

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	11 December 2017
<b>Title:</b>	Transformation to 2019: Report No. 2
<b>Report From:</b>	Chief Executive

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### 1. Executive Summary

- 1.1 This is the second dedicated Transformation to 2019 (Tt2019) report to Cabinet setting out the latest programme position following the Full Council approval in November of the full set of savings proposals put forward to enable a predicted budget gap of £140m by April 2019 to be closed. £120m of savings are set to be met by the individual Departments meeting a circa 19% reduction to their cash limits. The remaining £20m being achieved from corporate housekeeping including a change in accounting practice relating to minimum revenue provisions in respect of depreciation.
- 1.2 Full Council approval of the budget envelope for 2019 followed a summer 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, and in October, Cabinet approved a Medium Term Financial Strategy and Transformation to 2019 Savings Proposals report which included the outcome of the public consultation exercise.
- 1.3 The October 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 in this report on any changes to the financial support requirements for Tt2019.

1.4 The peer review exercise has been completed and in summary, it is estimated that further one-off cash flow support will be required to enable the safe delivery of the Adults element of the programme. This brings the overall Tt2019 cash flow requirement to £40m to support the savings programmes in Adults and Children's which, subject to the careful management of some key risks, are forecast to take four years to deliver. Delivery in ETE, CCBS and Corporate Services is also set to extend beyond April 2019 but in each case the individual Departments will manage the later savings achievement through their own cost of change reserves.

1.5 At the October Cabinet meeting, the combined set of Departmental savings proposals were agreed to be put forward to Full Council for approval in November. In light of the nature and consequences of some of the specific savings proposals, Cabinet also agreed to a further recommendation as per below:

That Cabinet:

*“Requires that officers, as specific decision making processes move forward, continue to explore all viable options to revise or refine these proposals with particular regard to service continuity in areas such as community transport, school crossing patrols and waste and recycling centres, in consultation with partners and stakeholders as appropriate, while recognising that any modification to any proposal must be consistent with the financial and time imperatives of the overall programme.”*

1.6 The focus for the programme is now very much on implementation and delivery. Where appropriate, this will include further service specific public consultations where proposals and options for service change will be debated with service users and key stakeholders. Presently, it is envisaged that up to 12 service-specific consultations could be progressed between now and the end of 2018. Early implementation progress has been positive with some £26m of the £140m target secured by October. This includes the full achievement of the £20m of corporate housekeeping savings alongside some early delivery across the different Department programmes.

1.7 Resources for the programme are largely 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 the delivery of Adults and Children's projects as well as specialist I.T input to drive forward the business critical Digital 2 programme which, as previously reported, is a key enabler for Tt2019. Strong progress is also being made with other important enabling projects including 'Strategic Procurement' and 'Enabling Productivity'. Each of these important contributors to Tt2019, are covered in more detail in later sections of this report.

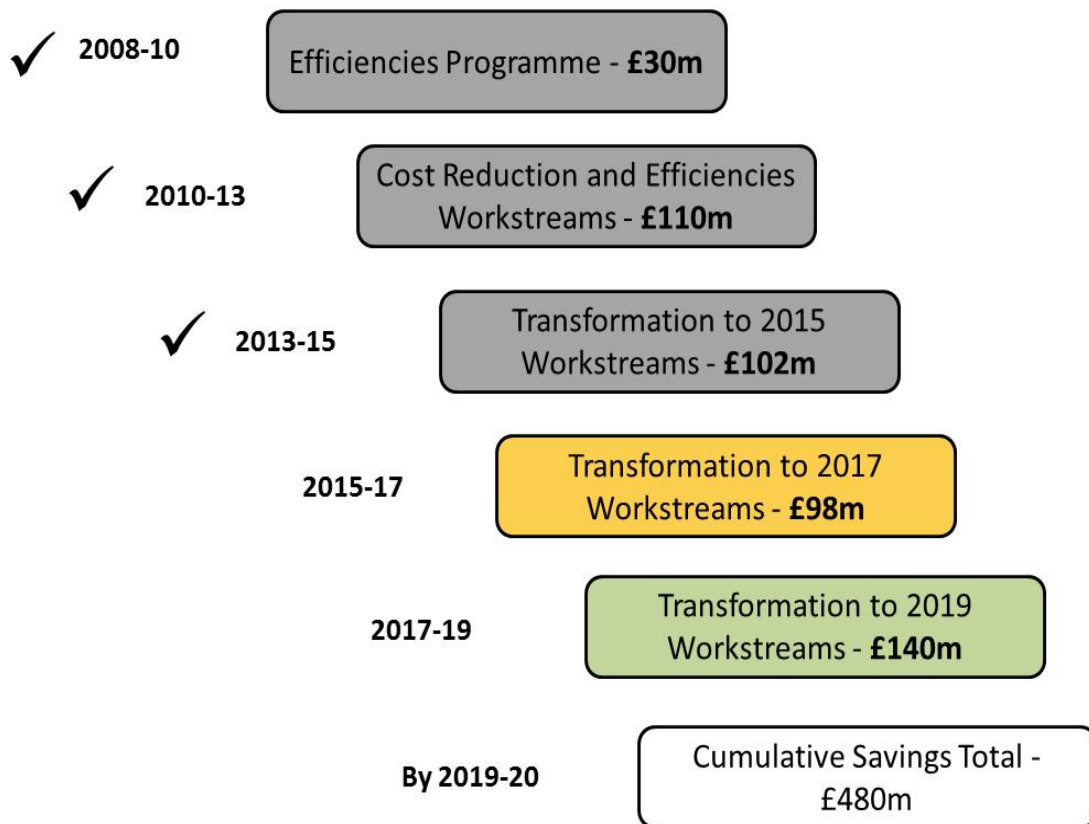
1.8 In line with previous major cost reduction exercises, Tt2019 progress is being closely monitored and is subject to monthly review by CMT. This ensures that issues, concerns and risks are dynamically responded to and

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 a continued squeeze on public sector funding into the next decade. This puts an added premium on Tt2019 being delivered in full and in the most timely manner possible to put the Council in the best position possible at the commencement of any successor programme.

## **2. Financial Context**

- 2.1 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 set to test the Council like no other programme has to this point.
- 2.2 Throughout the austerity period the Council's financial performance has been very strong. Cumulative savings, including the full Tt2017 achievement, have seen some £340m being removed from budgets since 2010. Year end outturn reports have consistently demonstrated that Departments have continued to manage their resources, provide further for one off investment to support the on-going transformation challenge and at the same time maintain and even improve service outcomes and performance.
- 2.3 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 without central financial support and both Children's and Adults are set to exhaust their cost of change reserves in the next two to three years.
- 2.4 The MTFs presented to Cabinet in October 2017 provided the latest overall financial position to 2019/20. The MTFs confirmed that further to the full delivery of Transformation to 2017, the County Council will still be required to achieve an additional £140m of recurring savings by April 2019 even after allowing for Council Tax rises averaging 3.99% each year through to the end of 2019/20 made up of a 1.99% standard annual precept increase and an additional adult social care precept averaging 2.00% per annum for a three year period. The Tt2019 programme will mean a cumulative £480m of cost reduction for the County Council over the past decade per Figure 1 over the page.

**Figure 1. Cost Reduction Exercises including the Tt2019 Programme Requirement**



### 3. Tt2019 – Targets and Timeframe

- 3.1 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.
- 3.2 It was agreed that £120m of the overall programme should be met by Departments, equating to a further cash limit reduction of some 19%. The cumulative Tt2019 challenge for the Departments being one third again, the size of what was asked of them for Tt2017.
- 3.3 The remaining £20m will be secured from corporate housekeeping. In the main this will result from changes in accounting practice in respect of the minimum revenue provisions (MRP) for depreciation, but this will also cover management of debt and reserves. This aspect of the programme is likely to be delivered in part this year providing a sensible and solid start to the programme overall. The programme breakdown and individual Department targets are shown in Appendix 1.
- 3.4 At their June 2016 meeting, Cabinet also approved the headline programme timetable including an earlier budget setting process to take place in September and October this year aimed at allowing the maximum possible time to plan, work on and implement the range of service changes required

to enable the programme to be delivered. The programme timetable allowed for a public consultation exercise that was completed over the summer. This exercise preceded the budget setting period so that the proposals that were considered by Select Committees, Executive Members, Cabinet and then Full Council were appropriately informed by the views of residents and stakeholders.

- 3.5 At the October Cabinet meeting, the combined set of savings proposals from across the different Departments were approved for onward consideration by Full Council in November. In addition to the different recommendations agreed by Cabinet, and in light of some of the specific challenges raised by the Tt2019 proposals, an additional recommendation was also agreed to as per below:

That Cabinet:

*“Requires that officers, as specific decision making processes move forward, continue to explore all viable options to revise or refine these proposals with particular regard to service continuity in areas such as community transport, school crossing patrols and waste and recycling centres, in consultation with partners and stakeholders as appropriate, while recognising that any modification to any proposal must be consistent with the financial and time imperatives of the overall programme.”*

#### **4. Tt2019 Programme Overview and Early Progress**

- 4.1 Over the summer and early autumn, and alongside the early budget setting process, Departments have been working 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.
- 4.2 Further, CMT completed in early November (paragraph 1.3) 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 results of the risk assessment and savings profile work are covered in the following paragraphs.
- 4.3 The programme risk apportionment exercise, from a delivery point of view, has resulted in the following profile

Blue	£ 26m
Green	£ 29m
Amber	£ 37m
Red	£ 48m
<b>Total</b>	<b>£140m</b>

- 4.4 Unsurprisingly for this early stage of what is a very challenging programme, a significant proportion (61%) of the overall savings to be achieved 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 £64m of the cumulative Red and Amber totals relate to Adults and Children's. This equates to three quarters (75%) of their combined programmes. Proportionately, the challenges for ETE are greater still with in excess of £16m classified as Amber or Red against an overall savings requirement of £19m. This represents 86% of the total ETE programme.
- 4.5 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 notoriously difficult and requires extra time for and 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 aging population that is set to result in a large increase in the 85 year plus population where frailty and multiple long term conditions are most prevalent.
- 4.6 For Children's Corporate financial support has already been factored in both in year and continuing into 2018/19 to accommodate known cost pressures in terms of Children Looked After and Home to School Transport. Containing and then reducing demand and thus cost in these two key areas will be 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 being targeted over the next 2-3 years. 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, even over an extended four year programme period is going to be especially difficult. 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 and Ofsted inspections in the New Year that will cover both Hampshire and the Isle of Wight. Alongside these, removing any financial support from the annual spend on Children with Disabilities will present its own difficulties with any final changes to service provision being subject to a planned 2018 service specific public consultation, Member scrutiny and an Executive Member decision.
- 4.7 For ETE a number of the savings proposals are sensitive, will be challenging to deliver and any future service changes will be subject to the outcome of different service specific public consultations planned for 2018. Just over £10m of the £19m programme is classified as Red covering proposals related to school crossing patrols, bus subsidies, community transport,

HWRC's and waste contract spend reductions. The latter two areas alone amount to nearly 40% of the £10m sum and will require capital investment, operational changes and improved levels of recyclables via the collection authority arrangements for the savings to be secured. Like Adults and Children's, the ETE programme is likely to require four years to deliver.

- 4.8 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. Positively, the on-boarding of three London Boroughs to the shared service arrangements provides additional income which is not currently accounted for within the savings plans and therefore provides an additional and welcome buffer.
- 4.9 Pleasingly, the Blue and Green classifications already account for a healthy £55m, or just under 40% of the overall programme requirement. The £26m that is Blue (secured) includes the full £20m Corporate Housekeeping component being secured with the remainder covering the early delivery of some smaller projects in each of the different Departments. The Green £29m 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. Over the coming months, progress will continue to be closely monitored alongside further preparation for planned 2018 service specific consultations. This work will include a cumulative impact assessment that amongst other things will consider the totality of the savings proposals from a geographical and protected characteristics perspective so that, wherever possible, the impacts of future service changes can be appropriately mitigated. In total, 11 separate service specific consultations are planned to take place in 2018 with the bulk of the exercises likely to occur in the second half of the year. More detail will be provided on these in the next update to Cabinet at which point the forward timetable and the consultation content will be clearer and firmer.

## **5. Tt2019 Enabling Projects**

- 5.1 Key to the success of previous cost reduction programmes, and Tt2019 will be 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 it and has resulted in the Council, its staff and residents working from and accessing modern business platforms.
- 5.2 Three cross-cutting enabling projects are set to make a telling contribution to the success of Tt2019 and 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 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.

- 5.3 Across 2018 and alongside but also separate to specific Tt2019 reporting, Cabinet and wider Members of the Council will be updated on the progress and achievements of the individual work programmes in these different areas. All three 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 Conclusion**

- 6.1 Despite impressively strong and consistent financial performance over many years, further to last year's finance settlement for Local Government, the County Council is facing a forecast budget gap of some £140m by 2019/20 that requires closing. This is after safely removing £340m of savings over the past seven years and within that, delivering in full on the latest Tt2017 programme.
- 6.2 In the summer of this year, a public consultation containing sought views from the public and key stakeholders on a range of different options for closing the budget gap. The outputs from this exercise helped inform budget proposals submitted by individual Departments to Select Committees and Executive Members in September as the first formal steps to an early budget setting exercise for 2019/20. The outputs from the different meetings were considered by Cabinet in October before Full Council approved the full set of savings proposals in early November.
- 6.3 Notwithstanding the above approvals, the full set of savings proposals, as developed and presented, do contain a number of specific challenging service changes that may be able to be mitigated if other viable options become available. To this end, Cabinet agreed to the following additional recommendation at their October meeting: That Cabinet

*“Requires that officers, as specific decision making processes move forward, continue to explore all viable options to revise or refine these proposals with particular regard to service continuity in areas such as community transport, school crossing patrols and waste and recycling centres, in consultation with partners and stakeholders as appropriate, while recognising that any modification to any proposal must be consistent with the financial and time imperatives of the overall programme.”*

- 6.4 Alongside the formal budget setting process Departments have been working hard to ensure robust plans are in place for each of their Tt2019



projects and that the right capacity and capability is aligned to the different transformation activity so that the associated savings can be delivered in a timely manner. This work has also included a detailed risk assessment exercise and a review of the savings profile by project and overall to ensure that any corporate cash flow support requirements are clear and able to be planned for.

- 6.5 CMT have peer reviewed the latter elements of the above work and within this have worked with service Directors in terms of the higher risk projects. The results of the peer review exercise include a confirmed corporate cash flow requirement of some £40m for the programme overall to support the later delivery of savings in Adults and Children's. The new, higher cash flow requirement is £4m greater than the provision agreed within the MTFS but can be met from the Grant Equalisation reserve, as reported in today's previous agenda item – Budget Setting and Provisional Cash Limits 2018/19.
- 6.6 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 later cash flow support demands, is ever more important. Further, it is almost certain that there will be a continued squeeze on public sector funding into the next decade. This puts an added premium on Tt2019 being delivered in full and in the most timely manner possible to put the Council in the best position possible at the commencement of any successor programme.
- 6.7 Early programme progress has been encouraging with £26m of savings already secured to the end of October. £20m of this figure relates to the full achievement of Corporate Housekeeping savings. The remainder flows from some modest early delivery in each of the different Departments. Pleasingly, the three Tt2019 enabling programmes across Digital 2, Productivity and 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 progress reports will be presented regularly to Cabinet throughout 2018 and beyond.

## **7. Recommendations**

- 7.1 It is recommended that Cabinet:
- a) Notes the £140m Tt2019 programme breakdown and the individual Department targets - section 3 and Appendix 1;
  - b) Notes the latest Tt2019 programme risk assessment, including the early securing of £26m of savings - section 4.
  - c) Notes that the programme delivery, particularly in Adults, Children's and ETE is set to take four years and that corporate cash flow support of up

to £40m (as reported in the previous Budget Setting item) will be required to enable the safe delivery of the different projects thus minimising disruption and impacts for service users and their families – section 4.

- d) Notes that (currently) up to 11 service specific public consultations are planned to take place in 2018 and that further clarity on the different consultations and their content will be reported to Cabinet in the next Tt2019 update – section 4.
- e) Notes the progress and strong contributions being made by the three enabling projects to the programme; Digital, Productivity and Procurement – section 5.
- f) Notes that programme progress will continue to be monitored closely and that regular updates will be provided to Cabinet throughout 2018 and beyond – section 6.
- g) Notes that officers have been requested by Cabinet to continue to explore all viable options to revise or refine these proposals (the Full Council approved Tt2019 savings proposals) with particular regard to service continuity in areas such as community transport, school crossing patrols and waste and recycling centres, in consultation with partners and stakeholders as appropriate, while recognising that any modification to any proposal must be consistent with the financial and time imperatives of the overall programme – section 1, 3 and 6.
- h) 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 e.g. Household Waste Recycling Centres, or to enable other specific savings proposals not to be implemented or for their impact to be mitigated.

**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	19 June 2017
Medium Term Financial Strategy Update and Transformation to 2019 Proposals	16 October 2017
Budget Setting and Provisional Cash Limits 2018/19	11 December 2017
<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 any 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. Not applicable

### **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

Not applicable

## Appendix 1

### T19 – Cabinet Approved (per Medium Term Financial Strategy - MTFS) Departmental Financial Targets

Table 1 - Programme Financial Targets

Department	£m's
Adults	55.9
Children's	30.1
ETE	19.0
CCBS	6.3
Corporate Services	7.9
P&R Other	0.8
<b>Programme Sub Total</b>	<b>120.0</b>
Housekeeping	20.0
<b>T19 Overall Programme Total</b>	<b>140.0</b>