

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

|                        |                                      |
|------------------------|--------------------------------------|
| <b>Decision Maker:</b> | Cabinet                              |
| <b>Date:</b>           | 10 December 2018                     |
| <b>Title:</b>          | Transformation to 2019: Report No. 5 |
| <b>Report From:</b>    | Chief Executive                      |

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### 1. Recommendations

#### 1.1 It is recommended that Cabinet:

- a) Notes the latest Tt2019 programme risk assessment, including the early securing of £60m of savings - section 5.
- b) Notes that five of the six service specific Tt2019 public consultations have been completed and Executive Member decisions taken, with the one remaining consultation, Learning Disabilities Respite Care Services due to close later this month – 21<sup>st</sup> December - section 5.
- c) Notes the continued positive progress being made in relation to the on-boarding of the three London Boroughs to the Council's shared services platform – section 5.
- d) Notes the progress and strong contributions being made by the three enabling projects to the programme; Digital, Productivity and Procurement – section 6.
- e) Notes that programme progress will continue to be monitored closely and that a further update will be provided to Cabinet before the end of 2018/19 – section 5 and 8.
- f) Notes the update on the planning work and forward timescales for the successor £80m Tt2021 programme – section 7
- g) Agrees to continue to lobby Government in respect of new charging powers aimed specifically at raising income that will be used to protect important universal services into the future e.g. Household Waste Recycling Centres, or to enable other specific savings proposals not to be implemented or for their impact to be mitigated.

## **2. Executive Summary**

- 2.1 This is the fifth dedicated Transformation to 2019 (Tt2019) report to Cabinet setting out the latest programme position. In November 2017 Full Council approved a set of savings proposals put forward to enable a predicted budget gap of £140m by April 2019 to be closed against a current overall cash limited budget provision (excluding schools) of approaching £767m.
- 2.2 Full Council approval of the savings proposals and the budget envelope for 2019 followed a summer 2017 public consultation exercise that provided an opportunity for residents and stakeholders to express their views on how best the County Council should go about the challenge of balancing a forecast £140m future budget gap. Further to the public consultation process and informed by it, Departments took their specific savings proposals to Select Committee meetings and Executive Member Decision Days in September 2017, and in the October, Cabinet approved a Medium Term Financial Strategy and Transformation to 2019 Savings Proposals report, which included the outcome of the public consultation exercise.
- 2.3 The October 2017 Cabinet report referenced clearly the challenges associated with the Tt2019 programme and made clear that delivery would extend beyond two years but that this would be supported financially by cost of change reserves held by Departments with the exception of Children's Services. The report confirmed that due to the scale of the overall challenge and the increased risk to the timely delivery of the savings, CMT would be carrying out a peer review over the early autumn of the higher risk elements of the programme and would advise accordingly on any changes to the financial support requirements for Tt2019.
- 2.4 The peer review exercise was duly completed and as reported in December 2017, it was estimated that further one-off cash flow support would be required to enable the safe delivery of the Adults element of the programme. This brought the overall Tt2019 cash flow requirement to £40m to support the savings programmes in Adults and Children's which can be accommodated from the Council's strong reserves position that has resulted from year on year strong and effective financial management. The Adults and Children's programmes, subject to the careful management of some key risks, are forecast to take four years to deliver. The continued strong financial performance in Adults, including delivery in full of its legacy Tt2017 savings ahead of schedule, provide increasing confidence that some of the estimated £40m will not be called upon in the coming years.
- 2.5 That said, the on-going challenges in Children's and the relatively early stage of the Tt2019 programme mean it would be unwise to forecast a lower overall call on the estimated cash-flow requirement for the programme at this point in time, particularly given the continued pressure within this sector both nationally and locally. Members will be aware of the current focus, nationally and locally, on Children's social care pressures in a similar way to that experienced within Adults previously. Similarly, upper tier authorities are having to re-calibrate their budgets, with the resultant negative impact upon other services of the County Council to meet the increasing demand. This is in advance of any potential national funding coming forward to ease some of

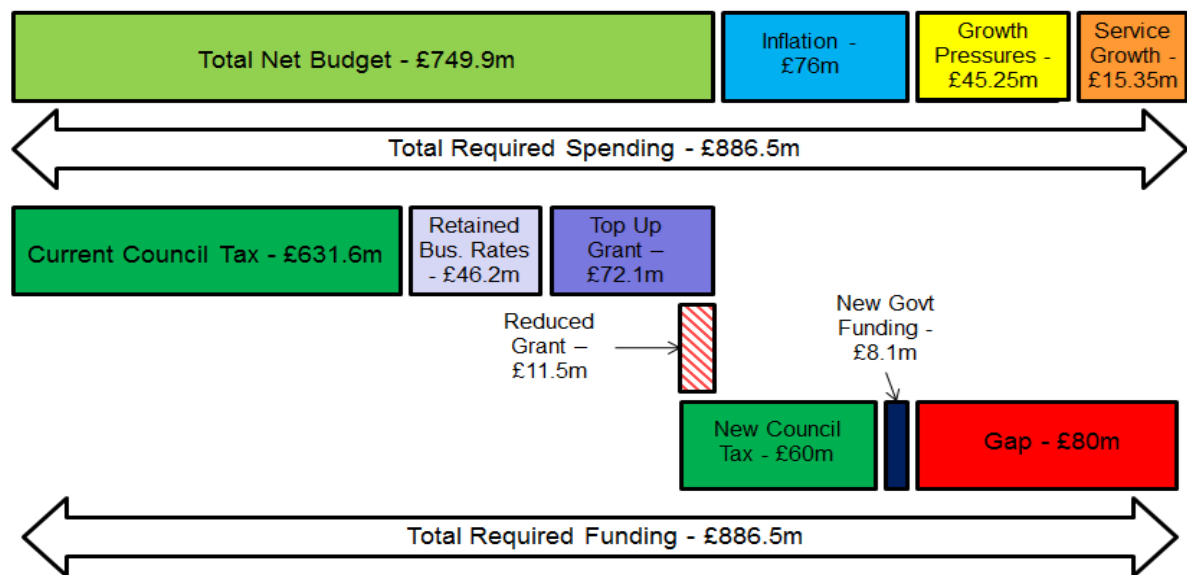
the pressure (as it eventually did with adult social care). Delivery in the other Departments is set to be contained to two years or, where it will stretch beyond, the individual Departments will manage the later savings achievement through their own cost of change reserves.

- 2.6 In December 2017 Cabinet were updated on work to explore all viable options to revise or refine the October proposals with particular regard to service continuity in areas such as school crossing patrols, community transport, bus subsidies and household waste and recycling centres. These savings options accounted for some £5.3m of the overall programme proposals. The culmination of this work and the development of £2.1m of alternative savings proposals combined with Government allowing local authorities to increase Council Tax by a further 1% (valued at £5.7m of which £3.2m is being used to allow the universal service savings to be withdrawn in full) were reported to Cabinet in early February and paved the way for Full Council to approve changes to the Tt2019 programme at their meeting later in the same month.
- 2.7 The programme focus is now very much orientated to implementation and delivery. Where appropriate, this includes service specific public consultations where proposals and options for service change are debated with service users and key stakeholders. Presently, out of the six public consultations planned in 2018, five have been completed. A consultation in respect of Learning Disabilities Respite Services was launched at the end of September and is due to close later this month (21<sup>st</sup> December). Early implementation progress has been positive with some £60m of the £140m target secured by the end of September. This includes the full achievement of the £23m of investment and borrowing savings (and a small element of additional Council Tax income) alongside £37m of delivery across the different Department programmes.
- 2.8 Resources for the programme are in place and are focused on any number of the more significant programmes of work. This includes deployment of the in-house Transformation team to support Adults and Children's projects as well as specialist I.T input to drive forward the business critical Digital 2 work, which, as previously reported, is a key enabler for Tt2019. Strong progress is also being made with other important enabling projects including 'Enabling Productivity' and 'Strategic Procurement'. These important contributors to Tt2019 are covered later in this paper. A more detailed report on Enabling Productivity and Digital is also included on today's agenda.
- 2.9 In line with previous major cost reduction exercises, Tt2019 progress is being closely monitored and is subject to monthly review by CMT. This ensures that issues, concerns and risks are dynamically responded to and dealt with and also means that benefits realisation and the timely delivery of savings is consistently in focus, which for this programme, given its later cash flow support demands, is ever more important. Further, it is almost certain that there will be continued and additional demographic driven service demand pressures, particularly in the Social Care Departments into the next decade. This puts an added premium on Tt2019 being delivered in full, and in the most timely manner to put the Council in the best position possible at the commencement of the successor Tt2021 programme that,

Full Council approved as part of the MTFS in September. Planning for Tt2021 has now begun and an early update on progress and the planned work for the next period is included in section 7 of this report.

### **3. Financial Context**

- 3.1 Cabinet has previously noted that each successive programme of 'transformation' in itself is harder than the previous one as the scope for early and easier removal of spending lessens each time. To this end, Tt2019 is testing the Council like no other programme has to this point.
- 3.2 Throughout the period since 2010 the Council's financial performance has been very strong. This has been evidenced in each and every annual performance report and independently by the external auditor through the annual best value judgement on the Council's financial resilience. Council tax in Hampshire is amongst the lowest in the Country whilst performance across a number of key service areas is strong as evidenced in the latest performance report on today's agenda. In June this year, Cabinet were updated on the end of year financial position for 2017/18. The report demonstrated continuing strong financial stewardship across the Council.
- 3.3 The achievement of Tt2017 including the confirmed delivery of the Adults programme that was reported to Cabinet in February, mean that some £340m has been removed from budgets since 2010 across the consecutive cost reduction programmes. The achievement of early savings, the careful use of one-off monies and the additional recurring provisions to support Social Care demand and complexity have allowed for some targeted re-investment back into services over the same period e.g. more social workers, operation resilience, Digital platforms etc. This has helped Departments 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.
- 3.4 The allocation of recurring provisions for growth alongside resources provided to Departments for the cost of pay and price inflation has been a key feature of the County Council's financial planning for many years. On top of this the County Council has also received less grant funding from the Government, to the point that Revenue Support Grant is reduced to nothing by 2019/20. The MTFS recently approved by Full Council at their September meeting, highlighted a further two year budget gap by 2021 of some £80m. Whilst grant reductions represent only a small proportion of this overall gap in resources, the County Council must still find ways of meeting cost pressures in the form of inflation (on gross spend of c£1bn – averaging 3.6% p.a.), growth and new initiatives, which hitherto were also supported by increases in government grant.
- 3.5 Whilst some money is therefore added into Departmental budgets before the gap is met, this still requires a total reduction in net spend of £80m that must be delivered either by reducing activity, reducing the cost of the activity that is provided or generating additional income. This can be represented diagrammatically as follows for the two year period 2020/21 to 2021/22:

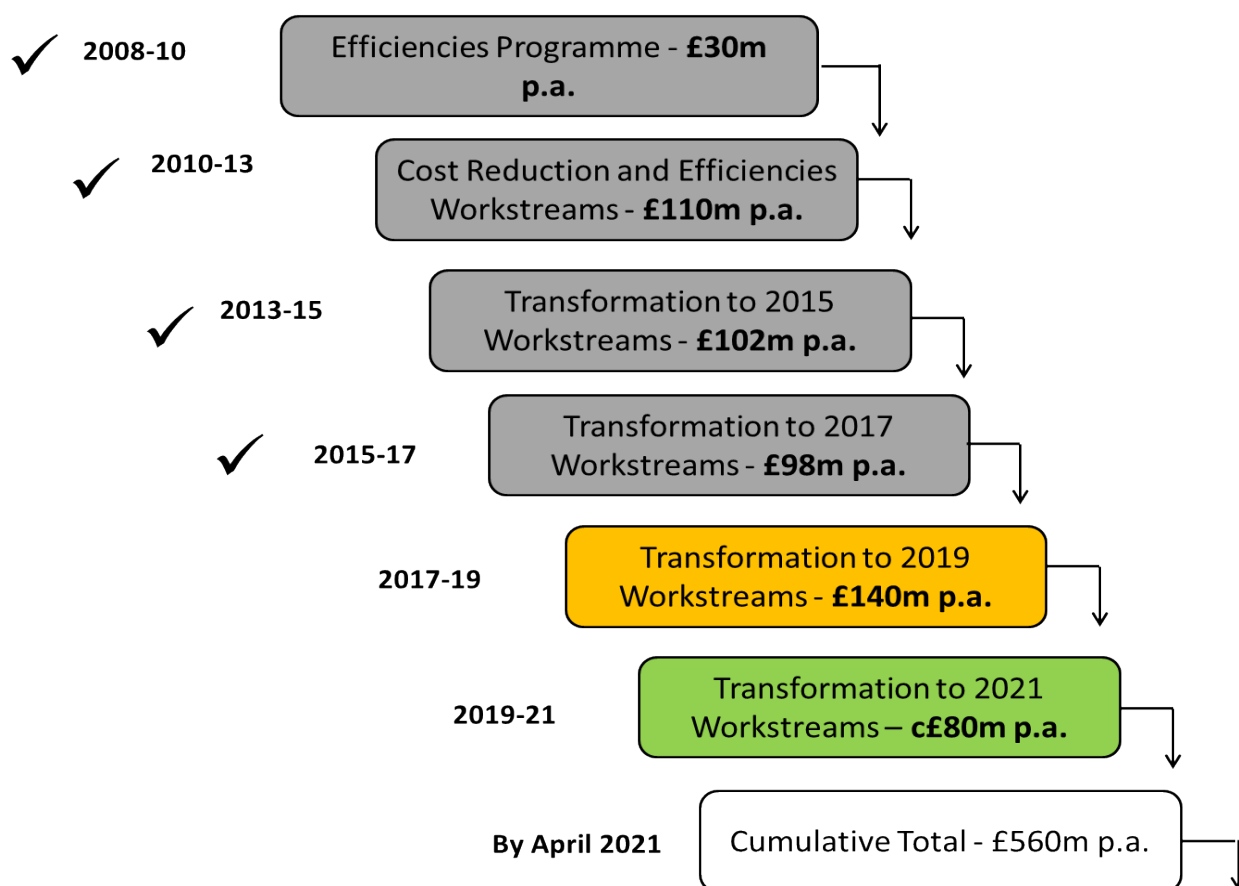


**Notes:**

Blocks are not to scale. Inflation estimate covers a 2 year period. Growth pressures relate mainly to Adult and Children's Services demographics. Service growth includes new targeted investment e.g. into I.T.

- 3.6 Whilst 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 beginning to emerge. As we look forward, Children's Services are unlikely to remain within their cash limited expenditure position and thus additional recurring provision has been allowed for in the Medium Term Financial Strategy that Cabinet considered in June and Full Council approved in September. Both Children's and Adults are set to exhaust their cost of change reserves in the next two to three years.
- 3.7 Notwithstanding that the latest MTFs update has signalled that a successor programme to Tt2019 will need to be planned for over the next year or so, the Council needs to stay focused on fully closing the existing budget gap of £140m by April 2019 from a cash limited overall budget (excluding schools) of some £767m, even after allowing for planned Council Tax rises. The inclusion of the Tt2021 Programme of £80m within successive savings programmes since 2008, takes the total requirement to £560m as outlined in Figure 1 over the page:

**Figure 1. Cost Reduction Exercises including the Tt2021 Programme Requirement**



**Note: The cumulative figure is made up of inflation, demand and reduced grant**

#### 4 Tt2019 – Targets and Timeframe

- 4.1 Cabinet approved the overall programme target of £140m and the breakdown of the programme, including Department targets when considering the medium term financial strategy report of the Director of Corporate Resources in June 2016.
- 4.2 It was agreed that £120m of the overall programme should be met by Departments, equating to a further cash limit reduction of some 19% against an overall Department budget provision approaching £767m. The cumulative Tt2019 challenge for the Departments being one third again, the size of what was asked of them for Tt2017. Per the approval of Full Council to remove savings proposals in respect of universal services, the £120m reduction has subsequently been reduced to £117m.
- 4.3 The remaining £23m will be secured from increased investment and council tax income and reduced borrowing costs. In the main this will result from a revision to the accounting practice in respect of the minimum revenue provisions (MRP) for depreciation, but this will also cover management of

debt and reserves and also includes part of the extra 1% increase for Council Tax in 2018/19. Positively, these savings have been delivered in full this financial year providing a very solid start to the programme overall. The programme breakdown and individual Department targets, updated to take account of the recent changes approved by Full Council are shown in Appendix 1.

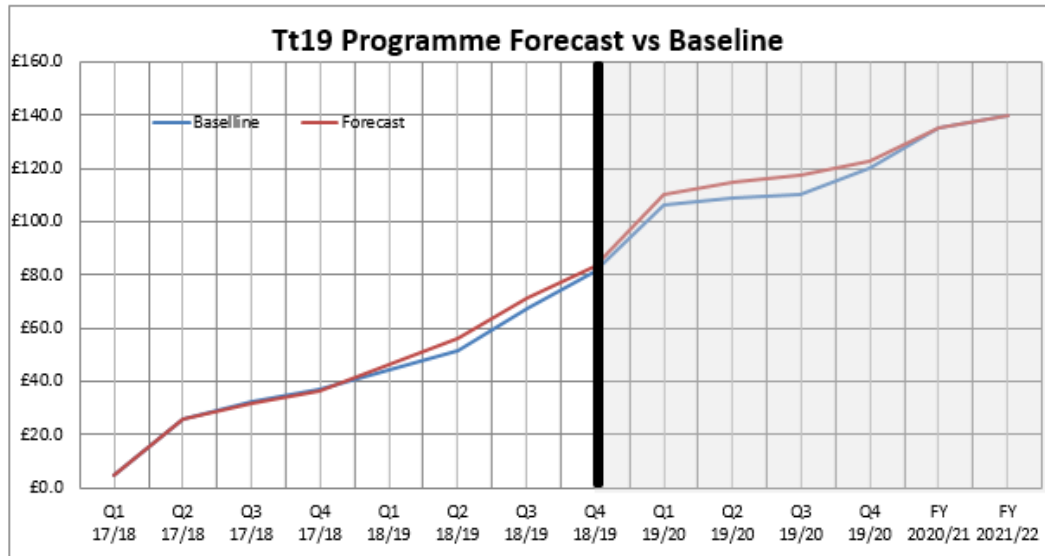
- 4.4 At their June 2016 meeting, Cabinet also approved the headline programme timetable including an earlier budget setting process that commenced in early Autumn 2017. This has allowed the maximum possible time to plan, work on and implement the range of service changes required to enable the programme to be delivered. As outlined in paragraph 2.4, it is predicted that the entire programme will take up to four years for it to be delivered safely and with minimum disruption and impact to service users and communities.

## 5. Tt2019 Programme Overview and Early Progress

- 5.1 Departments continue to work hard to ensure that their various projects and overall programmes are robustly planned and resourced in order to provide the right conditions for the continued transformation of services and realisation of savings. This work has included a full risk assessment for each project that builds on what has been done previously but has been added to in order to appropriately reflect the greater scale and complexity of the Tt2019 programme.
- 5.2 Further, CMT completed in early November 2017 (paragraph 2.4) a peer review of the higher risk projects and scrutinised the savings delivery profiles for each Department so that the corporate cash flow requirements for the programme overall could be updated and planned for. The latest programme (risk apportionment) position for the end of October is summarised in the table below, and briefly described in the following paragraphs.

|              |              |
|--------------|--------------|
| Blue         | £ 60m        |
| Green        | £ 26m        |
| Amber        | £ 27m        |
| Red          | £ 27m        |
| <b>Total</b> | <b>£140m</b> |

- 5.3 Pleasingly, the Blue and Green classifications already account for a healthy £86m, or just over 61% of the overall programme requirement. The £60m that is Blue (secured) includes the full £23m of the investment and borrowing component being secured with the remaining £37m covering the delivery of projects in each of the different Departments with savings ranging from £10.7m in Adults to £2.8m in CCBS. The secured savings figure continues to track to the forecast savings profile developed by each of the Departments at the outset of the programme as demonstrated in the graph (see next page). The Green £26m figure includes the inclusion of the previously announced £18.9m additional 'Better Care Fund' to support Adult Social Care from the beginning of 2019/2020.



- 5.4 Unsurprisingly for this stage of what is a very challenging programme, a significant proportion £54m or 39% of the overall savings to be achieved still sits in the Amber and Red classifications. Given the complexity of any number of the savings areas, the reported position is not an unexpected one. Just over £47m of the cumulative Red and Amber totals relate to Adults and Children's. This equates to 55% of their combined programmes. Proportionately, the challenges for ETE, despite the programme changes approved by Full Council in February, also remain challenging with £4.9m classified as Amber or Red against an adjusted overall savings requirement of £15.8m. This represents 31% of the total ETE programme.
- 5.5 The risks for each of the aforementioned Departments are well rehearsed but numerous. The two Social Care Departments continue to experience growth in demand. Transforming these key front line services is very difficult and requires extra time for the changes to be safely implemented without significant disruption to service users and their families. For Adults the demand challenges is in different forms including higher numbers of younger adults with complex care needs, an increasing amount of people experiencing mental health problems and an ageing population that is set to result in an increase of 10,600 in the 85 year plus population from 43,900 in 2017 to 54,500 in 2024. An added dimension of complexity, impacting on social isolation levels and service delivery, is the sheer scale and rurality of a County such as Hampshire, which is one of the largest in the Country with an urban/rural split in the order 20:80. Alongside the demand and service challenges, the Department is working jointly with Health in response to the CQC led whole system review that focussed on hospital discharge performance. The review outputs were presented and debated at a summit meeting held in June and progress against the resulting action plan due to be debated by the Health and Wellbeing Board later this week. The joint programme of work that is now underway is resulting in improved client outcomes and improved system performance. In particular the winter pressures planning and the securing of additional care and bed capacity are in a stronger and more coherent place than has been the case previously. Other integration work with the NHS is also in train in the Learning Disabilities and Mental Health service areas.



5.6 For Children's Services, corporate financial support has already been factored in, both in-year and continuing into 2018/19, to accommodate existing cost pressures in terms of Home to School Transport and Children Looked After. Focused further work has been undertaken to better understand the current rate of increase in Children Looked After and the higher unit costs being experienced, which is a national issue affecting all upper tier authorities. The overall rate of increase in CLA numbers is running at 8% per annum compared to the 5% allowed for in the budget, but worryingly many of these placements are at the more expensive end of provision, because of the current state of the external market where demand is far out-stripping supply, and the price increase over 2016/17 levels are over 15% in some areas.

5.7 The key factors that are driving the increased number of placements were reported previously to Cabinet in detail as part of the Medium Term Financial Strategy. They centre around:

- A much better awareness and identification of child abuse and neglect from a range of partners.
- The better application of consistent thresholds to receive help as a result of government statutory guidance ('Working Together to Safeguard Children').
- A growing professional awareness of risk from partners driven by national child care scandals.
- The better identification of forms of abuse such as child sexual exploitation, child criminal exploitation and online abuse.
- The creation of a number of new policy initiatives such as 'staying put' which allow teenagers to stay in their foster care placements.
- Children remanded in custody being treated by law as children in care.
- A range of new legal processes such as the 'public law outline' which drive local authorities to put far more case decisions before the family courts.
- A drive by the courts for all application cases to conclude within 26 weeks.
- Policy drivers such as the national redistribution of Unaccompanied Asylum Seeking Children (UASC) arriving from France.

5.8 The increasing number and complexity of children needing to be placed in care is having an impact on the market for placements. Once capacity within in-house placements is full there is no choice but to look to independent fostering agencies and non-county placements, which are higher cost in any event and the increased national demand is forcing up prices even further.

5.9 Projecting the increase in numbers and costs forward based on the growth between 2016/17 and 2017/18, it is predicted that a further ongoing base budget increase of £13.5m on top of the £9.7m that had already been allowed for in the forward forecasts will be required and this will be followed

by further annual increases of £8.6m in 2020/21 and £10.3m in 2021/22. This additional corporate support for future years was included in the latest MTFS update that was agreed by Cabinet in June and approved by Full Council in September, but still represents the highest risk area in the budget at the current time. It is also inescapable that this necessary and planned strategy limits the scope for additional support to other areas of County Council services, such as highway maintenance, which are also statutory responsibilities but where the risks to the vulnerable are less immediate and severe.

- 5.10 For Home to School Transport, an eight week public consultation exercise finished in March around proposed service changes. The consultation results were subsequently analysed and reported to the Executive Member in May. The Executive Member agreed to a number of policy changes that will be introduced in full over the next 18 months and will deliver some £1.5m of savings per annum for the Department.
- 5.11 Containing and then reducing demand and thus cost in these two key areas is especially difficult and whilst work programmes have been robustly planned, a number of risks will need to be relentlessly managed. These include attracting and maintaining higher number of Social Workers with an overall resource increase of 120 on target to be achieved over the next 2-3 years (This ambition is set to be assisted by the new Agency arrangements the County Council is set to enter into from April 2019). Nationally, there is growing recognition that Children's Services are facing financial difficulties that now go beyond the very challenging environment in which Adult Services have been and are operating in. Safely removing £30m from the service (the Department Tt2019 target), even over an extended four year programme period is the biggest challenge for the overall Council cost reduction exercise.
- 5.12 Alongside demand challenges, the Department will also need to manage or work with partners through a range of other key risks including Continuing Health Care funding with the NHS, the increasing budget challenges being faced by Schools', the transition to a new I.T Care Management system, the extended leadership responsibilities in Torbay and Buckinghamshire, the outcomes of a targeted Ofsted inspection in October and planning for an Ofsted inspection of the Isle of Wight in the new year. For Children with Disabilities, changes to Short Breaks service provision resulting from the early summer public consultation were approved by the Executive Member in July.
- 5.13 For ETE, the Tt2019 programme changes approved by Cabinet and Full Council in February saw the removal of some £5.3m of savings proposals relating to universal services including school crossing patrols, community transport, bus subsidies and household waste recycling centres. After allowing for some substitute proposals, the Department is now working to a revised programme target of £15.8m and within this has some £4.9m still classified as Amber or Red. Proposed changes to Street Lighting operations and to some specific bus subsidy areas have been out to a public consultation exercise that was launched in early June and concluded on 5 August. The Executive Member for Environment and Transport approved

proposals resulting from the consultation at his October decision meeting. Options for waste related savings are also being reviewed with collection authority partners aimed at improving recycling performance across the Hampshire waste partnership. This work is complicated and is subject to external factors and considerations, especially around how best to capture and recycle plastics, which has been the subject of significant Government, media and public interest of late.

- 5.14 The risks and issues associated with CCBS and Corporate Services are less significant from a direct service perspective although there are a range of challenges to overcome and work through including timing. Introducing greater levels of self-service, implementing further digital technology initiatives and reducing (and at the same time modernising) the corporate office estate will all combine to improve the Council's overall efficiency and reduce its business operating costs. The different projects themselves will not be straightforward to deliver, especially at a time when so much other service change is also happening.
- 5.15 Positively, the on-boarding of the three London Boroughs (Westminster City Council, London Borough of Hammersmith and Fulham, and Royal Borough of Kensington and Chelsea) to the high performing shared service arrangements that the Council has successfully implemented and built upon over the past 5 years, has progressed to plan and the new service, incorporating the delivery of core HR, Payroll and Finance systems and processes, is expected to go live at the beginning of this month. As reported previously, this expansion, which is in line with a deliberate strategy to grow the shared services platform in a carefully managed way, brings further resilience to our shared Corporate Services arrangements with partners and also welcome recurring income to the Council.
- 5.16 Over the coming months, progress will continue to be closely monitored with further monthly reports to CMT and a next update being provided to Cabinet before the end of the current financial year. In the next quarter any proposals for change resulting from the last of the six service specific Tt2019 public consultations in respect of Learning Disabilities Respite Care Services are scheduled to be considered by the Executive Member for Adult Social Care and Health at her February 2019 decision day. The consultation is still currently live and is due to close on 21<sup>st</sup> December.

## **6. Tt2019 Enabling Projects**

- 6.1 Key to the success of previous cost reduction programmes, and Tt2019 is no different, is the contribution that is made from cross cutting enabling projects. The Council's achievements in terms of introducing and exploiting Digital technology is well trailed and the previous Tt2017 programme significantly benefited from the multi-layered, multi-faceted Digital programme that ran alongside and has resulted in the Council, its staff and residents working from and accessing modern business platforms.
- 6.2 Three cross-cutting enabling projects are, and will, continue to make a telling contribution to the success of Tt2019. These include a successor (and bigger) Digital programme of work known as Digital 2, an 'Enabling' Productivity' project which is focused on creating the optimum conditions for

all staff, managers and the front line, to improve individual productivity levels and lastly a Council wide Strategic Procurement programme of work that is set to enable Departments to maintain and/or improve service outcomes whilst reducing the overall external spend which currently exceeds £600m.

- 6.3 As the Tt2019 programme develops, Cabinet and Council Members will be updated on the progress and achievements of the individual work programmes in these different areas. At the end of June, Members took part in a very successful Digital 2 seminar type event and a report was presented to Cabinet at their September 2018 meeting outlining the achievements and return on investment of the Digital 2 and the Enabling Productivity programmes. Each of the three main cross-cutting work areas have the propensity to significantly contribute to the successful delivery of Tt2019 and together will ensure the Council's modernisation agenda towards high class, efficient back office functions and high quality, customer-orientated front line services continues successfully and at pace.
- 6.4 In the past few months, further progress has been made within the Digital 2 programme especially in terms of Robotics Processing Automation (RPA). In addition, projects have either been completed or are progressing to plan. Further, the Web Programme is currently supporting 44 of the Tt2019 IT Projects; including HR, Libraries, Partners in Practice and the Social Care Manual. Strong progress has also been made in moving the Council's document management system to SharePoint with the last of the five Departments, Children's Services migrating over the past two weekends. All of the Digital 2 areas of work are resulting in business processes that are more efficient, more modern and more effective.
- 6.5 In the Enabling Productivity programme, the deployment of some 6,000 mobile devices has largely been completed with staff from different parts of the business now benefitting from the latest technology that is enabling them to work more productively (smarter not harder). Feedback from the roll-out of the new devices is consistent with and builds nicely on the initial deployment of mobile devices to Social workers and associated staff in Children's Services. Usage of the new equipment is being closely monitored so that optimal benefits for staff and for service users are secured.
- 6.6 In both our Digital 2 and EPP work, an even slicker and more commercial approach to procurement has been an important enabler in the progress that has been made. This more robust procurement approach is extending to all parts of the Council business and to our partnership work with Hampshire Constabulary and Hampshire Fire and Rescue Service. Positively other partners are now looking to work with the Council including the Clinical Commissioning Groups and at least one Hampshire District Council. Increasingly the work is resulting in stronger tender processes and improved service outcomes combining both quality and cost. The recently awarded Adults Care at Home contract is testament to this.

## **7 Planning for Tt2021 – Progress and Next Steps**

- 7.1 Further to Full Council approval of the latest MTFS in September, planning work for the £80m successor programme to Tt2019 is now well underway.

Each Chief Officer is leading work designed to lead to a draft set of savings proposals that will enable Department targets for Tt2021 to be met.

- 7.2 Unsurprisingly, Tt2021 will build on Tt2019, with projects and programmes of work set to go further and harder as the search for an additional £80m of savings (combining cost reduction and income generation) develops. Without impacting on Tt2019 delivery, CMT are setting time aside for the Tt2021 planning process and have built in appropriate milestones ahead of a full set of draft proposals being considered.
- 7.3 The Tt2021 timetable allows for a full public consultation exercise in June 2019 to be followed by individual Executive and Select Committee budget proposal meetings in September 2019. Cabinet will then consider the full set of savings proposals and the outcome from the public consultation exercise in October 2019 with a Full Council meeting planned for November 2019 at which approval for the reduced budget envelope from April 2021 will be sought. The above time table follows the tried and tested approach that has been adopted for Tt2017 and Tt2019. It is designed to provide the maximum amount of time for both planning and then implementation and delivery.

## **8 Conclusion**

- 8.1 Following impressively strong and consistent financial performance over many years and further to last year's finance settlement for Local Government, the County Council is now deep into the process of closing a budget gap of some £140m by 2019/20 with some £86m either already secured or close to being secured to this point. This is after safely removing £340m of savings over the past seven years and within that, delivering in full on the latest Tt2017 programme.
- 8.2 Following a public consultation exercise that sought views from the public and key stakeholders on a range of different options for closing the budget gap, Full Council approved the Tt2019 savings proposals in November 2017 further to Select Committees and Executive Members consideration in September and a consolidated report to Cabinet in October.
- 8.3 In December 2017 Cabinet were updated on the work of officers to explore all viable options to revise or refine the universal service proposals where possible which culminated in the development of £2.1m of alternative savings proposals. Taken together with Government allowing local authorities to increase Council Tax by a further 1% (valued at £5.7m of which £3.2m is being used to withdraw savings) February Cabinet agreed to recommend to Full Council the removal of £5.3m of universal savings recommending also that Full Council agree to raise Council Tax in 2018/19 by the extra 1%. Full Council duly approved the Cabinet recommendations at their February meeting.
- 8.4 Further to the formal budget setting stages, Departments have been working hard to ensure robust plans are in place for their Tt2019 projects and that the right capacity and capability is aligned to the different transformation activity so that the savings can be delivered in a timely manner. This work

includes a detailed risk assessment exercise and a review of the savings profile by project to ensure that the corporate cash flow requirements to support later delivery are clear and can be planned for. As reported, the estimated cash-flow support requirement for the programme is £40m.

- 8.5 The continued strong financial performance in Adults, including delivery of its legacy Tt2017 savings ahead of schedule, provide increasing confidence that some of the estimated £40m will not be called upon in the coming years. That said, the on-going challenges in Children's and the (still) relatively early stage of the Tt2019 programme mean it would be unwise to forecast a lower overall call on the estimated cash-flow requirement at this point in time.
- 8.6 Tt2019 progress is being closely monitored and is subject to monthly review by CMT. This ensures that issues, concerns and risks are dynamically responded to and dealt with and also means that benefits realisation and the timely delivery of savings is consistently in focus, which for this programme, given its cash-flow support demands, is ever more important. Further, it is almost certain that there will be continuing demographic driven service demand pressures, particularly in the Social Care Departments into the next decade. The latest MTFs report to Cabinet in June and Full Council in September provided further recurring funding support for both Adults and Children's into the next decade. The continuing demand challenges puts an added premium on Tt2019 being delivered in full and in the most timely manner to put the Council in the best position possible at the commencement of the successor £80m Tt2021 programme (see paragraph 8.8 below).
- 8.7 Programme progress continues to track to plan and is encouraging with £60m of savings secured to the end of October. Of this figure, £23m relates to the full achievement of investment and borrowing savings, together with an element of increased council tax income. The remaining £37m flows from delivery in the different Departments. Pleasingly, the three Tt2019 enabling programmes; Digital 2, Enabling Productivity and Strategic Procurement are all progressing well and the contributions from these will continue to evolve and be more influential as the programme develops. CMT are monitoring the programme on a monthly basis and a further progress report will be presented to Cabinet before the end of 2018/19.
- 8.8 Following Full Council approval of the MTFs in September, planning work for the £80m Tt2021 programme is now well underway. Without impacting upon Tt2019 delivery, CMT have set time aside for Chief Officers to develop draft savings proposals for consideration next year ahead of a full public consultation exercise in the summer and followed by a round of Scrutiny, Executive Member, Cabinet and Full Council meetings in the early autumn aimed at determining the reduced budget envelope and full set of savings proposals for Tt2021 by November 2019.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

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

**Other Significant Links**

|  |                   |
|--|-------------------|
| <b>Links to previous Member decisions:</b>   |                   |
| <u>Title</u>   | <u>Date</u>       |
| Transformation to 2019 – Report No. 1  | 27 October 2014   |
| Medium Term Financial Strategy Update and Transformation to 2019 Proposals   | 16 October 2017   |
| Budget Setting and Provisional Cash Limits 2018/19   | 11 December 2017  |
| Transformation to 2019 – Report No 2   | 11 December 2017  |
| Revenue Budget and Precepts 2018/19  | 5 February 2018   |
| Transformation to 2019 – Report No 3   | 16 April 2019     |
| Medium Term Financial Strategy   | 18 June 2018      |
| Transformation to 2019 – Report No 4   | 17 September 2018 |
| Budget Setting and Provisional Cash Limits 2019/20   | 10 December 2018  |
| <b>Direct links to specific legislation or Government Directives</b>   |                   |
| <u>Title</u>   | <u>Date</u>       |
| <b>Section 100 D - Local Government Act 1972 - background documents</b>  |                   |
| <p><b>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.)</b></p> |                   |
| <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:**

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, each 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:**

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



## Appendix 1

### T19 – Latest Programme Financial Targets Updated to Reflect Changes Approved (February 2018) By Cabinet and Full Council

Programme Financial Targets – (figures representative of a c19% budget reduction for each Department)

| Department                         | £m's         |
|------------------------------------|--------------|
| Adults                             | 55.9         |
| Children's                         | 30.1         |
| ETE                                | 15.8         |
| CCBS                               | 6.3          |
| Corporate Services                 | 7.9          |
| P&R Other                          | 0.8          |
| <b>Programme Sub Total</b>         | <b>116.8</b> |
| Investment and Borrowing           | 23.2         |
| <b>T19 Overall Programme Total</b> | <b>140.0</b> |