HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	19 September 2016
Title:	Transformation to 2017: Report No. 8
Reference:	7798
Report From:	Chief Executive

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1. Executive Summary

1.1 This is the eighth Transformation to 2017 report to Cabinet outlining the progress being made in respect of the £99m savings programme. The County Council has been developing its Transformation to 2017 programme since October 2014, in order to deliver the latest phase of required savings to meet a predicted budget gap of £99m 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 a latest 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. Cabinet received an updated Medium Term Financial Strategy report in June 2016 which confirmed that further to the full delivery of Transformation to 2017, the County Council will still be required to achieve 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 the end of July was encouraging with just over £55m of the overall target savings so far secured and emerging confidence that this figure will increase to £68m-£70m by the end of the calendar year.

1.7 Allowing for the deferral of some £13m of Adult Services savings into 2017/18 (Cabinet were informed in December 2015 that £13m of the £43m programme was going to take longer to deliver) this should mean that around £16m of the programme will remain to be delivered in the final quarter of 2016/17.

1.8. The later delivery of £13m of the Adults programme in 2017/18 is partly manageable through the use of available one off resources resulting from the early delivery of savings together with the potential early release of corporate funding and underwriting from other Departments cost of change reserves as proposed in the separate budget monitoring report presented elsewhere on this agenda.

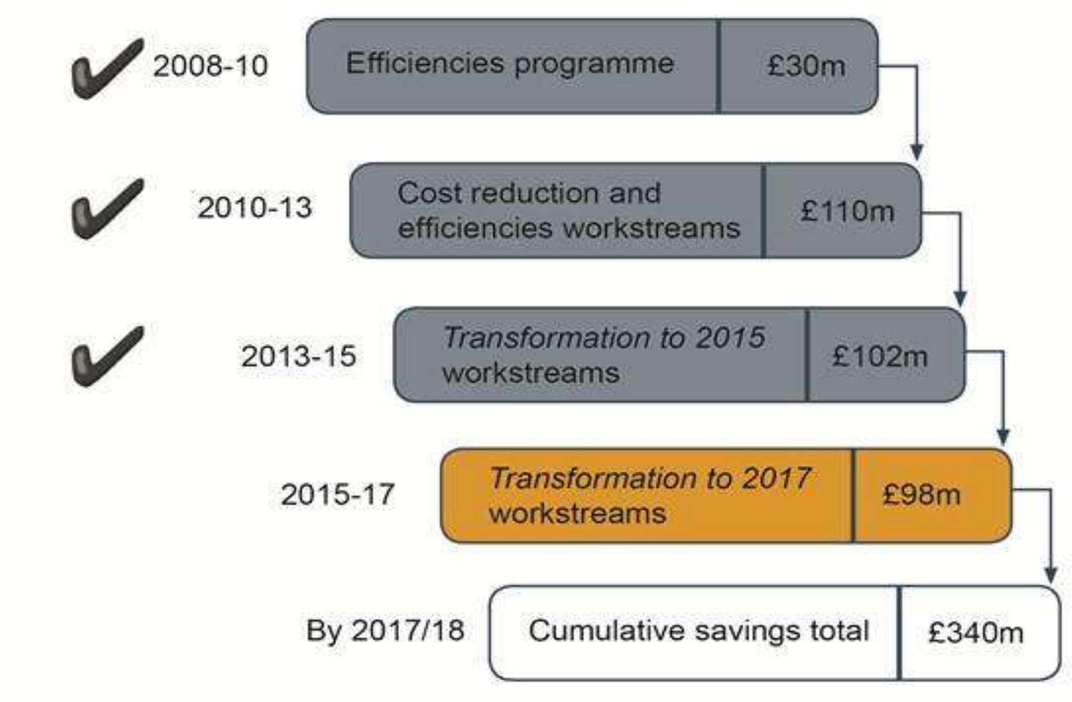
1.9 This approach reflects a widening gap in the financial position of the two social care Departments compared to the other three which is outlined in the monitoring report presented elsewhere on this agenda. By dealing with the potential financial pressures in this way this will not impact on the level of the grant equalisation reserve, which is a key part of the financial strategy to 2019/20.

2. Financial Context

2.1 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 easier 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 continued 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.

2.2 A good indicator of our continuing success is to look at how Departments are performing against the savings programmes that have already been implemented. Up to 2015/16, some £240m has already been removed from budgets (see figure 1. over page) and the outturn report presented to Cabinet back in June 2016 demonstrated that Departments have continued to manage their resources and provide further for one off investment to support the on-going transformation challenge and at the same time maintain and even improve service outcomes and performance.

Figure 1. Cost Reduction Exercises to Date



2.3 Whilst this performance has been sustained to date, the cumulative impact of numerous savings programmes together with sustained pressure on social care spending in particular show a different picture for 2016/17 and 2017/18 with some Departments unlikely to remain within their cash limited expenditure positions over these two years.

2.4 Furthermore, 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 it simply increases the premium on fully delivering it. The County Council is, in relative terms, still in a very strong financial position compared with many of its County neighbours but will also continue to make representations to Government to redress the impact of the settlement that hit Shire Counties particularly hard. To this end, informal representations have recently been made to DCLG around freedoms and flexibilities namely in the areas of Home to School Transport, Concessionary Fares, Household Waste Recycling Centres and Public Health that would enable the County Council to better maintain service outcomes within the ever decreasing available financial envelope. A more formal representation will be made to Government in September this year as part of the County Council's response to the Fair Funding Review and Business Rate Retention consultations.

2.5 The Medium Term Financial Strategy presented to Cabinet in June provided more background to the overall financial position to 2019/20. Of particular importance, is the fact that not only is the County Council able to meet, on a one off basis, the additional deficit in 2017/18, but has also identified sufficient resources to bridge the estimated deficit of £70m in 2018/19, enabling the County Council's successful strategy of setting two year savings targets to continue.

2.6 Plans to tackle the longer term deficit will begin to be developed over the coming months with a draft programme for Transformation to 2019 likely to be completed early next financial year. The development of the Transformation to 2019 plans will be taken forward carefully and diligently with the planning process purposely designed not to impact on the traction and work still to be completed for Transformation to 2017. This dual running will give the County Council the best opportunity of delivering on the current programme alongside providing the maximum amount of time to develop, consult on and then deliver a robust forward programme to April 2019.

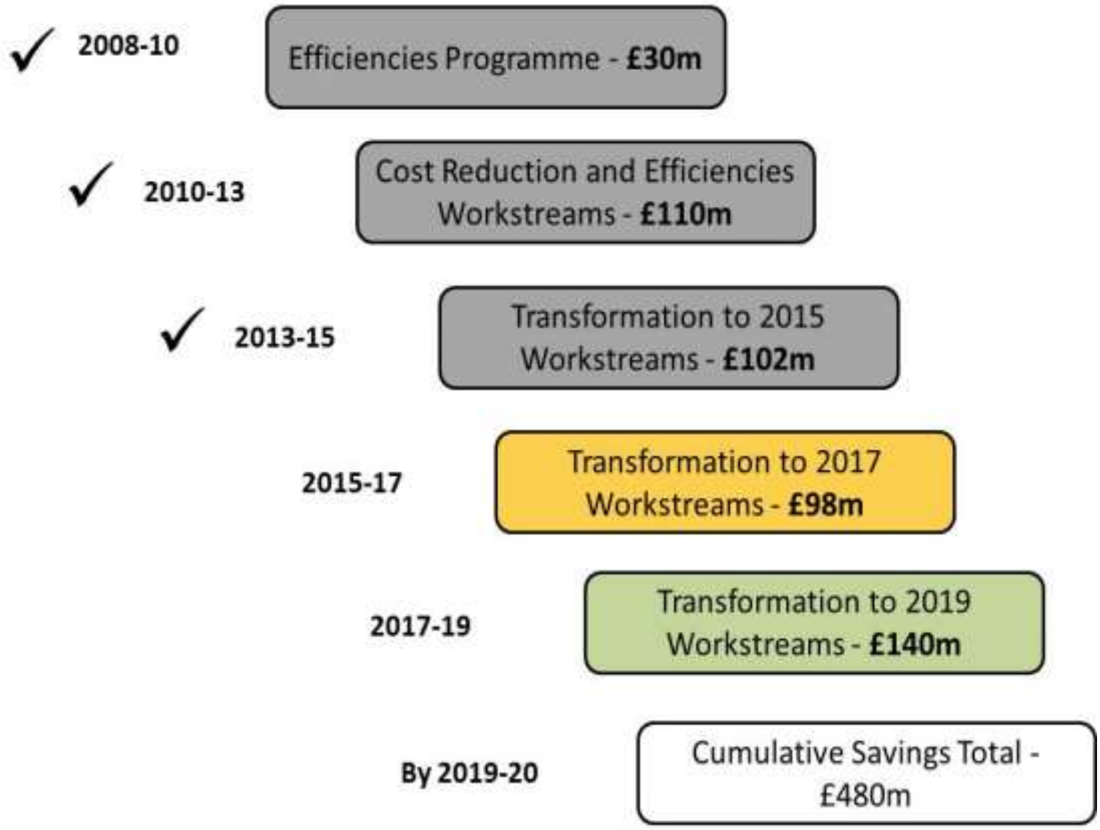
The Increasing Challenge

2.7 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. 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.

2.8 Whilst this was a key feature of the Transformation to 2017 Programme it must also be recognised that as we begin to turn our attention to Transformation to 2019 there is absolutely no doubt that this fourth major cost reduction exercise for the County Council since 2010 will be significantly more challenging than any previous transformation and efficiency programme against a backdrop of a generally more challenging financial environment.

2.9 Inevitably, Transformation to 2019 will involve complex transformational, policy and service change across all services at the same time over the next few years alongside slipped delivery of a major part of the Transformation to 2017 programme, an unrelenting business as usual agenda and an uncertain and Government led Devolution agenda. The Transformation to 2019 programme will mean a cumulative £480m of cost reduction for the County Council over the past decade per Figure 2. over the page. A separate and first dedicated report on Transformation to 2019 will be prepared for Cabinet later in the calendar year.

Figure 2. Cost Reduction Exercises including the Transformation to 2019 Programme Requirement



3. Stage 2 Consultations

3.1 Following the *Shaping Hampshire* Spending Review Consultation carried out in the summer, a series of more detailed, service specific consultations, have been and continue to be 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.

3.2 Outcomes from this second round of consultations have helped 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 one on-going stage 2 consultation and any future consultations in respect of Transformation to 2017 service changes will continue to be fully considered as the programme progresses.

3.3 In accordance with those respective Executive Member decisions and since the previous Transformation to 2017 update to Cabinet in June, the Executive Member for Children and Families made a decision in July to implement a new Family Support Service bringing together the work of Children's Centres, Early Help Hubs, Youth Support and Troubled Families.

3.4 Also in July, the Executive Member for Economy, Transport and Environment, on the back of a consultation that attracted some 12,000 responses, agreed efficiency proposals in respect of the Household Waste Recycling Service. The agreed changes mainly focused on minimal reductions to site opening hours with all existing sites remaining operational and thus continuing to benefit all communities right across Hampshire.

3.5 Lastly, and as reported previously, Adult Services launched a paying for care policy change consultation in June that is set to conclude in late August. The consultation includes possible policy revisions in four different areas of business. By the close of the consultation, over 3,000 responses had been received including telephone responses. 2,000 of the responses came direct from service users or people responding on behalf of service users. The outcome of the consultation will be analysed in September with policy change proposals due to be put to the Executive Member for Adult Social Care in October.

4. Progress on Implementation

4.1 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.

4.2. 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 projects (all backed by individual plans) 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 wherever possible, with minimum disruption to service users and communities.

4.3 Progress against this target figure further to the previous report to Cabinet in June of this year is shown in the following table:

	£m (to April 2017)	**£m (to July 2017)**
Already Secured	44	55
Green	4	4
Amber #	49	38
Red	2	2

- includes £13m of Adults programme that will be delivered in 2017/18

4.4 Whilst the table above indicates that there continues to be good progress within the programme overall, the profile is different across the Departments, with Economy, Transport and Environment, Culture, Communities and Business Services, and Corporate Services continuing to make stronger progress. Indeed these three Departments are close to fully delivering their individual transformation programmes allowing them greater ability to turn their attention to planning for the successor Transformation to 2019 programme.

4.5 Of the £40m of projects classified as Red and Amber, just over £38m of this rests with Children's and Adults' Services, which, as reported previously 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 necessary to properly implement the required savings over a longer time frame with greater care and less service disruption for users.

4.6 The £2m classified as Red, includes lower than estimated savings (at this stage) from applying the strengths based care offer for older people and timing issues associated with the full delivery of the new model for learning disability accommodation. The combined impact of these Adult Services savings areas is some £1.5m. The delivery risks to the realisation of savings will continue to be managed and where possible mitigated or eradicated. Where this is not possible, other savings areas will be pursued. The latest position and challenges with the Adults programme is dealt with in more detail in the next section of this report.

4.7 The remaining £0.5m of Red covers three separate projects in Children's Services in respect of Placements, SEN and support services. All three project areas are progressing but the expected overall delivery benefit is cumulatively up to £0.5m at risk. A review of the Children's programme and these projects in particular is underway and it is anticipated that alternative savings proposals to bridge the gap will be identified before the mid point of this financial year.

4.8 The extent of the challenge, especially in the social care areas, is not a surprise and has been continuously trailed in previous reports to Cabinet. Accordingly, robust management attention and the closest monitoring is continuing throughout 2016 and beyond to help ensure that the different individual projects are delivered as projected and to 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.

5. Adult Services

5.1 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 service demands (from an ageing population and adults with complex needs) and the important interface with our NHS partners, whose own challenges continue to attract much media and local attention.

5.2 At the December Cabinet meeting it was agreed that some £13m of the overall £43m programme would be delivered during 2017/18, in order to better achieve effective and sustainable service transformation with minimum disruption. The scale of transformation is very significant alongside the continuing business as usual challenges and in these circumstances the

Adults programme continues to benefit from additional leadership capacity and support combining both in-house and private sector partner input.

5.3 Over the summer period, these resources have combined to oversee a detailed review of the whole programme. The review has confirmed that there are numerous risks to both the timing of savings delivery and the cumulative delivery of the £43m programme overall as outlined in paragraph 4.6. Whilst these risks are, and will continue to be, actively managed, there remains the possibility that risks to the overall programme could increase beyond the currently reported Red figure of £1.5m. Every effort will be made to avoid this eventuality and where it is not possible to fully manage specific risks, other savings areas will be pursued.

5.4 Progress to date generally remains steady with some £11.5m of savings secured by the end of July. Over the remaining 9 months of 2016/17, there is a further £18.5m of recurring savings to be delivered with sizeable savings contributions due to be achieved across a number of the different project areas. Leaving aside where the Department currently stands, there is still the best part of two years of significant transformational activity to work through for the overall programme to be successfully delivered and per above, a number of risks and uncertainties requiring close scrutiny and careful management.

5.5 Some £10m of savings (at least) are attributed to the roll out of a new ‘Care Offer’ which is predicated on operational teams working to a ‘strengths-based’ approach to care, initially targeted at older persons. Training across the 20+ operational teams has now been completed and early signs from those teams who were the first to be trained are largely good. That said, the overall target savings figure relies upon a sustained lower cost outcome across a care group that regularly sees some 3,000 new clients across any one year and critical to success will be a relentlessly delivered change management programme for senior managers and frontline staff (partly assisted by technological enhancements – see paragraph 5.6), a robust supplier base and a stronger voluntary sector contribution, as well as changes to expectations of the way in which peoples needs are met. The Adults private market continues to be somewhat unstable and volatile and working more closely and achieving improved contributions from a range of volunteers and voluntary sector providers is unlikely to produce instant results for the Council.

5.6 The Adults programme is also very reliant on a number of enabling technology projects, some of which are being taken forward as part of the Digital programme that was headlined in report number six to Cabinet in March. Overall some 15 separate technology projects are, or will be underway to support the Adults transformation programme and clearly some of these are more critical in terms of containing demand. Of equal importance is the provision of better management information so that more timely business decisions can be taken both to improve outcomes but also at an overall reduced cost to the Department.

5.7 Some of the technological enhancements will also mean that certain services will require less staff than is the case presently. Part of the savings target is linked to the Department operating with fewer staff in 2017/18 and thus the delivery of enhanced technological capability, mobile working and the impact of technology on operations will be an important determinant to the targeted saving in this area being realised.

5.8 Taking all of the above into account and adding in a dynamic and challenging operational business environment in which the cost of supporting younger adults with learning and physical disabilities now outstrips and is growing faster than the costs of supporting older people, it is clear that there is much hard work ahead before the Department is able to succeed with its Tt2017 challenge. Whilst a number of the individual projects have strong plans, have clear work milestones and are well resourced, it is equally the case that the risks across any number of them could just as well increase over time given the range of variables and external factors at play. The programme will continue to be strongly supported with focused input from across the Department, the in-house Transformation Practice, our Private Sector Partner and other corporate input. The programme will be very carefully managed and monitored and to that end a further review of the programme will be undertaken before the end of the calendar year so that any necessary action can be taken to help ensure the programme remains on track to deliver. Cabinet will continue to be updated on the status and issues with the Adults programme in future Transformation to 2017 reports.

6. Conclusion

6.1 The decisions taken by the County Council in October moved the Transformation to 2017 programme from development into implementation. This was some 17 months before the savings were required to be fully realised but this timeline allowed for effective preparation prior to implementation.

6.2 Since we moved into implementation, Cabinet agreed at their December 2015 meeting the principle of allowing part of the Adults' Services programme to be delivered over a longer time frame in order to achieve effective service transformation with minimum disruption. The latest programme monitoring position has highlighted a number of risks to the overall programme which could just as well increase over the coming months. At this point in time, some £1.5m of the overall £43m Adults programme is considered to be at risk.

6.3. Progress at this stage for the programme as a whole is largely in line with expectations with a total of just over £55m already secured against a revised target of £99m and this secured figure set to increase to £68m - £70m by the end of the calendar year. That said, the size of the remaining challenge faced must not be underestimated (£40m remains Amber/Red at this stage) and further close monitoring of the programme will continue to best ensure the programme is delivered so that the financial resilience and stability of the County Council is maintained.

6.4 Looking ahead, the programmes of work in Adult Services will continue to require real attention and strong leadership and management focus. There are a number of risks, dependencies and external factors that will require on-going management input and attention and in a number of areas, risks to delivery could actually increase rather than reduce, at least in the immediate term. On the other hand, the relative success with the overall programme to this point means that appropriate leadership attention can begin to be turned towards the planning for the successor Transformation to 2019 programme. This will be taken forward carefully and will be managed closely so that there is no detrimental impact to the continued delivery of Transformation to 2017.

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 2015;

b) Notes the achievement (to the end of July 2017) of a significant contribution (£55m) to the £99 million target;

c) Notes the status for Tt2017 of the Adult Services programme as set out in section 5 of this report;

d) Notes that planning for Transformation to 2019 will soon begin and that a first report relating to the issues, challenges and approach to the successor programme will be presented to Cabinet later this calendar year.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	No
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	No
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	No
Corporate Improvement plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
Title	Reference	Date
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 Sept 2015
Medium Term Financial Strategy Update and Transformation to 2017 Savings Proposals	6920	5 October 2015
Transformation to 2017 – Report No. 5	7097	7 Dec 2015
Transformation to 2017 – Report No. 6	7410	21 March 2016
Transformation to 2017 – Report No. 7	7617	20 June 2016
Medium Term Financial Strategy to 2020	7482	20 June 2016
Direct links to specific legislation or Government Directives		
Title		Date

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.)

Document	Location
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 disproportionally 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