

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	20 June 2016
Title:	Transformation to 2017: Report No. 7
Reference:	7617
Report From:	Chief Executive

Contact name: John Coughlan

Tel: 01962 846400

Email: john.coughlan@hants.gov.uk

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 the end of April 2016 was encouraging with close to £44m of the overall target savings so far secured and emerging confidence that this

figure will increase towards, or possibly just beyond £60m by the mid point of 2016/17.

- 1.7 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 the early delivery of savings and thus not impacting on the grant equalisation reserve) this should mean that around 25% of the programme will remain to be delivered in the second half of 2017/18.

Financial Context

- 1.8 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.
- 1.9 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, over £240m has already been removed from budgets and the outturn report presented elsewhere on the agenda demonstrates that Departments have continued to manage their resources and provide further for one off investment to support the on-going transformation challenge.
- 1.10 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.
- 1.11 The Medium Term Financial Strategy (presented elsewhere on this agenda) provides 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.
- 1.12 Plans to tackle the longer term deficit 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 continues to be imposed across the whole organisation.

The Challenge

- 1.13 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.
- 1.14 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.
- 1.15 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 the remainder of the programme. 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, the 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 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.
- 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 and since the previous Transformation to 2017 update to Cabinet in March, the Executive Member for Culture, Recreation and Countryside has made a decision to implement a Libraries strategy including ending the Mobile Library service but offering a Home Library service to those unable to access their nearest Library.
- 2.4 The consultation on options 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, has recently closed with close to 2,000 on-line and paper based responses received. The Executive Member for Children's Services is due to consider recommendations for the way forward at a meeting in early July.
- 2.5 In Economy, Transport and Environment, proposals to help reshape and rationalise the Household Waste Recycling Service across Hampshire were consulted on prior to and beyond Easter with some 11,500 responses received before the consultation closed on 25th May. The responses are being carefully analysed ahead of options being presented to the Executive Member.
- 2.6 Lastly, a contributions policy consultation has just been launched by Adult Services. This includes possible policy revisions in four different areas of business. The consultation is due to conclude in late August.

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 (to the end of April 2016) is shown in the following table:

	£m
Already Secured	44
Green	4
Amber	49
Red (excluding Adults slippage)	2

- 3.4 Whilst the table above indicates that there continues to be strong 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 early progress.
- 3.5 Of the £51m in Red and Amber, £49m 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 £2m classified as Red, includes lower than estimated supplier savings from negotiation work, likely reduced savings (from forecast) in terms of implementing assistive technology and from the strengths based Care offer for Older People and the need to identify compensating savings in service areas that are not now going to be pursued e.g. Dementia. The delivery risks to the realisation of savings are set to be addressed as part of the planned review of the overall Adults programme referred to in Section 4 of this report (paragraph 4.7).
- 3.7 The extent of the challenge is not a surprise and is to be expected, especially in the social care areas. Nevertheless, robust management attention and the closest monitoring will be required and will continue throughout 2016 and beyond to help ensure that the different individual projects are delivered as projected and 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. Adult Services

- 4.1 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 are well documented.

- 4.2 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 better achieve effective and sustainable service transformation with minimum disruption. The scale of transformation is very significant alongside the continuing business as usual challenges. In this context and coupled with major recent changes at DMT level, the Adults programme is benefitting from additional leadership capacity and support combining both in-house and private sector partner input so that the myriad of different projects and the overall programme has the best overall chance of being delivered.
- 4.3 Early progress is encouraging and by the end of April, close to £10m of savings had been secured. Over the course of 2016/17, the target is to increase this delivery figure to £30m with the final £13.1m of the overall £43.1m programme to be secured during and by the end of 2017/18. Notwithstanding the positive start, there is still the best part of two years of transformational activity to work through for the overall programme to be delivered and there a number of risks and uncertainties that will require careful and close management.
- 4.4 Some £9m of savings are attributed to the roll out of a new 'Care Offer' which is predicated on operational teams working to 'strengths-based' approach to care, initially targeted at older persons. Training across the 20+ operational teams is in the process of being completed and early signs from those teams who were the first to be trained are largely positive. 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 robust supplier base and a stronger voluntary sector contribution. The Adults private market is somewhat unstable and volatile at present 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.
- 4.5 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.
- 4.6 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 from the beginning of 2017/18 and thus the delivery of enhanced technological capability and the impact of technology on operations will be an important determinant as to whether the targeted saving in this area can be realised.

- 4.7 Taking all of the above into account and adding in a dynamic and challenging operational business environment, 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 very carefully managed and monitored and to that end a full review of the programme has been organised so that any necessary action can be taken to help ensure the programme remains on track to deliver. Cabinet will be updated on the outcome of the review when the next Transformation report is presented.

5. Conclusion

- 5.1 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. Since we moved into implementation, Cabinet agreed at their December 2015 meeting to allow 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 largely in line with expectations with a total of nearly £44m already secured against a revised target of £99m and this secured figure set to increase towards or just beyond £60m by the mid point of 2016/17. However, the size of the remaining challenge faced must not be underestimated (£51m 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.
- 5.3 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, success with this programme, over its extended time period will lay very solid and strong foundations for the inevitable and harder successor Transformation to 2019 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 achievement (to the end of April 2017) of a significant contribution (£44m) to the £99 million target;

c) Notes the status for Tt2017 of the Adult Services programme as set out in section 4 of this report.

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:		
<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 Sept 2015
Medium Term Financial Strategy Update and Transformation to 2017 Savings Proposals	6920	5 October 2015
Transformation to 2017 – Report No. 5		7 Dec 2015
Transformation to 2017 – Report No. 6		21 March 2016
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:

- 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 disproportionately low.

1.2. Equalities Impact Assessment:

Equality objectives are not to be considered adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

2.1. The content of this report is not considered to have any direct impact on the prevention of crime.

3. Climate Change:

3.1. The content of this report is not considered to have any direct impact on climate change.