

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	22 June 2015
<b>Title:</b>	Transformation to 2017 – Report No. 3
<b>Reference:</b>	6722
<b>Report From:</b>	Chief Executive

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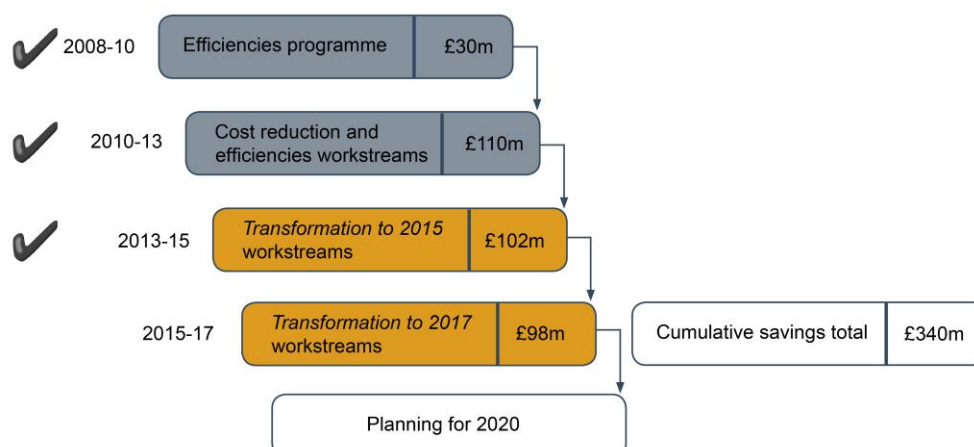
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### 1. Executive Summary

1.1. At its meetings on 15 December 2014 and on 30 March 2015 Cabinet agreed provisional cash limit reductions for Transformation to 2017. These represented a reduction of approximately 14.5 % from departmental cash limits. The same reports identified this requirement to translate in to a further £98 million of savings in line with the forecast from the Medium Term Financial Strategy.

1.2. The sums required by Transformation to 2017 would take cumulative savings totals since 2008 to £340 million.



1.3. This report

- Reviews progress on the different Workstreams;
- Brings Cabinet up to date on progress including the recent public consultation exercise that has begun;
- Identifies where organisational capacity and (re)organisation is required; and
- Identifies key issues and risks for the future.

1.4. Cabinet had previously noted that each successive programme of Transformation was in itself harder than the previous one, as the scope for early and easy removal of spending was much diminished. Time is critical, hence Cabinet's early decisions on this matter in December 2014 and March 2015.

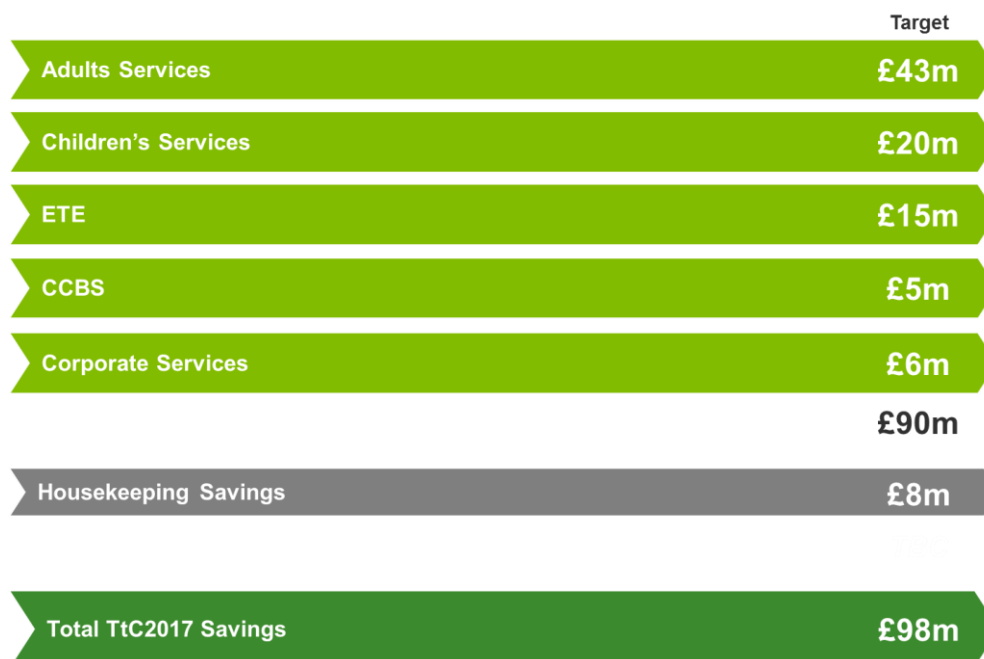
1.5. The medium term financial position will become clearer after the budget on 8 July 2015. Early announcements about continuing to reduce public expenditure over the lifetime of the new Parliament would suggest that staying on track with the County Council's current financial planning is the most prudent and realistic course of action. It could be reasonably expected that nationally local government financial settlement could worsen (as an unprotected spending area) which puts more emphasis on capacity and traction in the savings programmes for 2017, and opens up the requirement to think beyond 2017 to 2020.

1.6. At the time of writing this report the Chancellor has begun the process of accelerating the reduction in the deficit. For the time being it does not look as if there will be 'in year reductions' in spending in local government other than in Public Health, which would be manageable given the prudential way that new commitments have been managed.

## **2. 2017 Cash Limit Reduction**

### **2.1. Planning for Transformation to 2017**

2.1.1 In terms of reporting to Cabinet, the diagram below summarises the overall programme. This illustrates the proposed departmental reductions.

Diagram 1: Departmental Cash Reductions (below)

## 2.2. Organisational Capacity

- 2.2.1 Key to such an extensive programme of Transformation is to ensure that staff leadership capacity, together with the Private Sector Partner, is applied to the different workstreams as early as possible. This has already begun with the Private Sector Partner being deployed on to the high value activities and the avenues for the largest savings. To support the Transformation programme it is also important that Chief Officers ensure that 'business as usual', which by value is far more extensive than the Transformation programme, carries on within existing cash limits. It goes without saying that Transformation to 2017 would be considerably more difficult and represent a much higher risk if business as usual and performance within the cash limits was not secured. Capacity in all the departments is therefore being deployed to ensure links between the different parts of the Programme. Cabinet approved at its meeting on 30 March 2015 a revised timeline for this activity, which is currently on schedule.
- 2.2.2 Since 2008 it has been common, once the most effective cash returns on individual workstreams has been identified, to assess the professional and technical skills required to harvest the cash benefits from those workstreams. Once again, it will be necessary to consider using short term interim capacity as the most cost effective and efficient way to harvest the cash and to backfill staff workloads.
- 2.2.3 The most obvious area where additional skill and capability is required is in the market management activities where the private sector partner will help. Equally, it will be important that internally, that the County Council can organise its business so that it can map out commercial and procurement opportunities over the next three to four years. This will identify aggregation benefits, develop commissioning plans and provide a much

greater integrated focus of the complete business opportunities that the County Council faces including simply 'not buying' or 'not purchasing'. In that connection, it is proposed to strengthen the internal leadership of this function (following recent agreement for staff retirements under the Voluntary Redundancy programme). In the medium term, it could be expected that this would translate into permanent capacity that the County Council would require for business as usual. In the past an element of backfilling of posts has also been required which will be required in the future. Departments have access to resources for this purpose.

- 2.2.4 The recent flexibility approved by Employment in Hampshire County Council (EHCC) in relation to senior staff development and deployment has helped in Shared Services, changes proposed in Legal Services, and the development of new Corporate Management Team (CMT) roles.

### **2.3. Progress**

- 2.3.1 Departmental progress looks confident. However, recognising the impact of Better Care Fund (BCF) arrangements alongside the planned spending reductions in Adult Social Care means that this is by far the largest area of risk and by far the most significant sum of money. Particular attention is being paid therefore to the development of the proposed Adult Social Care savings programme, and in particular those workstreams that can generate cash by the 31 March 2017. At the other end of the spectrum, Corporate Services and Culture, Communities and Business Services have in place arrangements which would point early on to a strong ability to find their proposed reductions. The benefit of finding cash reductions early is that the Chief Officer and department can therefore look forward beyond 2017 to the next tranche of opportunities. Economy, Transport and Environment has also begun to harvest proposed savings early.
- 2.3.2 The planning stage of the programme has now been running for six weeks. The two key aims of this stage were to establish a programme structure and to build detailed plans, including resource requirements, risks and dependencies across the proposed Top 19 projects and the cross cutting themes, such as Digital and Market Management. All departments have collaborated strongly with the programme.
- 2.3.3 The analysis of draft plans is now underway and is due for completion during June. Initial headlines from this analysis are as follows:
- The majority of the proposed saving plans are robust allowing the initial development of an Integrated Programme Plan;
  - Project Initiation Documents have identified the key risks to delivery of benefits and have confirmed that the majority of the benefits originally identified are still achievable (Cabinet discussed these at length at its meeting on 30 March 2015). Others will need further validation when "optioneering" is complete later this year;
  - Separate roles have been identified to manage the delivery of the proposed Top 19, including capacity from support functions – procurement, legal, finance, HR, IT and communications;

- Helpfully, there are fewer than expected “hard” dependencies on technology which reduces the risk of harvesting the cash.
- Executive Members will be required to make further significant decisions on the scale of the reductions.

2.3.4 With the Private Sector Partner, considerable time is being invested in developing a ‘Digital Project for Hampshire’. The Department for Communities and Local Government (DCLG) has recently awarded the County Council £3 million to lead a national project to develop digital technology for public services. Taken together, this puts the County Council in a unique position to build on its technology and IT platforms. Some, such as the IBC and Employee Self Service are at the leading edge of technology. Digital technologies open up for the Council opportunities to change the way staff work, reduce the input costs of particular services, reduce reliance on fixed assets, and open up pathways and different means by which public can access the County Council and its services. The next step is to define what Digital could do for the County Council, and develop a workstream for the DCLG. While this development is more of a ‘slow burn’, it opens up the ability to look for economies and cash reductions, as we plan beyond 2017 and for 2020 and beyond. This medium term commitment has in the past, with Hantsdirect, the IBC, Workstyle, and the redevelopment of Ashburton Court, put the Council in strong positions for the future. A further report on this project will be brought to Cabinet in July.

2.3.5 Similarly, work has begun on Locality Working and the benefits the County Council would achieve from reducing the cost of its operational estate, similar to the programme that was undertaken for office accommodation, relating to Workstyle. Co-location of staff and services with partners and in a two-tier system could produce powerful economic benefits. Modernising the way the Council works with Digital could further enhance the opportunities in Locality Working. Discussions have also begun with District Councils to build on the co-location work done under Workstyle, to identify further benefits. This too is a workstream that while it will not make a strong financial contribution to Transformation to 2017, would have a large impact on future running costs as we head towards 2020. Investing in both digital capability and technology, and Locality Working alongside Transformation to 2017, will provide significant opportunities for future savings.

### **3. Financial Progress – a good start**

3.1. Transformation to 2017 is predicated on a further £98m reduction from the cash limited expenditure. Progress on developing the workstreams and the overall programme is strong, and a full list of the proposed 19 projects is provided at Appendix 1 to this report.

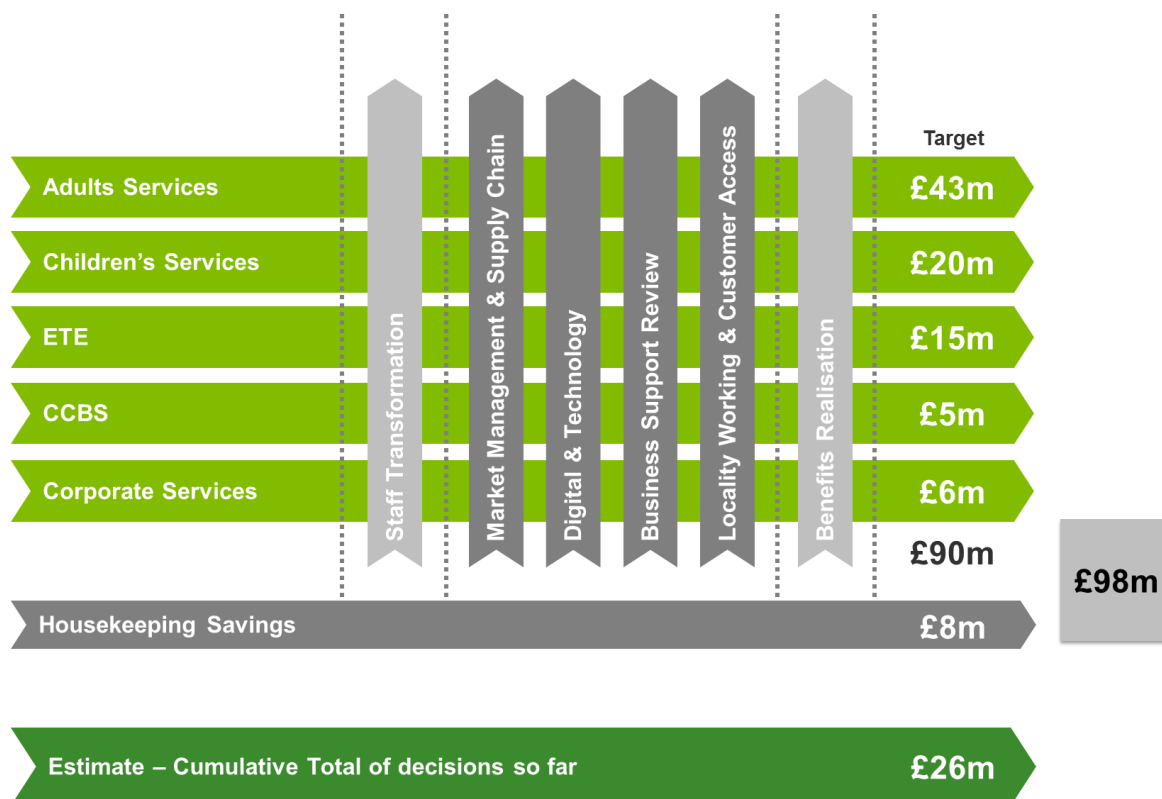
#### **3.2. Staff Transformation - £18m**

Decisions have already been made on the Voluntary Redundancy Programme and subject to the Departments remaining within the terms of the programme, a contribution of some £18m is expected from salary reductions.

### 3.3. Housekeeping - £8m

A further programme of housekeeping savings from the management of debt, inflation, reserves and financial transactions, is expected to be some £8m by the end of the programme. Therefore, in terms of financial progress, a sensible start towards the £98m has been made.

Diagram 2: Cumulative Savings (below)



3.4. The difficulty of successive transformation programmes seeking to reduce cash limited expenditure has been well rehearsed. In practice what it means is that as the degree of difficulty in finding cash savings increases, the length of time needed for each workstream to deliver tends to increase. It is therefore proposed to report bi-monthly to Cabinet, with an expectation that progress in harvesting the cash will be greater in the latter part of the programme (in 2016), than it will be in the front end of the programme over the remaining part of this financial year.

3.5. The Director of Corporate Resources will also routinely update the position in the future reviews of the Medium Term Financial Strategy (MTFS). As ever, it will be important that Departments stay on course to remain within the cash limits, utilise the cost of change reserves to fund transformation programmes and create a pace of change that allows the cash to be harvested by 31 March 2017. This will ensure that the County Council draws from its reserves

the minimum position consistent with effective and prudent financial management.

- 3.6. The Budget on 8 July will undoubtedly put further flesh on the bones of the planned reductions, announced by the Chancellor of the Exchequer on 4 June, with an expectation of another four years of planned reductions in the Department for Communities and Local Government's (DCLG) expenditure limit which will follow through to reductions in grant support and formula changes if past experience is a guide to the future.

#### 4. Spending Review Consultation

- 4.1. As part of the approval process for the detailed savings plans, a public consultation exercise began on 26 May and will be open until 6 July. The comprehensive consultation document sets out the options available for meeting the anticipated funding shortfall and seeks views on those options. It can be accessed via the County Council's website (<http://www3.hants.gov.uk/spendingreviewsurvey>) and is available in hard copy at the County Council's libraries and by request from Corporate Communications. A copy of the full Information Pack and Response form is attached as Appendix 2 to this report.
- 4.2. The consultation responses will be analysed over the summer and will inform the decision making by Cabinet and Council in October 2015 on setting the content for the 'financial envelope' for 2016 to 2018. The relevant timescales are set out below.

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

- 4.3. Starting this process has been a key milestone to ensure compliance with recent judgements around decision making and legal challenges.

#### 5. Shared Services and Oxfordshire County Council

- 5.1. In October 2013, Oxfordshire County Council's (OCC) Cabinet set out externalisation proposals for a number of its core customer and corporate services. In May 2014, an outline business case was agreed with OCC,

where it was considered that the current Hampshire Partnership and OCC could mutually benefit from a shared services model. In June 2014, the Executive Member for Policy and Resources approved the development of a shared services arrangement with OCC, and in July 2014 the business case was approved by OCC's Cabinet, setting out a 10 month on-boarding programme that commenced in September 2014. The new model will go-live with OCC in July 2015. OCC's joining the Partnership will be achieved through admission as an operational partner, a decision which is made under the terms of the Partnership Agreement.

## **6. Future direction**

- 6.1. The County Council's commitment to early planning and decision making bears more fruit the longer austerity continues. The Transformation Programmes are the best means for a cohesive and comprehensive approach with rigorous assessment of performance and risk. The decision to start early and bring forward decisions from 2016 to 2015 is proving to be even more important as the Chancellor continues to focus on deficit reduction.
- 6.2. However, the task remains formidable. The decision to have external and interim capacity alongside 'business as usual' allows even more rapid progress.

## **7. Recommendation(s)**

- 7.1. It is recommended that Cabinet:
  - i. notes progress on developing workstream strategies to deliver relevant proposed savings by 31 March 2017;
  - ii. notes the early achievement of a significant contribution for workforce transformation;
  - iii. approves progress to date and the proposed reporting timescales.

**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>	<u>Reference</u>	<u>Date</u>
Transformation to 2017 – Report No. 1	6180	27 October 2014
Transformation to 2017 – Report No. 2	6591	30 March 2015
<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:**

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

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

1.4. 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.

#### **1.5. 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:**

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

Not applicable

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

Not applicable

## Top 19 Projects

Ref #	Opportunity Name	Ref #	Opportunity Name
AS011	The care offer	CH004	SEN, educational psychology and SEN transport service remodelling
AS013	Adults with disabilities	CH007	Early help transformation
AS014	Older People	CH003	Children with disabilities (CWD) remodelling
AS015	Procurement & commissioning	AS012	Housing with care
AS016	Operating model	CH001	Social care transformation
CH006	Children's centres and early years remodelling	CH005	School improvement services remodelling
ETEW3a	HWRC - Universal charging	CH002	Placements review
HW1 HW2 HW3	Highways Op Model & THC Contract	ETETT1	TM, PTG and ST – revised operating model
AS017	Charging	CH008	Support functions review
CS105	Efficiencies from IT review & external spend		