HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	12 December 2016
Title:	Transformation to 2017: Report No. 9
Reference:	8000
Report From:	Chief Executive

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1. Executive Summary

1.1 This is the ninth Transformation to 2017 (Tt2017) report to Cabinet outlining the progress being made in respect of the £99m savings programme. The County Council has been developing its Tt2017 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, subject to further consultation where it was required.

1.4 Following the local government finance settlement in January this year, the four year picture for the County Council to 2019/20 significantly deteriorated. The Medium Term Financial Strategy (MTFS) approved by Cabinet in June 2016 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. The 3.99% council tax rise being in line with the Government's amended approach (built into their settlement calculations) combining a general 1.99% council tax increase and a further specific 2% council tax premium to help offset the spiralling unfunded costs of adult social care.

1.5 The implications of the finance settlement brought into even sharper focus the need to fully deliver the Tt2017 programme as any failure to meet the required savings will add to the future financial deficit that the County Council faces.

1.6 Progress to the end of October was encouraging with some £65m of the overall target savings so far secured and growing confidence that this figure will increase to at least £70m by the end of the calendar year.

1.7 Allowing for the deferral of some £13m of Adults' Health and Care savings into 2017/18 (Cabinet were informed in December 2015 that £13m of the £43m programme was going to take longer to deliver) around £16m of the programme, as predicted in September, will remain to be delivered in the final quarter of 2016/17.

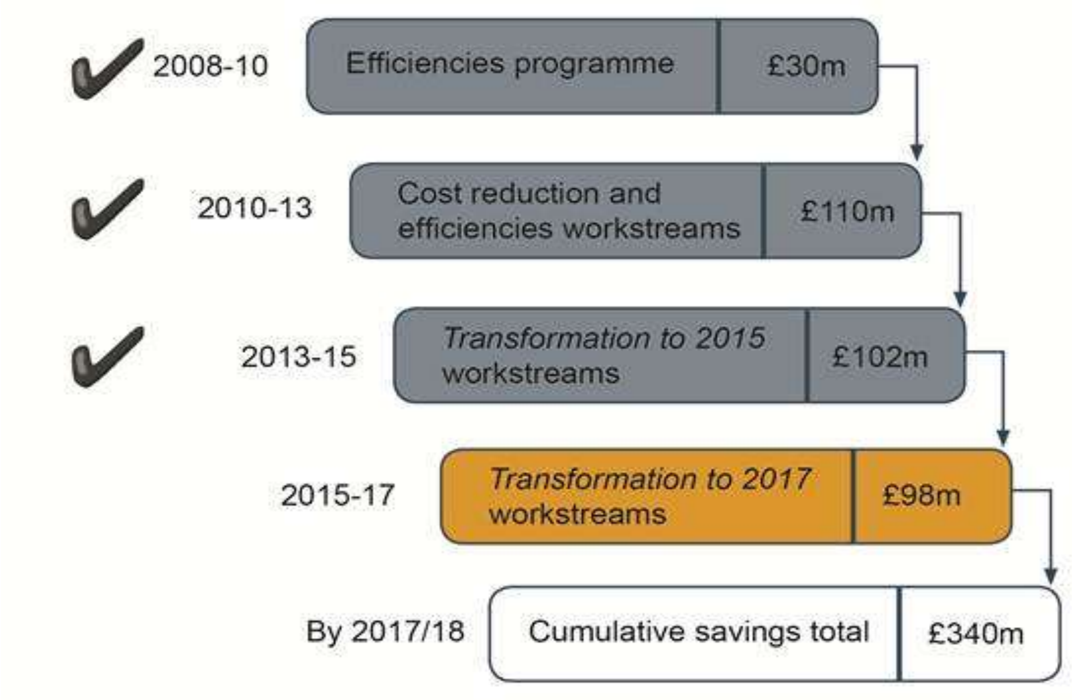
1.8. The later delivery of £13m of the Adults programme in 2017/18 is partly manageable through the use of available one off resources resulting from the early delivery of savings together with the potential early release of corporate funding and underwriting from other Departments cost of change reserves, as proposed in the budget monitoring report presented to Cabinet on 19 September 2016.

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 in June 2016 demonstrated that Departments have continued to manage their resources, 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 all Departments but in particular social care spending show a different picture for 2016/17 and 2017/18 with both Adults' Health and Care and Children's Services unlikely to remain within their cash limited expenditure positions over these two years as reported to Cabinet in November 2016 in the latest Revenue Budget Monitoring report.

2.4 Furthermore, the outcome of the local government finance settlement 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 other Local Authorities, 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 the County Council's financial position and outlook. This built upon the County Council's early autumn response to Government in relation to their Fair Funding Review and Business Rate Retention consultations.

2.5 The Medium Term Financial Strategy (MTFS) 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 continuation of the County Council's successful strategy of setting two year savings targets.

2.6 Plans to tackle the longer term deficit have now begun and will be developed further over the coming months with a draft programme for Transformation to 2019 (Tt2019) likely to be completed early next financial year. The development of the Tt2019 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 (Tt2017). 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.

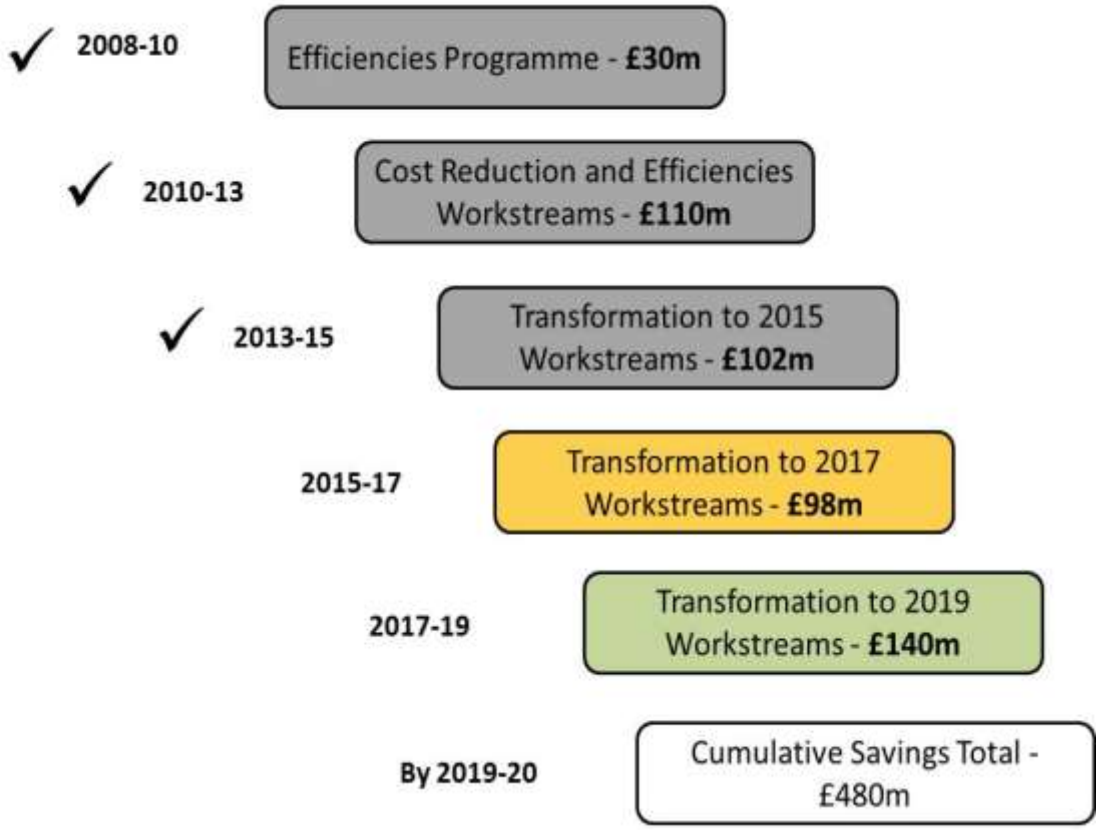
The Increasing Challenge

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 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 Tt2017 Programme it must also be recognised that as we begin to turn our attention to Tt2019 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, Tt2019 will involve complex transformational, policy and service change across all services at the same time over the next few years alongside slipped delivery of part of the Tt2017 programme, an unrelenting business as usual agenda and an uncertain and Government led Devolution agenda. The Tt2019 programme will mean a cumulative £480m of cost reduction for the County Council over the past decade per Figure 2. over the page. Early Tt2019 views and issues are briefly covered in section 6 of this report.

Figure 2. Cost Reduction Exercises including the Tt2019 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 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. Future consultations in respect of Tt2017 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 Tt2017 update to Cabinet in September, the Executive Member for Adult Social Care has agreed to policy changes at the October Decision meeting in respect of paying for care. The decisions taken follow a public consultation that closed in August this year with over 3,000 responses received including telephone responses. 2,000 of the responses came direct from service users or people responding on behalf of service users. Having reviewed and analysed the consultation outcomes, three of the four policy change proposals were approved.

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 Tt2017 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 the £99m target figure further to the previous report to Cabinet in September of this year is shown in the following table:

	£m (to July 2017)	**£m (to Oct 2017)**
Already Secured	55	65
Green	4	4
Amber #	38	30
Red	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 remains very 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 very close to fully delivering their individual transformation programmes allowing them greater ability to turn their attention to planning for the successor Tt2019 programme.

4.5 Of the £30m of projects classified as Amber, £25m of this rests with Adults' Services and a further £4m with Children's Services. As reported previously this is impacting on the speed of savings delivery. The Adults Amber figure includes £13m of their 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 previously classified as Red, related to savings shortfalls in a number of projects across Adults and Children's Services. Both

Departmental Management Teams have, since the summer, explored alternative savings options and have both agreed to expanding existing successful project areas or have confirmed new projects so that the risks to overall programme delivery can be eradicated.

4.7 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 including the latest budget monitoring report in November 2016. Accordingly, robust management attention and the closest monitoring will continue 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 2015 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 A summer review of the Adults programme confirmed that there are numerous risks to both the timing of savings delivery and the cumulative delivery of the £43m programme overall as reflected in the latest risk assessment conveyed in section 4 of this report. The Departmental Management Team have spent time since the summer further assessing the risk profile of the programme and have considered and agreed options to drive harder at existing successful projects or to introduce new project options in order to cover off the delivery risks. Every effort will be made to ensure that the decisions taken result in the targeted savings being delivered. Strong and robust programme management and reporting will continue be applied.

5.4 Whilst progress to date generally remains steady, there is still the best part of 18 months of significant transformational activity to work through for the overall programme to be successfully delivered and as set out, a number of risks and uncertainties will require 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 was completed in the summer and increasingly savings are consistently being achieved by all teams. 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. 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.

5.6 The Adults programme is 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 2016. Overall some 15 separate technology projects are underway to support the Adults transformation programme and 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.

5.9 Whilst a number of the individual projects have strong plans, 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 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 Tt2017 reports.

Transformation to 2019

6.1 As per paragraph 1.4 and predicated on the assumption that the Tt 2017 programme is fully delivered, the successor cost reduction programme, Tt 2019 will be required to close a budget gap of £140m by April 2019. After allowing for housekeeping savings of £20m, Departmental allocations were set out in the MTFS and approved by Cabinet in June along with a broad timeline to October 2017 at which point it is anticipated that Cabinet and then Full Council will consider the overall programme savings proposals.

6.2 There can be no doubt that this fourth major cost reduction exercise will be the most challenging programme ever undertaken by the Council. It will require no stone to be left unturned. It will involve complex transformational, policy and service change across all services at the same time over the next few years and will lead to some extremely difficult decisions and service choices needing to be made.

6.3 In the past, the County Council has tackled the savings programmes by:

- planning early and ensuring that everyone understands and is focused on what needs to be achieved;
- giving itself the time and capacity to achieve the changes in services and structures required;
- supplementing capacity and driving out savings through Corporate Workstream programmes; and
- providing investment for change by allowing Departments to keep underspends and providing other targeted funding where appropriate.

6.4 This strategy has served the County Council well throughout the period of austerity and recognising that the time, capacity and investment required to achieve the next phase of transformation will be even greater than before there is an overriding argument to maintain the proven formula at this stage.

6.5 To that end, each Department has started the process of assessing potential service based savings opportunities and over the coming months these will be further developed and refined ahead of a first draft programme taking shape around the Spring of 2017. The opportunities are being developed alongside a very challenging business as usual agenda that in specific areas the Council is already struggling to balance service demands with available finances. Separate demand pressures are impacting on each of the County Council Departments.

6.6 The Tt2019 programme is likely to be very broad in nature and will necessarily result in the Council looking and operating very differently by the end of the decade. Extensive public engagement and co-design of services will need to feature strongly. We will need to continue and build on the work started in Adults' Health and Care in the past year to begin to reset public expectations of what our residents should expect from the Council in the future, including changes to expectations of the way in which people's needs are met.

6.7 Within the above, the programme will challenge our own leaders, senior managers and operational staff. Optimising agile and mobile working will be a key necessity, making the best use of technology will be critically important both for our staff and so that we can redesign services and processes for the benefit of residents. By strategically combining these two important cost reduction enabling themes we will see the Council operating at lower cost with less staff, from fewer fixed points and thus requiring less office space.

6.8 Whilst Tt2019 represents an immense challenge, the County Council does have significant capability and experience to tackle the task and we do need to remember that with other parts of public services facing their own fiscal challenges, there are clear opportunities for real service transformation to come to the fore. Lastly, as tough as the forward agenda is, we also know that the County Council is as well placed as any other Local Authority to deliver on the 2019 financial challenge.

7. Conclusion

7.1 The decisions taken by the County Council in October moved the Tt2017 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.

7.2 Since we moved into implementation, Cabinet agreed at their December 2015 meeting the principle of allowing part of the Adults programme to be delivered over a longer time frame in order to achieve effective service transformation with minimum disruption.

7.3 The latest programme monitoring position outlines good continuing progress in terms of savings delivery but also highlights a number of risks to the overall programme which could just as well increase over the coming months. Positively though, both Adults and Children’s Services management teams, based on work completed since the summer have agreed to expanding existing successful projects or introduced new work areas in order to cover off the previously assessed risks with their individual programmes.

7.4. Progress at this stage for the programme as a whole is largely in line with expectations with a total of £65m already secured against a revised target of £99m and this secured figure set to rise to at least £70m by the end of the calendar year. That said, the size of the remaining challenge faced must not be underestimated (£30m remains Amber 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.

7.5 Looking ahead, early work has started across the Council on an initial assessment of savings opportunities that could, with further work, be included in the first draft Tt2019 programme, that is due to take shape in the Spring of 2017. The Tt2019 programme is undoubtedly going to present the toughest cost reduction exercise ever undertaken by the County Council. This fourth major transformation programme will take the cumulative savings delivery over the past 10 years to £480m and is likely to result in a very different future County Council operation to the one that we have now. The planning work will continue to be taken forward carefully and will not be allowed to compromise the full delivery of Tt2017.

8. Recommendations

8.1 It is recommended that Cabinet:

a) Notes the progress on the Tt2017 Programme in line with the decisions taken by the County Council in October 2015;

b) Notes the achievement (to the end of October 2016) of a significant contribution (£65m) to the £99 million target;

c) Notes the status for Tt2017 of the Adults Health and Care programme as set out in section 5 of this report;

d) Notes the Tt2019 update.

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):	

OR

This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision because: *NB: Only complete this section if you have not completed any of the Corporate Strategy tick boxes above. If it is not applicable, please delete.*

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
Transformation to 2017 – Report No. 8	7798	19 Sept 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:

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

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

c) 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.

1.2. **Equalities Impact Assessment:**

See guidance at http://intranet.hants.gov.uk/equality/equality-assessments.htm

*Inset in full your **Equality Statement** which will either state*

(a) why you consider that the project/proposal will have a low or no impact on groups with protected characteristics or

(b) will give details of the identified impacts and potential mitigating actions.

2. Impact on Crime and Disorder:

2.1.

3. Climate Change:

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

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