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NOTICE OF MEETING

Meeting	Executive Member for Economic Development Decision Day
Date and Time	Tuesday, 19th September, 2017 at 2.00 pm
Place	Chute Room, The Castle, Winchester
Enquiries to	members.services@hants.gov.uk

John Coughlan CBE
Chief Executive
The Castle, Winchester SO23 8UJ

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AGENDA

1. TRANSFORMATION TO 2019 – REVENUE SAVINGS PROPOSALS (Pages 3 - 14)

To consider a report from the Director of Economy, Transport and Environment outlining the savings proposals that have been developed as part of the Transformation to 2019 Programme.

ABOUT THIS AGENDA:

On request, this agenda can be provided in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Economic Development
Date:	19 September 2017
Title:	Transformation to 2019 – Revenue Savings Proposals
Report From:	Director of Economy, Transport and Environment and Director of Corporate Resources – Corporate Services

Contact name: David Fletcher

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Email: david.fletcher@hants.gov.uk

1. Executive Summary

- 1.1. The purpose of this report is to outline the savings proposals for the Economic Development function within the Economy, Transport and Environment Department that have been developed as part of the Transformation to 2019 Programme.
- 1.2. The Executive Member is requested to approve the detailed savings proposals for submission to Cabinet and then full County Council in November.

2. Contextual information

- 2.1. Members will be fully aware that the County Council has been responding to reductions in public spending, designed to close the structural deficit within the economy, since the first reductions to government grants were applied in 2010/11 and then as part of subsequent Comprehensive Spending Reviews.
- 2.2. Reductions in government grant together with inflationary and service pressures, notably within social care areas, have created an average budget gap of around £50m per year, meaning that circa £100m has needed to be saved every two year cycle.
- 2.3. This position has been exacerbated following the changes announced in the Local Government Settlement in February 2016 which provided definitive figures for 2016/17 and provisional figures for the following three years to 2020. The settlement included a major revision to the methodology for distributing Revenue Support Grant (RSG) which had a major impact on Shire Counties and Shire Districts and also reflected a clear shift by the government in council tax policy.
- 2.4. Consequently, even after allowing for council tax increases over the settlement period, the forecast gap for the two years to 2019/20 is £140m,

and after allowing for 'housekeeping savings' of £20m, targets were set for Departments based on a reduction of approaching 19% in cash limited spend.

- 2.5. One of the key features of the County Council's well documented financial strategy and previous savings programmes has been the ability to plan well in advance, take decisions early and provide the time and capacity to properly implement savings so that a full year impact is derived in the financial year that they are needed.
- 2.6. This approach has also meant that savings have often been implemented in anticipation of immediate need and this has provided resources both corporately and to individual departments to fund investment in capital assets and to fund further change and transformation programmes to deliver the next wave of savings. This approach has enabled the County Council to cushion some of the most difficult implications of the financial changes.
- 2.7. Whilst this has been a key feature of previous cost reduction programmes it was recognised without doubt that the Transformation to 2019 (Tt2019) Programme, the fourth major cost reduction exercise for the County Council since 2010, would be significantly more challenging than any previous transformation and efficiency programme against the backdrop of a generally more challenging financial environment and burgeoning service demands.
- 2.8. Departments have looked closely at potential opportunities to achieve the required savings and unsurprisingly the exercise has been extremely challenging because savings of £340m have already been driven out over the past seven years, and the fact that the sheer size of the 19% target requires a complete "re-look"; with previously discounted options having to be re-considered. It has been a significant challenge for all Departments to develop a set of proposals that, together, can enable their share of the Tt2019 Programme target to be delivered.
- 2.9. The opportunity assessment and planning work has confirmed the sheer complexity and challenge behind some of the proposals as a consequence of which in a number of areas significantly more than two years will be required to develop plans and implement the specific service changes
- 2.10. The cashflow support required to manage the extended delivery timetable will in the most part be met from departmental cost of change reserves and further contingency options to cover any shortfall will be considered as part of the updated Medium Term Financial Strategy (MTFS) that will be reported in October.
- 2.11. The County Council undertook an open public consultation called *Serving Hampshire – Balancing the Budget* which ran for six weeks from 3 July to 21 August. The consultation was widely promoted to stakeholders and residents and asked for their views on ways the County Council could balance its budget in response to continuing pressures on local government funding, and still deliver core public services.

- 2.12. Responses to the consultation will help to inform the decision making by Cabinet and Full Council in October and November of 2017 on options for delivering a balanced budget up to 2019/20, which the Authority is required by law to do.
- 2.13. In addition, Equality Impact Assessments have also been produced for all of the detailed savings proposals and these together with the broad outcomes of the consultation and the development work on the overall Transformation to 2019 Programme have helped to shape the final proposals presented for approval in this report.

3. Budget Update

- 3.1. The savings targets that were set for Departments were based on forecasts produced over the summer of 2016 and included a wide range of variable assumptions to arrive at the total predicted gap of £140m.
- 3.2. Last year the Local Government Finance Settlement provided definitive figures for 2016/17 and provisional figures for local authorities for the following three years to aid financial planning for those authorities who could 'demonstrate efficiency savings'. Following acceptance by the Department for Communities and Local Government (DCLG) of the County Council's Efficiency Plan for the period to 2019/20 the expectation is for minimal change.
- 3.3. The offer of a four year settlement provided greater but not absolute funding certainty. However, following the Queen's speech to Parliament in June this year, the planned changes to implement 100% business rate retention by 2019/20 are effectively suspended with no indication of when this might be resumed although the Government has just invited applications for pilots to operate during 2018/19, the detail of which will be considered in due course. Work to carry out a fair funding review is set to continue as it does not require legislation.
- 3.4. An updated MTFs will be presented to Cabinet in October and then the County Council in November and we will continue to review our assumptions on an ongoing basis in light of information that is made available.

4. Transformation to 2019 – Economic Development

- 4.1. The Economic Development function has been positively transformed in the last 5 years, to ensure that the County Council plays a significant and valuable role in supporting the economy and prosperity of Hampshire. Our key priorities now include:
 - Business Growth – supporting indigenous growth and enabling the attraction of inward investment into Hampshire, with a specific focus on key sectors including aerospace & defence, marine & maritime, financial services and digital;
 - Regeneration and Development – facilitating transformational regeneration projects such as the Solent Enterprise Zone (Daedalus)

and the new Farnborough International Conference and Exhibition Centre;

- Tourism – being a key sector for Hampshire, the County Council is the primary tourism promotion organisation for the county, through our Visit Hampshire service.
- 4.2. The Economic Development function also works closely with other County Council services, particularly around skills and the development of infrastructure to ensure that we support the local economy in a coherent and co-ordinated manner.
- 4.3. We have also worked hard to develop more meaningful engagement with the private sector, both through direct business engagement and also through strategic relationships with Business South and the Hampshire & Isle of Wight Business Alliance, for example.
- 4.4. In 2012, the Economic Development budget amounted to just over £1.0M, and in the current financial year (2017/18) this is now at a reduced level, through appropriate previously secured savings, of £791,000 (within which £70,000 relates to corporate annual contributions to the Solent and Enterprise M3 LEPs).
- 4.5. By 2019, we are aiming to reduce the Economic Development budget by a further 20% to a revised cash limit of £633,000. Measures proposed to achieve this include:
- Reduction of core funded posts within the Economic Development structure, primarily through removal of currently vacant posts;
 - Innovative approaches to other posts such as an Internationalisation post, the costs of which are shared between the Enterprise M3 LEP, Hampshire County Council and Surrey County Council, and a Senior Business Engagement Officer post, to which HIBA will be making a contribution to the costs;
 - Where appropriate, making use of funded graduate placements to augment resources;
 - Even greater prioritisation of activity spend, with continued innovative approaches to delivery of events to minimise costs through sponsorship and hosting by the private sector;
 - In terms of LEP support, we are proposing to reduce our overall level of cash contributions, the impact of which will be mitigated by the fact that the LEPs are now in a much more stable financial position than when the current level of support was originally committed. The activity is therefore expected to continue despite reduced County Council funding contributions.
- 4.6 We also continue to pursue other proposals which could realise enhanced utilisation and/or sharing of resources with partner organisations, including:
- Potential service provision arrangements with certain District Councils;

- Potential joint venture economic development delivery models with Business South.

5. Summary Financial Implications - ETE

- 5.1. The savings target that was set for the Economy, Transport and Environment Department was £19.005m and a separate Decision Report has been prepared in relation to the wider ETE savings proposals, for the Executive Member for Environment & Transport.
- 5.2. The savings proposals within this report form part of the overall savings target of £19.005m for ETE.

6. Workforce Implications

- 6.1. As previously stated, the savings proposals for Economic Development are, from a workforce perspective, primarily focused on removal of vacant core funded posts within the organisation structure.
- 6.2. We anticipate, excluding the Assistant Director and PA support posts, a reduction of posts from 13 FTE to 10 FTE.

7. Consultation, Decision Making and Equality Impact Assessment,

- 7.1. As part of its prudent financial strategy, the County Council has been planning since February 2016 how it might tackle the anticipated deficit in its budget by 2019/20. As part of the Medium Term Financial Strategy, which was last approved by the County Council in July 2016, initial assumptions have been made about inflation, pressures, Council Tax levels and the use of reserves. Total anticipated savings of £140m are required and of this sum, savings targets to the value of £120m were set for departments as part of the planning process for balancing the budget.
- 7.2. The proposals in this report represent suggested ways in which departmental savings could be generated to meet the target that has been set as part of the Transformation to 2019 Programme. Individual Executive Members cannot make decisions on strategic issues such as Council Tax levels and use of reserves and therefore, these proposals, together with the outcomes of the *Serving Hampshire - Balancing the Budget* consultation exercise outlined below, will go forward to Cabinet and County Council and will be considered in light of all the options that are available to balance the budget by 2019/20.
- 7.3. The County Council undertook an open public consultation called *Serving Hampshire – Balancing the Budget* which ran for six weeks from 3 July – 21 August. The consultation was widely promoted to stakeholders and residents through all available channels, including online, via the County Council's website; Hampshire media (newspapers, TV and radio); and social media. Hard copies were also placed in Hampshire libraries and alternative formats, such as easy read, were made available on request.

7.4. The *Serving Hampshire – Balancing the Budget* consultation asked for residents' and stakeholders' views on ways the County Council could balance its budget in response to continuing pressures on local government funding, and still deliver core public services. Specifically, views were invited on several high level options as follows:

- reducing and changing services;
- introducing and increasing charges for some services;
- lobbying central government for legislative change;
- generating additional income;
- using the County Council's reserves;
- increasing Council Tax; and
- changing local government arrangements in Hampshire.

7.5. A total of 3,770 responses were received to the consultation. The key findings from consultation feedback are as follows:

- The majority of respondents (65%) agreed that the County Council should continue with its financial strategy.
- Responses were relatively evenly split between those who tended to support changes to local services and those who did not (50% agreed, 45% disagreed and 5% had no view either way).
 - Of all the options, this was respondents' least preferred.
- Two thirds of respondents (67%) agreed that the County Council should raise existing charges or introduce new charges to help cover the costs of running some local services.
- Over half of respondents (57%) agreed that the County Council should lobby the Government to vary the way some services are provided, and enable charging where the County Council cannot levy a fee due to statutory restrictions.
 - Of all the options presented, generating additional income was the most preferred option.
- On balance, the majority of respondents (56%) agreed that the County Council should retain its current position not to use reserves to plug the budget gap.
 - Of all the options, this was respondents' second least preferred.
- Respondents would prefer the County Council to continue with its plans to raise Council Tax in line with Government policy (50% ranked this as their preferred approach to increasing Council Tax).
 - Of all the options, increasing Council Tax was respondents' second most preferred.

- More than half of those who responded (64%) agreed that the County Council should explore further the possibility of changing local government structures in Hampshire.
- 7.6. Executive Lead Members and Chief Officers have been provided with the key findings from the consultation to help in their consideration of the final savings proposals. In particular, as a result of the feedback on service issues, the County Council will seek wherever possible to:
- minimise reductions and changes to local services, and continue to ensure that resources are prioritised on those who need them most, i.e. vulnerable adults and children;
 - increase and introduce charges to cover the costs of some local services. Where the County Council is unable to charge for services due to statutory restrictions, the County Council will continue to lobby the Government for legislative change;
 - maximise further income generation opportunities.
- 7.7. The proposals set out in this report have, wherever possible, been developed in line with these principles but inevitably the effect of successive reduction programmes over a 9 year period will begin to have an impact on the services that can be provided.
- 7.8. In addition to the consultation exercise an Equality Impact Assessment has been produced for the detailed savings proposals outlined in the report and it has been provided for information in Appendix 1. This, together with the broad outcomes of the consultation, has helped to shape the final proposals presented for approval in this report.

8. Recommendation

- 8.1. To approve the submission of the proposed savings options contained in this report to the Cabinet.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	no
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	no

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.)

DocumentLocation

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:

A full Equalities Impact Assessment is included as a separate appendix to this report.

2. Impact on Crime and Disorder:

2.1 No impact on crime and disorder is anticipated from this decision.

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

The creation of new jobs in the local economy may assist in decreasing the need for local residents to commute significant distances to access appropriate employment opportunities.

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

No impact on the County Council's ability to adapt to climate change is anticipated from the recommendations included in this report.

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Equality Impact Assessment

Name of project/proposal	T19 Economic Development Operating Model
Originator	Poyntz-Wright, Patrick
Email address	Patrick.Poyntz-Wright@hants.gov.uk
Department	Economy, Transport and Environment
Date of Assessment	21 Aug 2017

Description of Service / Policy

The Economic Development function plays a significant and valuable role in supporting the economy and prosperity of Hampshire. Key priorities include:

- Business Growth – supporting indigenous growth and enabling the attraction of inward investment into Hampshire, with a specific focus on key sectors including aerospace & defence, marine & maritime, financial services and digital;
- Regeneration and Development – facilitating transformational regeneration projects such as the Solent Enterprise Zone (Daedalus) and the new Farnborough International Conference and Exhibition Centre;
- Tourism – being a key sector for Hampshire, the County Council is the primary tourism promotion organisation for the county, through the Visit Hampshire service. Geographical impact*

Description of proposed change

Reduce department-wide staff revenue costs whilst still delivering good quality core services for customers. The new Operating Model will introduce new ways of working, including digital approaches, across all of the Department's services. This will primarily impact on staff, the precise nature of which is to be confirmed but likely to be medium. It remains too early at this stage to determine what impact there will be on service users and partners. Further equalities impact assessments will be carried out as appropriate when proposals become clearer, including where necessary taking into consideration the profile of staff in affected areas to determine likely impact upon people with protected characteristics..

Engagement and consultation

Has engagement or consultation been carried out? Planned

No specific consultation has been carried out on this proposal. However, the County Council carried out a major consultation exercise over the Summer of 2017 on a range of options for finding further budget savings, including increasing council tax, using reserves and making changes to the way services are delivered, which may mean reducing or withdrawing services, or indeed making revised charges. The outcome of this consultation will be reported to Cabinet in October 2017.

When decisions are made to pursue the options, further specific consultation will be carried out with stakeholders on the detailed options where required.

Impacts of the proposed change

This impact assessment covers

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HCC Staff (and partners)

Statutory considerations	Impact
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Age	Neutral
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Disability	Neutral
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Sexual Orientation	Neutral
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Race	Neutral
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Religion and Belief	Neutral
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Gender Reassignment	Neutral
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Gender	Neutral
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Marriage and civil partnership	Neutral
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Pregnancy and Maternity	Neutral
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Other policy considerations	
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Poverty	Neutral
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Rurality	Neutral
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Neutrality Statement	At present, there is no reason to think that emerging proposals will result in disproportionate impacts upon people with protected characteristics. However, as proposals develop, further impact assessments will be undertaken as appropriate to inform decision making, and where necessary this will involve reference to staff profiles to determine the impact upon people with protected characteristics.
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Additional Information

The savings proposals for Economic Development have been deliberately designed so as to absolutely minimise the impact on our effectiveness to deliver services which support the economy in Hampshire. This will be primarily achieved through greater pooling of resources with partner organisations, and continued focus on those activities which have maximum positive economic impact.