

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	11 March 2019
Title:	Transformation to 2019: Report No. 6
Report From:	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 £69m of savings - section 5.
- b) Notes that the last of the six-service specific Tt2019 public consultations, Learning Disabilities Respite Care Services has been completed and that the Executive Member for Adult Social Care and Health has deferred a decision to close the Orchard Close service pending further work to be completed by the end of this calendar year - section 5.
- c) Note the on time and on budget on-boarding of the three London Boroughs to the Council's shared services platform at the beginning of December and the positive early operational performance over the first three months – section 5.
- d) Notes the continued 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 (at least) quarterly updates will be provided to Cabinet during 2019/20 – 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 sixth 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 then overall cash limited budget provision (excluding schools) 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. 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 who would require central support. 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 2017 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 also 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 has been able to 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 demand and delivery challenges in the two social care Departments, especially in Children's mean that it would be unwise to forecast a lower overall call on the estimated cash-flow requirement for the programme at this point in time. 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. Those pressures are described in more detail in Section 5 of this report but particularly include the continuing

rise in the number of children in care and the additional rise in placement costs as the market responds accordingly. This is a national issue. To put this in context, the base budget for CLA in 2018/19 was £85m but after taking account of all the forecast increases in numbers and prices, it will be around £112m by 2021/22.

- 2.6 Accordingly, 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 recurrent national funding coming forward to ease some of the pressure (as it eventually did with Adult social care). Delivery in the other Departments is largely being contained to two years or, where it will stretch beyond, most notably in ETE, the individual Departments will manage the later savings achievement through their own cost of change reserves.
- 2.7 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.
- 2.8 The programme focus for over a year now has been very much orientated to implementation and delivery. Where appropriate, this has included service specific public consultations where proposals and options for service change have been debated with service users and key stakeholders. All six stage-two public consultations have now been completed with the last of these in respect of Learning Disabilities Respite Services concluding just prior to Christmas on 21st December. Further to consideration by HASC in early February, the Executive Member for Adult Social Care and Health deferred the decision to close the Orchard Close service at her 27 February Decision Day (see paragraph 5.6). Further work will now be progressed and will be completed by the end of the calendar year. Programme implementation progress has been positive to date with some £69m of the £140m target secured by the end of December 2018. This includes the full achievement of the £23m of investment and borrowing savings (and a small element of additional Council Tax income) alongside £45m of delivery across the different Department programmes.
- 2.9 Resources for the programme are in place and are focused on a 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.

- 2.10 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 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 timeliest 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 last September. Planning for Tt2021 is now at an advanced stage and an update on progress and the key next steps for the next period is included in section 7 of this report.

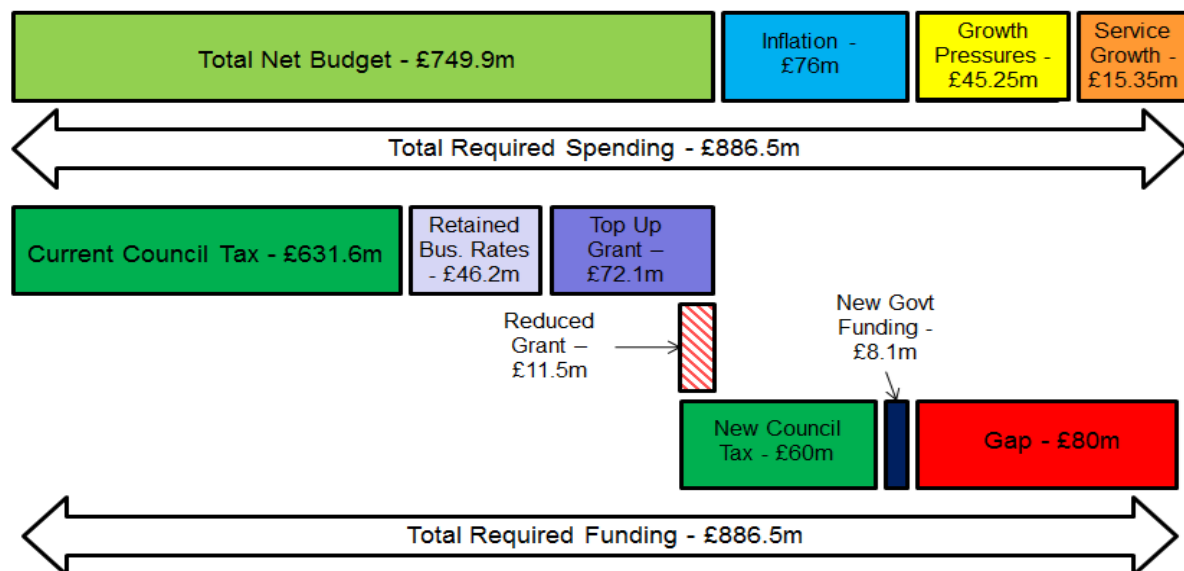
3. Financial Context

- 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 up 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 performance report that was presented to Cabinet at the end of last calendar year.
- 3.3 In February this year, Full Council approved the budget for 2019/20 and as part of this were updated on the continuing strong financial position the County Council is in despite operating in a near decade of austerity and relentless service demand challenges. The budget for 2019/20 includes the full removal of the £140m Tt2019 savings meaning that some £480m has now been removed from budgets since 2010 across the consecutive cost reduction programmes. Whilst technically all savings have been removed from the budget for 2019/20, where further Executive Member decisions are still required, including following possible further service specific consultations, funding has been set aside within Departmental cost of change reserves or corporate contingencies to continue to fund the service pending the results of any further consultations and final Executive Member decision(s).
- 3.4 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 (cost reduction) challenge and at the same time maintain and even improve service outcomes and performance. The chart in paragraph 3.6 highlights that growth pressures and service growth account for over £60m of the additions to the budget over the two-year period. Up to and including 2021/22 there has been total growth of £250m in the social care services alone.

3.5 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 approved by Full Council at their September 2018 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.

3.6 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:

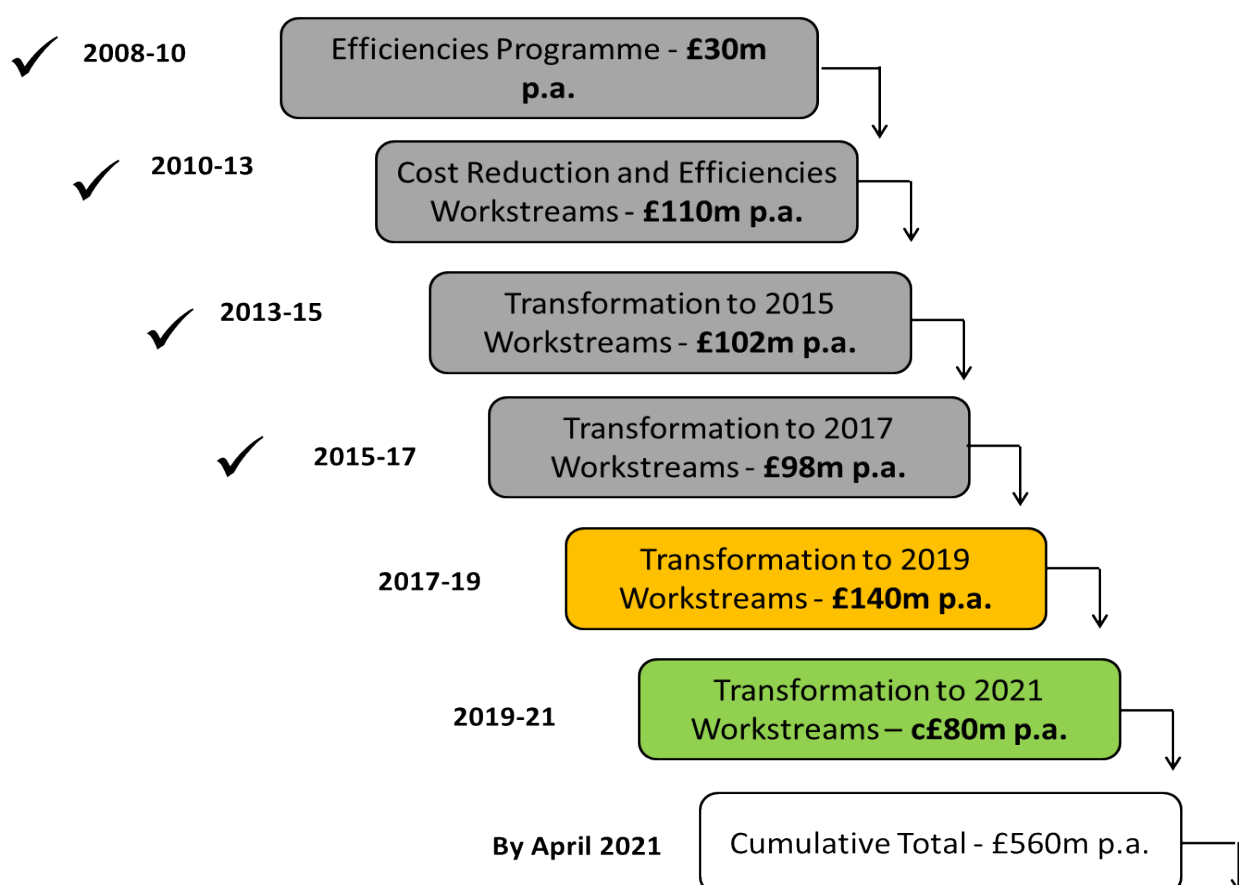
Blocks are not to scale. Inflation estimate covers a 2 year period. Growth pressures relate mainly to Adult and Children's Services demographics. Service growth includes new targeted investment e.g. into I.T.

3.7 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 outlined to Cabinet in February, 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 2018 and Full Council approved in September 2018. Children’s Services have exhausted their cost of change reserves and Adults are set to do likewise in the next two to three years.

- 3.8 Notwithstanding that the latest MTFs update 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.

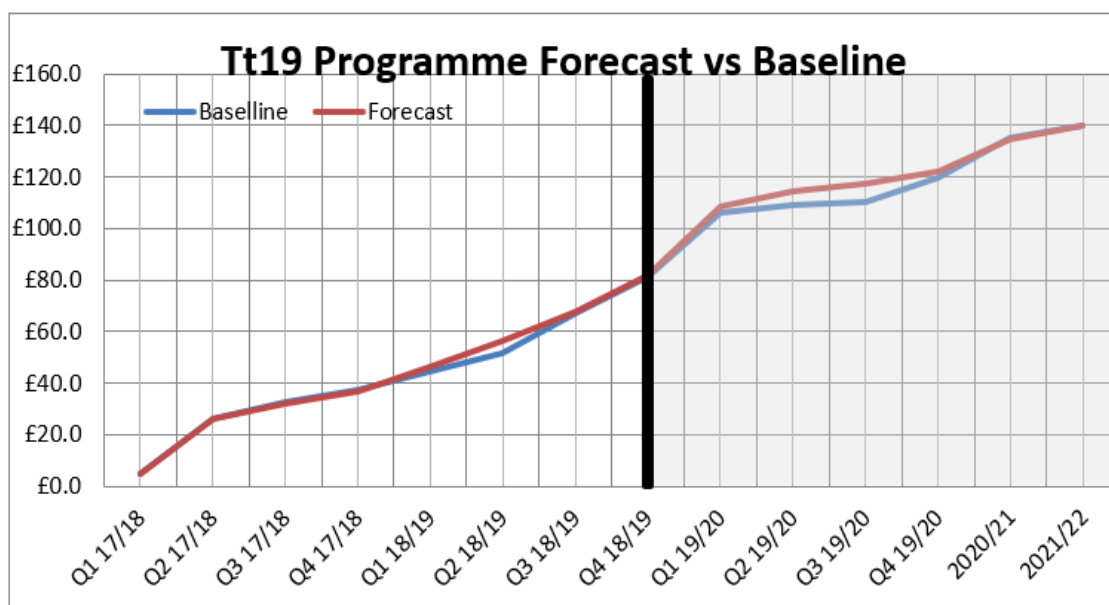
- 4.2 It was agreed that £120m of the overall programme would be met by Departments, equating to a further cash limit reduction of some 19% against an overall Department budget provision approaching £767m. The cumulative Tt2019 challenge for the Departments being one third again, the size of what was asked of them for Tt2017. Per the approval of Full Council in February 2018 to remove savings proposals in respect of universal services, the £120m Departmental reduction was subsequently reduced to £117m.
- 4.3 The remaining £23m has been secured from increased investment and Council tax income and reduced borrowing costs. In the main this has resulted in a revision to the accounting practice in respect of the minimum revenue provisions (MRP) for depreciation, but this also covers 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 foundation for the programme overall. The programme breakdown and individual Department targets updated to take account of the February 2018 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 Progress to Date

- 5.1 Departments continue to work hard to ensure that their various projects and overall programmes are continually reviewed and appropriately 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 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 January is summarised in the table below, and briefly described in the following paragraphs.

Blue	£ 69m
Green	£ 27m
Amber	£ 17m
Red	£ 27m
Total	£140m

5.3 Pleasingly, the Blue and Green classifications already account for a healthy £96m, or just short of 6% of the overall programme requirement. The £69m that is Blue (secured) includes the full £23m of the investment and borrowing component being secured with the remaining £46m covering the delivery of projects in each of the different Departments with savings ranging from £14.9m in Adults to £4.2m 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 £27m 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 £44m or 31% 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 under £39m of the cumulative Red and Amber totals relate to Adults and Children's. This equates to 45% of their combined programmes. Proportionately, the challenges for ETE, despite the programme changes approved by Full Council in February 2018, also remain challenging with £4.1m classified as Amber or Red against an adjusted overall savings requirement of £15.8m. This represents 26% 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 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 are 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.

- 5.6 In the area of Learning Disabilities, the public consultation in respect of Respite Care services concluded on 21st December and following analysis and evaluation of the consultation responses and scrutiny of the proposed service changes by the Health and Social Care select committee, the Executive Member for Adult Social Care and Health deferred a decision to close the Orchard Close service at her 27 February Decision Day pending further work to be completed by the end of this calendar year. In the meantime, the Department will support the delayed £0.6m savings achievement through one-off cost of change resources and will also, alongside the further work on the closure proposal, develop possible alternative savings options should it be ultimately decided not to close the Orchard Close service.
- 5.7 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 2018 and progress against the resulting action plan is due to be debated by the Health and Wellbeing Board later this week.
- 5.8 The joint programme of work that is now underway is resulting in improved client outcomes and improved system performance with the position leading into the recent Christmas period as good as can be remembered, reflecting well on the winter pressures planning work and the securing of additional care and bed capacity. That said, January and February proved to be testing months and provided further learning for the overall system to heed as it begins, post Easter, to plan for winter 2019. Other integration work with the NHS is also in train and making good progress including in the areas of Integrated Intermediate Care, Mental Health and Learning Disabilities.
- 5.9 For Children's Services, corporate financial support has already been factored in, both in-year and continuing into 2019/20, to accommodate existing cost pressures in terms of Home to School Transport and Children Looked After. The recent budget report considered by Cabinet in February provided more detail in terms of the current financial pressures impacting on the Department. 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.
- 5.10 Current forecasts are based on the growth in numbers and costs experienced from 2016/17 to 2017/18 but the current trend for 2018/19 remains above this. This is partly due to the fact that many of the new 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. Price increases in some areas compared to a year or two ago are in the order of 15% or more.

5.11 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:

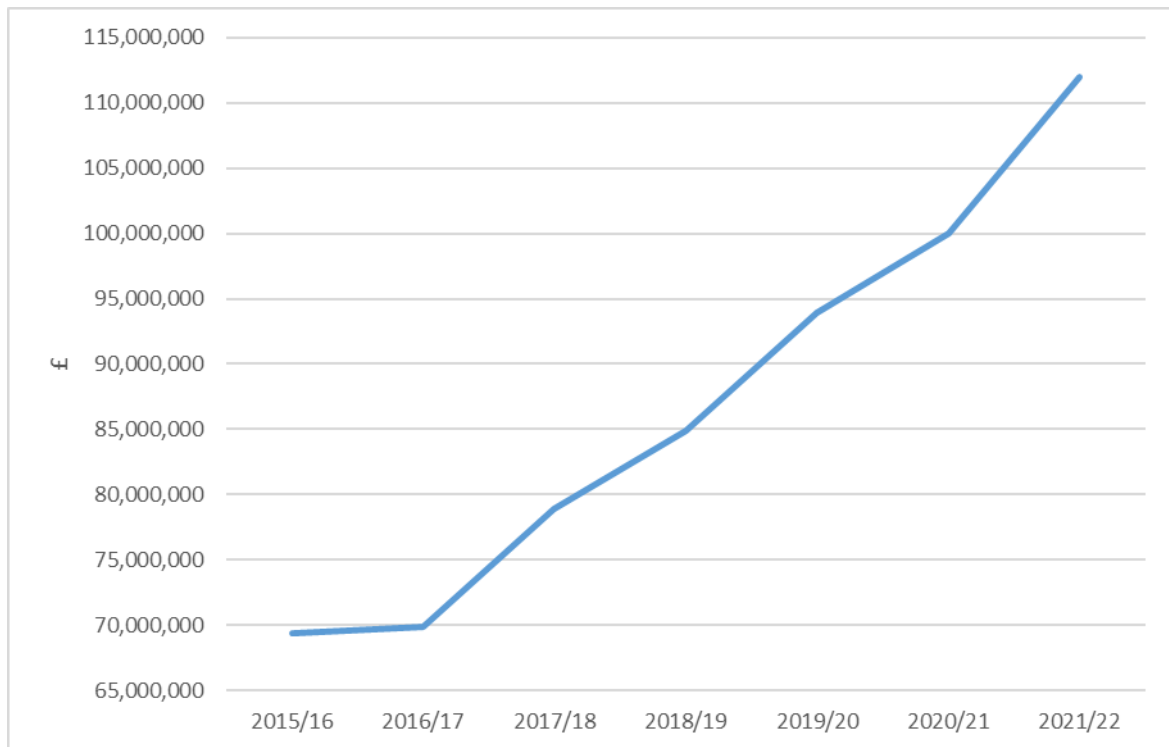
- A much better awareness and identification of child abuse and neglect from a range of partners.
- The better application of consistent thresholds to receive help as a result of government statutory guidance ('Working Together to Safeguard Children').
- A growing professional awareness of risk from 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.

5.12 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.

5.13 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 £11.6m in 2020/21 and £13.3m in 2021/22. The base budget for CLA in 2018/19 was £85m but after taking account of all the forecast increases in numbers and prices, it will be around £112m by 2021/22 (see table on next page).

5.14 This additional corporate support for future years was included in the latest MTFS update that was agreed by Cabinet in June 2018 and approved by Full Council in September 2018, 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.

Children Looked After Spend 2015/16 to 2021/22



- 5.15 For Home to School Transport, an eight-week public consultation exercise finished in March 2018 around proposed service changes. The consultation results were subsequently analysed and reported to the Executive Member in May 2018. The Executive Member agreed to a number of policy changes that are being introduced over an 18 month period and will deliver some £1.5m of savings per annum for the Department when completed.
- 5.16 Containing and then reducing demand and thus cost in these two key areas is especially difficult. The work programmes being undertaken in this regard include attracting and maintaining higher number of Social Workers (an overall resource increase of 120 is on target to be achieved over the next 2-3 years). This ambition will be assisted by the new Agency arrangements the County Council is set to enter into from this April. In addition, the service has recently made two key changes to reduce demand; multi-disciplinary working (MDW) and the 'Hampshire Approach', the latter being a family centred, resilience focused approach to social work that together with MDW will keep more children safely at home. Notwithstanding, 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.
- 5.17 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', and the transition to a new I.T Care Management system.

For Children with Disabilities, changes to Short Breaks service provision resulting from last summer's public consultation were approved by the Executive Member in July 2018.

- 5.18 That said, it should be noted that Hampshire Children's Services continues to work effectively and successfully with other local authorities in support of their services and their improvement requirements, in line with the Department's long established and exceptional status as a high performing service. That includes: the partnership with Isle of Wight now moving to an open-ended arrangement and following the recent Good rating from Ofsted (a unique achievement of its kind); the role as improvement partner with Torbay, now moving to its final stages as the formal partnership with Plymouth City Council has been brokered and established; the role as improvement partner with Buckinghamshire County Council now fully established under Secretary of State Direction; a range of smaller scale regional support initiatives under the DfE Partners in Practice programme. All of these arrangements generate helpful income to the Department but also offer invaluable learning to senior managers and extend the capacity and the reputation of the local authority.
- 5.19 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 £4.1m still classified as Amber or Red. Proposed changes to Street Lighting operations and to some specific bus subsidy areas were consulted on last summer with resulting proposals being approved by the Executive Member at his October 2018 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. Capital provision was approved by Full Council in February 2019 for future infrastructure investment to enable the recycling improvements to be realised and a business case is now being developed for consideration by the Executive Member early in the new financial year.
- 5.20 The risks and issues associated with CCBS and Corporate Services are less significant from a direct service perspective although there are some 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.
- 5.21 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, progressed to time and budget with the

implementation being completed, as planned, at the beginning of December 2018. The new service incorporates the delivery of core HR, Payroll and Finance systems. Early operational performance over the first three months of the new arrangement has gone exceptionally well with the three London Boroughs very content and pleased with the quality of the service they are benefitting from. As reported previously, this expansion, which is 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 welcome recurring income to the Council.

5.22 As we move into 2019/20, Tt2019 performance will continue to be closely monitored with further monthly reports to CMT and a next update being provided to Cabinet in the early summer. As things stand, secured savings are set to go beyond the £100m mark in the first quarter of 2019 and this will represent another major milestone for the programme. As we move ahead we know that the remaining savings areas will be the most difficult to secure and given the challenges described earlier for the two social care Departments there is clearly no room for complacency especially as implementation and delivery of Tt2021 will begin to run alongside the Tt2019 programme.

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 are 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 with the benefits extending to Tt2021 and beyond and together with the digital programme underpin recurring savings in the order of £62m. 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 has developed, Cabinet and Council Members have been regularly updated on the progress and achievements of the individual work programmes. At the end of June 2018, 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 are significantly contributing and bringing pace to the Council's modernisation agenda towards high class, efficient back office functions and high quality, customer-orientated front-line services.

- 6.4 In the second half of 2018/19, further strong 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. Good 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 due to migrate this month. 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 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 remains consistently upbeat and positive and 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, a 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 Hampshire based partners are now looking to work closer with the Council in this area including the Clinical Commissioning Groups and at least one District Council. Beyond Hampshire, the service is working with a neighbouring upper tier authority on a major highways procurement exercise. Increasingly, the work is resulting in stronger tender processes and improved service outcomes combining both quality and cost. The outputs and additional service capacity resulting from the Adults Care at Home contracts that were awarded last year are 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 nearing completion. Each Chief Officer has been leading on this 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 seamlessly on from Tt2019, with projects and programmes of work set to go further and harder in a number of areas as the search for an additional £80m of savings (combining cost reduction and income generation) develops. The Tt2021 work has been taken forward without any impacts for Tt2019 delivery with CMT setting appropriate time aside for the Tt2021 planning process whilst maintaining a continued strong grip on Tt2019.
- 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 £96m 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) in February 2018 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 approved the Cabinet recommendations at their February 2018 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 cash-flow support requirement for the programme has been estimated at £40m.
- 8.5 The continued strong financial performance in Adults, including delivery of its legacy Tt2017 savings ahead of schedule has provided increasing confidence that some of the estimated £40m will not be called upon in the coming years. That said, the continued demand challenges across the two social care Departments mean it would be unwise to forecast a lower overall call on the estimated cash-flow requirement at this point in time. The MTFS includes cash flow funding of £24m in 2019/20 and £16m in 2020/21 and the expectation is that the bulk of the programme will be complete by this time. Using reserves in this way creates capacity and de-risks delivery, ensuring

that savings are landed safely in the most appropriate timescales. In this regard, further funding of £32m for the later delivery of the Tt2021 Programme has already been factored into the requirements for the Grant Equalisation Reserve going forward.

- 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. Given the cash-flow demands of the Tt2019 programme and the imperative of it being delivered in full and thus no leaving no legacy as we face the reality of needing to deliver on a successor £80m programme (see paragraph 8.8), the importance of closely monitoring Tt2019 programme performance can not be over stated.
- 8.7 Progress with Tt2019 continues to track to plan with £69m of savings secured to the end of January. 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 £46m 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 reports will be presented to Cabinet at least quarterly during 2019/20.
- 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 a draft set of savings proposals. A full public consultation exercise is planned for the summer which will set out the context and strategic options for balancing the forecast future budget gap. This will be followed by a round of Scrutiny, Executive Member, Cabinet and Full Council meetings in the early autumn aimed at approving the reduced budget envelope and the full set of savings proposals for Tt2021 by November 2019.

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>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
Transformation to 2019 - Report No 5	10 December 2018
Revenue Budget and Precept 2019/20	1 February 2019
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
Section 100 D - Local Government Act 1972 - background documents	
<p>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.)</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
Programme Sub Total	116.8
Investment and Borrowing	23.2
T19 Overall Programme Total	140.0