

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

|                        |                                      |
|------------------------|--------------------------------------|
| <b>Decision Maker:</b> | Cabinet                              |
| <b>Date:</b>           | 7 December 2015                      |
| <b>Title:</b>          | Transformation to 2017: Report No. 5 |
| <b>Reference:</b>      | 7097                                 |
| <b>Report From:</b>    | Chief Executive                      |

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#### 1. Executive Summary

- 1.1. The County Council has been developing its *Transformation to 2017* Programme since October 2014, in order to deliver the next phase of savings to meet a predicted budget gap of £98m by the start of the financial year 2017/18.
- 1.2. Following a public consultation exercise undertaken over the summer of 2015 - which sought residents' and stakeholders' views on options for managing the anticipated budget shortfall - a final set of detailed savings proposals was produced and presented to Select Committees and Executive Members for consideration and agreement in September 2015.
- 1.3. Formal approval of the detailed savings proposals was undertaken at Cabinet and County Council in October this year, alongside an updated Medium Term Financial Strategy that looked at the County Council's financial prospects to 2019/20.
- 1.4. These decisions effectively moved the *Transformation to 2017* Programme from development into implementation. The purpose of this report is to update Cabinet on the progress being made by departments as they commence implementation.

#### Financial context

- 1.5. Cabinet has previously noted that each successive programme of 'transformation' over the past six years was, in itself, harder than the previous one as the scope for early and easy removal of spending was much diminished. Therefore, time is critical. Continuing to deliver at a pace which is aligned to, and preferably ahead of, planned reductions in national funding brings significant organisational benefits and enables one-off

funding to be identified for the 'cost of change' and/or for investment in specific priority programmes. Also, this timely approach to implementation offsets the risks presented by any specific work stream becoming delayed and destabilising the County Council's finances. Just as the programme becomes harder over time, those risks also increase and need to be guarded against.

- 1.6. The outcome of the Government's Spending Review announcement is covered in a separate report elsewhere on this agenda. While there is very little specific detail about the likely settlement for local government at the time of writing, indications are that the County Council's current planning assumption of 10% cash reduction in Government grants is still reasonable.

### **The challenge**

- 1.7. One of the key features and underlying success factors of the transformation programmes within the County Council is that the planning, development and implementation of the programmes are undertaken well in advance and reserves can be used to bridge budget deficits in 'interim' years to give the time and capacity to properly implement the savings over a longer time frame with greater care and less disruption.
- 1.8. Whilst this remains a feature of the *Transformation to 2017* Programme it must also be recognised that this is expected to be more challenging than previous transformation and efficiency programmes, as it involves transformational, policy and service change across all services at roughly the same time over the next two years. The financial impact of voluntary redundancies will also have less of a benefit than earlier transformation programmes due to the fact that the pool of people considering voluntary redundancy is reducing with each successive programme.
- 1.9. All of this puts a premium on having the appropriate management capacity available to the County Council, and applied consistently to the implementation of the workstreams for many months to come. This approach, coupled with the good planning already undertaken well in advance of the required implementation date for savings, means that savings programmes can continue to be successfully managed in a way that is less disruptive to services and communities.

## **2. Stage 2 consultations**

- 2.1. Following the *Shaping Hampshire* Spending Review Consultation carried out in the summer, a series of more detailed consultations are being undertaken, in accordance with legal best practice, on some of the savings proposals, as set out in the reports to Executive Members during September.
- 2.2. It is intended that outcomes from this second round of consultation will help to inform further detailed decisions by Executive Members in early 2016, allowing departments to move to implementation during 2016/2017 to achieve required savings and service transformation.

- 2.3. In accordance with those respective Executive Member decisions, two public consultations are currently underway:
- Hampshire Library Service consultation (feedback invited between 2 November 2015 and 16 January 2016) on proposals set out in the Draft Library Strategy which looks to develop a sustainable service for the future;
  - Highways environmental work consultation (feedback invited between 2 November and 11 December 2015) on proposed changes to the way some environmental work on Hampshire's highways is carried out, namely: street light dimming, grass cutting, and weed killing along the highway.
- 2.4. Further consultations are being planned in the coming weeks, for:
- Children's Services, with proposals for a new Family Support Service to bring together the work of Children's centres, *Early Help Hubs*, Youth Support Services and the *Supporting Troubled Families* Programme. This is designed to ensure a joined-up, whole-family service to those who are most in need and who do not meet the threshold for statutory social care.
  - Economy, Transport and Environment, with proposals to help reshape and rationalise the Household Waste Recycling Service in future.
- 2.5. This second round of consultation is being supported through a range of feedback methods, including online questionnaires, hard copies, telephone surveys, user focus groups, and public forums.

### **3. Progress on implementation**

- 3.1. As a result of decisions made at County Council, the total programme of savings stands at £99m, which is the original target of £98m plus a further £1m in respect of Youth Support Services which was rolled over from the *Transformation to 2015* Programme as part of the budget setting process for 2015/16. £8m of the £99m is being met from corporate 'housekeeping' savings leaving £91m to be met by departments.
- 3.2. In reality, the range of savings proposals, their complexity and associated timescales are very different across the *Transformation to 2017* Programme. However, for the reasons explained above, all departments and the different workstreams are required to now commence the work needed to reduce costs, transform work processes and redefine policies and service arrangements for less cost, in order to minimise disruption to service users and communities.

3.3. Progress against this target figure is shown in the following table:

|                 | £m        |
|-----------------|-----------|
| Already secured | 30        |
| Green           | 11        |
| Amber           | 43        |
| Red             | 15        |
|                 | <u>99</u> |

3.4. Whilst the table indicates that there continues to be strong progress within the Programme, the profile is different across the departments, with Economy, Transport and Environment, Culture, Communities and Business Services, and Corporate Services making stronger early progress. Of the £58m in Red and Amber, £54m of this rests with Children's and Adults' Services, which will impact on the speed of savings delivery moving towards April 2017. These variations are to be expected and are being managed but nevertheless require, and will receive, the closest monitoring. They also reinforce the prudence of the County Council's overall strategy as the longer term approach gives capacity for the management of such variation.

#### **4. Programme timing**

- 4.1. One of the key features and underlying success factors of the transformation programmes within the County Council is that the planning, development and implementation of the programmes is undertaken well in advance and reserves are used to bridge budget deficits in 'interim' years to give the time and capacity to properly implement the savings over a longer time frame.
- 4.2. Inevitably, the complexity of some service provision coupled with increasing demand within Children's and Adults' Services means that delivery of the full savings in 2017/18 will be harder to achieve. Presently, a likely shortfall is anticipated within Adults' Services, of some £13m by the start of the financial year 2017/18. This is a timing issue and the shortfall can be made up from cost of change reserves as savings come on line throughout 2017/18, leading to full implementation of the savings programme by the start of the year 2018/19. As described, this can be managed securely, but the analysis within the medium term financial strategy, anticipating a further equivalent programme will be needed towards 2019/20, means any further slippage would not be acceptable.
- 4.3. The Corporate Management Team considered an update on the new operating model and savings delivery for Adults' Services at the end of

October alongside a detailed piece of work on future client numbers and average weekly costs, similar to the complexity and demography work undertaken in 2011/12.

- 4.4. The combined financial picture from this exercise shows that there is enough cost of change and early delivery of savings to cope with expected increases in demand and delayed savings up until the 2017/18 financial year. In effect one-off resources will be needed and can be identified to bridge the gap during this period.
- 4.5. However, after that point, the cumulative impact of the demand pressures would need to be addressed with a base budget increase, according to current estimates, of around £21m from 2018/19 together with further possible increases in the years after that. The impact of continuing demand pressures from 2018/19 onwards was taken into account in the Medium Term Financial Strategy reported to County Council in October and more information on the detailed work that has been undertaken on these forecasts is provided in the financial update report presented elsewhere on this agenda.
- 4.6. By managing the overall position in this way, Members can be confident that there will not be a rush to implement savings that might otherwise disrupt service provision in these vital areas unnecessarily. However, this does mean that it is vital that savings are delivered to time elsewhere in the programme and that departments continue to remain within their annual cash limits.

## **5. Funding for the Programme**

- 5.1. Members will be aware that the policy in respect of departments keeping all of their underspends and early savings was previously changed in response to the Government funding reductions. Departments have been allowed to keep any underspending in their budgets in order to enable them to fund the costs of change of successive savings and transformation programmes.
- 5.2. This has been a successful policy and will be maintained, giving departments the capacity and flexibility to implement their own programmes of change without the need to seek separate corporate funding for the required investment.
- 5.3. In addition, central funding has also been made available in the past to provide corporate invest to save resources and to fund management development costs such as the Transformative Leadership Programme (TLP) which equips managers to deal with the challenges ahead.
- 5.4. The TLP programme was commenced earlier this year and is proving to be very successful in equipping key senior managers to successfully implement transformation programmes and ensuring a continued high calibre of leadership across the County Council during this sustained period of change. Attendees have acknowledged and welcomed the investment in them as senior managers and have commented on the very high quality of the programme and its relevance to what they are doing. This positive

programme will also ensure the County Council retains the best quality management to lead the organisation in the longer term.

- 5.5. Building on the success of the programme, which underpins the delivery of the *Transformation to 2017* savings, provision for a further £500,000 to add additional cohorts of managers to the programme, and to provide for further collective development for the new Corporate Management Team, has been agreed and will be met from Corporate Services cost of change reserves.
- 5.6. As part of the overall *Transformation to 2017* Programme, departments have also identified the need for additional central support services to assist them in implementing their savings. The additional resources include £250,000 on procurement and £300,000 on property.
- 5.7. In addition to the procurement resource identified above, the overall review of procurement and commissioning across the County Council is currently being taken forward and is predicted to cost around £350,000 over the next 12 months. These combined investments are regarded as essential to assist the organisation in further modernising its procurement practices to ensure further efficiencies in the County Council's external spending.
- 5.8. The total of one off resource requests outlined above is £1,400,000. Members may recall that a sum of £5m was provided for invest to save bids as part of the *Transformation to 2015* Programme and delegated authority was given to the Chief Executive to approve allocations from this amount where it directly supported the transformation programmes.
- 5.9. There is still around £1.8m of this funding that remains uncommitted and it is therefore proposed that £900,000 of the total costs outlined above are met from this source, with the balance of £500,000 for TLP being met from Corporate Services cost of change reserve.

### **Adults' Services Transformation Programme**

- 5.10. Sections 3 and 4 have outlined the particular challenges in delivering the Adults' Services savings programme against a backdrop of continuing pressure in the local health care system and in the face of rising numbers of clients and the increased complexity of their needs.
- 5.11. Whilst the timescales for delivery have been appropriately pushed back, there is still a need to drive the programme forward at this stage to ensure sufficient progress is made to start delivering savings against the revised plan.
- 5.12. Some initial support has been provided by the Private Sector Partner (PSP) within Adults' Services, but it is proposed to supplement this with further dedicated support that will provide the extra capacity, leadership and knowledge within the Adults' Services Transformation Programme.
- 5.13. Final resource estimates are still being developed but it is thought that a further £2m of input over an 18 month period will be required to drive the Programme forward. Sufficient head room still exists within the overall

PSP2 contract but this expenditure will necessitate a transfer of the remaining allocation from the Shared Service to the Hampshire County Council element of the contract. The additional expenditure of £2m can be funded from the Corporate Efficiency Reserve. Once again, this prudent use of what is a finite reserve will enable hard pressed operational managers to support and implement the transformation programme without detriment to their operational duties.

## **6. Conclusion**

- 6.1. The decisions taken by the County Council in October effectively moved the *Transformation to 2017* Programme from development into implementation. This is some 17 months before the savings are required to be fully implemented but this timeline allows for effective preparation and implementation. It also allows for some managed slippage in Adults' Services in order to achieve effective service transformation with minimum disruption.
- 6.2. Progress at this stage is still in line with expectations with a total of £30m already secured against a revised target of £99m. However, the size of the challenge faced must not be underestimated and further early traction in the programme is vital if the financial resilience and stability of the County Council is to be maintained.

## **7. Recommendations**

- 7.1. It is recommended that Cabinet:
  - a) Notes the progress on the *Transformation to 2017* Programme in line with the decisions taken by the County Council in October;
  - b) Notes the early achievement of a significant contribution to the £99 million target;
  - c) Notes the impact of the anticipated timing of savings delivery, as set out in Section 4;
  - d) Notes the decisions made by the Chief Executive, under delegated powers for resources, to support the Transformation Programme outlined in Section 5; and
  - e) Approves additional spend of £2m and the transfer of the remaining PSP2 allocation to support the Adults' Services Transformation Programme as set out in paragraph 5.13.

**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     |
| Transformation to 2017 – Report No. 3  | 6722             | 22 June 2015      |
| Transformation to 2017 – Report No. 4  | 6906             | 21 September 2015 |
| Medium Term Financial Strategy Update and Transformation to 2017 Savings Proposals | 6920             | 5 October 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