach and principles set out in the report as the basis of the Transformation Programme to 2017;
- b) Authorises the Chief Executive to develop and engage the required capacity to deliver the programme (using the Private Sector Partner funded from the cost of change reserves) and earlier approvals
- c) Receives a regular report outlining progress towards the savings target of £98 million and any relevant risk assessments;
- d) As a next stage considers at its June meeting the formal public consultation document and relevant consultation principles to ensure legal compliance
- e) Notes the development of improved tracking and reporting of cashable savings further improving financial resilience;
- f) Notes the timescales for the development of the workstreams.
- g) Delegates authority to the Chief Executive in consultation with the Leader and Director of Corporate Resources to allocate funds outlined in Section 4.7 to progress the Transformation to 2017 Programme.
- h) Agrees to develop:
  - (i) further proposals for the sharing of services with neighbouring authorities; and
  - (ii) where traded services are appropriate, looks to develop further business opportunities to generate income.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	no
<b>Maximising well-being:</b>	no
<b>Enhancing our quality of place:</b>	no
<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>	

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u> Transformation to 2017 – Report No. 1	<u>Reference</u> 6180	<u>Date</u> 27 October 2014
<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. Equality Duty**

1.1. 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.

### **1.2. Equalities Impact Assessment:**

It is to be expected that each theme/workstream will have an impact on staff and communities. To ensure that the Council meets its statutory equality duties any theme/workstream will be asked to consider potential differential impacts on people and communities. Detailed Equality Impact Assessments will be carried out on the implementation plans as appropriate.

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

Not applicable

### **3. Climate Change:**

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

Not applicable

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

Not applicable