

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	21 March 2016
Title:	Transformation to 2017: Report No. 6
Reference:	7410
Report From:	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 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 subsequently undertaken at Cabinet and County Council in October 2015, alongside an updated Medium Term Financial Strategy that looked at the County Council's financial prospects to 2019/20.
- 1.4. Following the final local government finance settlement in January this year, the four year picture for the County Council to 2019/20 has significantly deteriorated, with the County Council still requiring (further to the delivery of Transformation to 2017) an additional £140m of recurring savings by April 2019 after assumed council tax rises of 3.99% each year for the four years from 2016/17.
- 1.5. This brings into even sharper focus the need to fully deliver the Transformation to 2017 Programme as any failure to meet the required savings adds to the future financial deficit that the County Council will face.
- 1.6. Progress to this point is encouraging with close to £36m of savings so far secured and emerging confidence that this figure will increase significantly by the mid point of 2016/17. Allowing for the deferral of up to £13m of Adult Services savings into 2017/18 (agreed at December Cabinet and funded through one off resources from early savings delivery and thus not

impacting on the grant equalisation reserve) this should result in less than 20% of programme savings to be secured in the second half of 2016/17.

Financial context

- 1.7. 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 further 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.
- 1.8. The outcome of the final local government settlement has without doubt placed the County Council in an even more difficult position, but this does not in itself increase the risk in the current Programme. The County Council is, in relative terms, still in a very strong financial position compared with many of its County neighbours and will continue to make representations to Government to redress the impact of the settlement that hit Shire Counties particularly hard.
- 1.9. In this regard the Government has agreed in the past month to provide some transitional funding to local authorities who were worst hit by the settlement outcome. The County Council is due to receive £18.7m of transitional funding over the next two years which although welcome, will barely close off the widened budget deficit in the budget of £15m to 2017/18 as a direct result of the settlement. It needs to be stressed these are not recurring sums and so do not affect the longer term revenue position.
- 1.10. Plans to tackle the deficit beyond 2017/18 will be developed later this year but only after it is clear that there is sufficient traction across all areas of the Transformation to 2017 Programme. This is an essential discipline which is being imposed across the whole organisation.

The challenge

- 1.11. 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. This has meant that where possible early savings can be safely achieved and conversely that reserves (from early savings delivery) can be used to bridge budget deficits in 'interim' years. This has given the time and capacity to properly implement the savings over a longer time frame with greater care and less disruption.

- 1.12. 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 year. The financial impact of voluntary redundancies was predicted to have less of a benefit than earlier transformation programmes due to the fact that the pool of people considering initial voluntary redundancy offer was reducing with each successive programme. A new voluntary redundancy approach (EVR2) is in place with the aim of targeting a different cohort of staff to ensure that employees leaving voluntarily are still enabled through the Transformation programme.
- 1.13. 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. As previously reported, this approach to VR has been highly cost effective, conducive to managed change and at the same time constructive from the perspective of departing and retained staff.

2. Stage 2 consultations

- 2.1. Following the *Shaping Hampshire* Spending Review Consultation carried out in the summer, a series of more detailed, service specific consultations are being undertaken, in accordance with legal best practice, on some of the savings proposals, as set out in the reports agreed by Executive Members, Cabinet and Council during autumn 2015.
- 2.2. It is intended that outcomes from this second round of consultation will help to inform further detailed decisions by Executive Members during 2016, allowing departments to move to implementation this year to achieve required savings and service transformation. The consultations will be fully considered as the process progresses.
- 2.3. In accordance with those respective Executive Member decisions, two public consultations have been completed and two others are now underway.
- 2.4. The completed consultations include:
 - 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. Some 8,500 responses were received from the public survey and 600 telephone interviews were completed. The responses are currently being analysed.

- 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. The Executive Member for Economy, Transport and Environment approved a set of service changes at his decision day in January.
- 2.5. Further to Full Council approving the budget for 2016/17 at their February meeting, two further public consultations are being taken forward. These include:
- 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 underway. Launched on 23rd February, this proposal 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 across Hampshire finalised and the consultation due for launch this month.
- 2.6. 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 working hard to deliver a range of programmes and individual projects that will enable costs to be reduced, policies to be safely redefined and work processes and services to be transformed resulting in overall service delivery being organised at less cost but with minimum disruption to service users and communities.

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

	£m
Already secured	36
Green	9
Amber	51
Red (excluding Adults slippage)	<u>3</u>
	<u>99</u>

3.4. Whilst the table above 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 continuing to make stronger early progress.

3.5. Of the £54m in Red and Amber, £51m of this rests with Children's and Adults' Services, which, as reported in December, is impacting on the speed of savings delivery. The Amber figure includes £13m of the Adults Services overall programme that is still more likely to be delivered during 2017/18 giving the time and capacity to properly implement the required savings over a longer time frame with greater care and less disruption.

3.6. The extent of the challenge is not a surprise and is to be expected, especially in some of the social care areas. Nevertheless, robust management attention and the closest monitoring will be required throughout 2016 and beyond to see the individual projects delivered in time. The challenges posed also reinforce the prudence of the County Council's overall strategy as the longer term approach to planning and delivery provides capacity for the management of such variations.

4. Programme focus

4.1. As we continue to make progress and move into the new financial year, two major areas of work are set to dominate the Tt2017 programme and as such will significantly determine our success going forward.

Digital

4.2. In the final period of 2015, starting in September, the content and direction for the Digital programme became clearer. Cabinet received a report that month outlining the contribution of Digital in supporting/sustaining key elements of the Tt2017 programme and clarifying the key strands of the Implementation programme covering; Hantsweb2, Hansdirect2 and Business Analytics. Our digital strategy is necessarily broader than these three components, but these are recognised as the priority for the programme. They dictate how service users can understand and self-serve, how they can gain most efficient access to the right services where applicable, and how we can develop increasing sophistication and effectiveness in measuring, analysing and therefore controlling what we do across such a wide organisation and County.

- 4.3. Cabinet agreed to the necessary procurement and implementation of hardware and software (the key enabler for the Digital Implementation) and supported the delivery of selected tactical projects to allow the organisation to take better advantage of existing capability. In the lead up to Christmas 2015, the Digital procurement exercise was taken forward leading to the purchase of a range of hardware and software that would be configured and implemented in 2016. This was an investment in the Council's future and will allow the organisation to be (significantly) better digitally enabled going forward. This is both important for Tt2017 and especially so in the context of the Tt2019 challenge that is arguably already upon us.
- 4.4. Moving on, and having largely completed the tactical digital projects, a mobilisation exercise has just been completed involving key input from the different County Council Departments. The mobilisation period involved a range of service experts and senior managers from across the Council to help define the forward options for Hantsweb2, Hantsdirect2 and Business Analytics.
- 4.5. The importance of properly informing the Digital Implementation plan and of properly understanding what will follow, when it will follow and what resources will be required (both technical and service expertise) is well rehearsed and has enabled a Digital Implementation plan to be developed within the parameters and financial envelope agreed by Cabinet at its September 2015 meeting. The work, as expected, will be taken forward with the Council's private sector partner and is set to take some 12 months to complete.

Adult Services:

- 4.6. In terms of Tt2017, it is acknowledged that this is the Council's biggest risk area, due to the size of the budgets, the rising demands nationally, and the critical interface with our NHS partners whose own challenges are well described elsewhere. At the December Cabinet meeting it was agreed that some £13m of the overall £43m programme would be delivered late, during 2017/18, in order to achieve effective and sustainable service transformation with minimum disruption. The scale of transformation is very significant alongside the continuing business as usual challenges.
- 4.7. In this context and coupled with major recent changes at DMT level, it is accepted that the Department needs additional leadership capacity and programme support capacity to provide focus to the challenges of Tt2017 so that the myriad of different projects and overall programme has the best overall chance of being delivered.
- 4.8. Early progress is encouraging and an interim (locally set) savings target (c£10m) to be achieved by April 2016 is on course to be delivered. This provides a level of assurance and some confidence that the programme can continue to deliver throughout and beyond 2016/17. The Adults transformation programme cannot be delivered by the Department alone and focused contributions from the Digital programme, particularly around the 'Front Door', an upgraded care management system and a new

business analytics capability are just 3 of 15 technological initiatives that are being taken forward this year. Input from the Council's private sector partner has also been increased (beyond what was envisaged in the December report) and this is paying dividends in terms of the focus, pace and traction that the programme of work is now benefitting from.

- 4.9. Despite the positive progress outlined above, the Adults transformation programme remains significantly challenging and complex. History has shown us that large and complex programmes of work can only be successfully progressed and delivered, if the leadership and project resources are sufficient, and able to focus very clearly on the task at hand. The scale of this task means that the level of external input will need to remain at the current levels for the majority of the forthcoming financial year. This will be very positive for the Council in terms of the delivery of the transformation programme across Adults. This greater capacity requirement coupled with the significantly higher premium being placed on the delivery of the overall Tt2017 programme as a result of the CSR outcome, mean that it is prudent to anticipate the need for further investment for internal and external transformation capacity investment to be funded from available and uncommitted Invest to Save and Corporate Efficiency Reserves (up to £6.6m). These reserves will only be called upon where absolutely necessary and only when the intervention is considered critical to the delivery of the £99m revenue savings programme over the forward period.

5. Conclusion

- 5.1. The decisions taken by the County Council in October effectively moved the *Transformation to 2017* Programme from development into implementation. This was some 17 months before the savings are required to be fully realised but this timeline allows for effective preparation and implementation. It also allows for part of the Adults' Services programme to be delivered over a longer time frame in order to achieve effective service transformation with minimum disruption.
- 5.2. Progress at this stage is still in line with expectations with a total of £36m already secured against a revised target of £99m and this secured figure is set to increase significantly by the mid point of 2016/17. 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.
- 5.3. Looking ahead, there are two major and related programmes of work, Digital and Adult Services that require real focus. Delivered well, both have the potential to make major contributions not only to the Tt2017 challenge but to lay solid foundations for the inevitable and harder successor programme.

6. Recommendations

6.1. 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 2015;
- b) Notes the early achievement of a significant contribution (£36m) to the £99 million target;
- c) Notes the status for Tt2017 of the Digital and Adult Services programmes of work, during and beyond the forthcoming financial year, as set out in section 4 of this report.
- d) Approves the allocation of uncommitted Invest to Save and Corporate Efficiency Reserves (up to £6.6m) to provide for, where necessary, additional internal and external transformation delivery capacity, in order to secure the necessary levels of support to the overall Tt2017 Programme and for the Adults' Services elements in particular.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	No
Maximising well-being:	No
Enhancing our quality of place:	No
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>
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
Transformation to 2017 – Report No. 5		7 December 2015
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. 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