

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Policy and Resources
Date:	22 September 2017
Title:	Transformation to 2019 – Revenue Savings Proposals
Report From:	Chief Executive, Director of Corporate Resources, Director of Transformation & Governance and Director of Culture, Communities & Business Services

Contact name: Stephanie Randall and Patrick Blogg

Tel: 01962 846531
01962 845038

Email: stephanie.randall@hants.gov.uk
patrick.blogg@hants.gov.uk

1. Executive Summary

- 1.1. The purpose of this report is to outline the detailed savings proposals for the Policy and Resources budget that have been developed as part of the Transformation to 2019 Programme.
- 1.2. The report also provides details of the Equality Impact Assessments (EIAs) that have been produced in respect of these proposals and highlights where applicable, any key issues arising from the public consultation exercise that was carried out over the Summer and how these have impacted on the final proposals presented in this report.
- 1.3. The Executive Member is requested to approve the detailed savings proposals for submission to Cabinet and then full County Council in October, recognising that there will be further public consultation for some proposals.

2. Contextual information

- 2.1. Members will be fully aware that the County Council has been responding to reductions in public spending, designed to close the structural deficit within the economy, since the first reductions to government grants were applied in 2010/11 and then as part of subsequent Comprehensive Spending Reviews.
- 2.2. Reductions in government grant together with inflationary and service pressures, notably within social care areas, have created an average budget gap of around £50m per annum, meaning that circa £100m has needed to be saved every two year cycle.
- 2.3. This position has been exacerbated following the changes announced in the Local Government Settlement in February 2016 which provided

definitive figures for 2016/17 and provisional figures for the following three years to 2020. The settlement included a major revision to the methodology for distributing Revenue Support Grant (RSG) which had a major impact on Shire Counties and Shire Districts and also reflected a clear shift by the government in council tax policy.

- 2.4. Consequently, even after allowing for council tax increases over the settlement period, the forecast gap for the two years to 2019/20 is £140m, and after allowing for 'housekeeping savings' of £20m, targets were set for Departments based on a reduction of approaching 19% in cash limited spend.
- 2.5. One of the key features of the County Council's well documented financial strategy and previous savings programmes has been the ability to plan well in advance, take decisions early and provide the time and capacity to properly implement savings so that a full year impact is derived in the financial year that they are needed.
- 2.6. This approach has also meant that savings have often been implemented in anticipation of immediate need and this has provided resources both corporately and to individual departments to fund investment in capital assets and to fund further change and transformation programmes to deliver the next wave of savings. This approach has enabled the County Council to cushion some of the most difficult implications of the financial changes.
- 2.7. Whilst this has been a key feature of previous cost reduction programmes it was recognised without doubt that the Transformation to 2019 (Tt2019) Programme, the fourth major cost reduction exercise for the County Council since 2010, would be significantly more challenging than any previous transformation and efficiency programme against the backdrop of a generally more challenging financial environment and burgeoning service demands.
- 2.8. Departments have looked closely at potential opportunities to achieve the required savings and unsurprisingly the exercise has been extremely challenging because savings of £340m have already been driven out over the past seven years, and the fact that the sheer size of the 19% target requires a complete "re-look"; with previously discounted options having to be re-considered. It has been a significant challenge for all Departments to develop a set of proposals that, together, can enable their share of the Tt2019 Programme target to be delivered.
- 2.9. The opportunity assessment and planning work has confirmed the sheer complexity and challenge behind some of the proposals as a consequence of which in a number of areas significantly more than two years will be required to develop plans and implement the specific service changes.
- 2.10. The cashflow support required to manage the extended delivery timetable will in the most part be met from departmental cost of change reserves and further contingency options to cover any shortfall will be considered as part of the updated Medium Term Financial Strategy (MTFS) that will be reported in October.

- 2.11. The County Council undertook an open public consultation called Serving Hampshire – Balancing the Budget which ran for six weeks between 3 July – 21 August. The consultation was widely promoted to stakeholders and residents and asked for their views on ways the County Council could balance its budget in response to continuing pressures on local government funding, and still deliver core public services.
- 2.12. Responses to the consultation will help to inform the decision making by Cabinet and Full Council in October and November of 2017 on options for delivering a balanced budget up to 2019/20, which the Authority is required by law to do.
- 2.13. In addition, Equality Impact Assessments have also been produced for all of the detailed savings proposals and these together with the broad outcomes of the consultation and the development work on the overall Transformation to 2019 Programme have helped to shape the final proposals presented for approval in this report.

3. Budget Update

- 3.1. The savings targets that were set for Departments were based on forecasts produced over the summer of 2016 and included a wide range of variable assumptions to arrive at the total predicted gap of £140m.
- 3.2. Last year the Local Government Finance Settlement provided definitive figures for 2016/17 and provisional figures for local authorities for the following three years to aid financial planning for those authorities who could ‘demonstrate efficiency savings’. We have now had our 2017/18 figures confirmed as part of the budget setting process and following acceptance by the Department for Communities and Local Government (DCLG) of the County Council’s Efficiency Plan for the period to 2019/20 the expectation is for minimal change for 2018/19 and 2019/20. No figures have been published beyond this date.
- 3.3. The offer of a four year settlement provided greater but not absolute funding certainty. However, following the Queen’s speech to Parliament in June this year, the planned changes to implement 100% business rate retention by 2019/20 are effectively suspended with no indication of when this might be resumed, although the Government have just invited applications for pilots to operate during 2018/19, the detail of which will be considered in due course. Work to carry out a fair funding review is set to continue as it does not require legislation.
- 3.4. An updated MTFS will be presented to Cabinet in October and then the County Council in November and we will continue to review our assumptions on an ongoing basis in light of information that is made available.

4. Transformation to 2019 – Departmental Context

- 4.1. The 2019/20 savings target for Policy and Resources is £14.929m (£7.817m for Corporate Services, £6.304m for Culture, Communities and

Business Services, and £808,000 for Policy and Resources non-departmental budgets).

- 4.2. Following on from the successful delivery of the Transformation to 2017 programme of efficiency savings, Departmental Management teams within Policy and Resources have identified a number of further transformation opportunities that will seek to deliver this target.
- 4.3. These opportunities have been developed with the intention of further building on previous efficiencies delivered, but also to explore where departments can deliver new savings (and maximise income generation), in light of continuing and challenging funding reductions.
- 4.4. Further details of these proposals are outlined within the following paragraphs.

Corporate Services

- 4.5. The proposed Transformation programme for Corporate Services will focus on the delivery of efficiency savings required by April 2019, but will also continue to build on, and further improve where possible, changes to the delivery of key support services implemented as part of the Transformation to 2017 programme.
- 4.6. However, it is important to note that Corporate Services teams will continue to provide critical support to other Departments during the delivery of their own Transformation to 2019 programmes, the potential timeframes for which are expected to extend beyond April 2019 in places. As such, this will also mean that these supporting resources will need to be in place for longer, placing an additional burden on these teams.
- 4.7. Whilst in relative terms Policy and Resources Departments are in quite a strong financial position, it is clear that pressure is beginning to build in these areas, especially following the further reduction in the budget for 2017/18.
- 4.8. In addition, as the vast majority of savings for Corporate Services will be delivered through a reduction in staff, many of the proposals will result in a change to the way in which other departments receive support from the department, including a greater use of online self-service, support tools and guidance.

Corporate Resources:

- 4.9. Corporate Resources includes the following services – the Integrated Business Centre (provides transactional services such as payroll and payments to suppliers), Finance, HR & Resourcing, Information Technology and Internal Audit.
- 4.10. The department has a Transformation to 2019 savings target of **£6.127m**, the majority of which is expected to be delivered through changes to these service's operating models. Further information is provided in the following paragraphs.

- 4.11. **Integrated Business Centre (IBC)** – Through continuing to work collaboratively with our partners, we will develop and enhance the service currently offered by the IBC, as well as improving business compliance with standard operating procedures through reinforcing the shared responsibilities of our customers and by retaining a clear focus on performance improvement.
- 4.12. This will include extending (and improving) existing opportunities for online self-service to employees and managers across the County Council, and further automating and streamlining our back-office processes, both of which are expected to reduce enquiries to the team and reduce the number of staff which would be required to deliver the service in the future. It is considered that the IBC will be able to deliver further efficiency savings in the region of **£467,000**.
- 4.13. **Finance** – Building on the changes implemented to the Finance Operating Model as part of the Transformation to 2017 programme, it is envisaged that further savings in the region of **£896,000** can be achieved.
- 4.14. By further reshaping and targeting the future service offer of the Finance Team, in particular to redefine the support role they provide to Budget Holders and Managers across the council, and to review business processes and technology in this area, it is envisaged that a further reduction of around 20% of current staff can be achieved.
- 4.15. The team are working closely with budget managers to improve the range and quality of financial reports and to shape the future approach, and through the provision of additional training and support (including developing our online self-service support offer), we are aiming to minimise any negative impact on the organisation.
- 4.16. However, it should be noted that the amount of professional finance capacity to support the organisation more widely will also be decreased as a result of these changes.
- 4.17. **HR and Resourcing** – By redesigning the HR and Resourcing operating models, it is expected that the department can reduce the number of staff HR and Resourcing staff required to support the County Council.
- 4.18. Through utilising available technology and reviewing, streamlining and automating business processes where possible, it is expected that these changes can be achieved by reducing the existing level of demand in to the teams from our customers.
- 4.19. However, this will require managers who access HR support services to also take greater responsibility, and to work in a different way. To support this change we will be working closely with managers to understand how we can minimise the impact of any changes made. This will include, where possible, improvements to existing systems to make processes easier to complete, and provision of new online tools and guidance for managers.
- 4.20. Across HR and Resourcing, it is envisaged that savings of around **£1.016m** can be delivered.

- 4.21. **Information Technology (IT) Services and Infrastructure** – a number of initiatives across IT will seek to deliver savings of around **£3.509m**. This will include a reduction in support for non-critical service applications, together with a greater expected use of self service by customers accessing IT support, and in the planning and support of department led projects.
- 4.22. In addition, we will be exploring how changes to our existing infrastructure and hardware can deliver savings (for example the possible introduction of soft phones to replace current handsets), as well as how we deliver support outside of core working hours, and through reducing the length (time period) of our current ‘backup retention’ schedules. These changes will result in reductions in the number of IT staff, and as such our customers will need to take more responsibility for self-service and to use technology in a different way. Again, by consulting with other departments, together with developing the training available to staff, we would aim to minimise any negative impact on the broader organisation.
- 4.23. **Internal Audit** – By developing a more robust approach to gaining assurance of how the council is controlling and mitigating potential risks, it is considered that we can target our Internal Audit services toward those areas of greatest risk, and thereby reducing the overall requirement for this additional control measure.
- 4.24. This will release capacity within the team which can be focused toward generating additional income, or if such opportunities do not arise, to reduce the number of staff within the team.
- 4.25. These changes will require managers across the council to have a greater responsibility to continue to self serve and maintain the assurance map once this has been established.
- 4.26. Savings (or additional income) in the region of **£147,000** are expected to be achieved through the introduction of this assurance approach.
- 4.27. **Other general efficiencies** – a further reduction already achieved in non-service specific general expenses will contribute savings of **£92,000** towards Corporate Resources Transformation to 2019 programme.

Transformation & Governance:

- 4.28. Transformation and Governance (T&G) comprises Law and Governance (L&G), Transformation Practice (TP) and Strategic Procurement. T&G has an overall savings target of **£950,000** that will be realised through three projects:
- **L&G Operational Improvements** - This project includes a range of changes to the service’s staffing structures, increased use of digital technology to improve productivity and re-procurement of supplies and services contracts.
 - **L&G Income Generation** - This project will reduce internal demand for legal support and at the same time increase productivity such that the released fee earning can be redirected to generate income from existing and new external clients.

- **TP Income Generation** - This project will target recurring income from public sector organisations across Hampshire.
- 4.29. The projects outlined at paragraph 4.28 all have a productivity component and as such a cross-cutting Enabling Productivity Programme (EPP) will provide the technologies that can enable increased flexible working at both internal and external client locations.
- 4.30. The key risks within T&G project proposals relate to business development insofar as for both Legal Services and the Transformation Practice, they will have to compete with private sector providers. If the services are unable to meet their targets, then they will need to reduce staff capacity and the associated costs to meet the savings target. Also, for Legal Services, releasing capacity to generate external income is largely dependent on establishing new levels of services for Departments at a time of potentially increasing demand due to transformation.

Customer Engagement Service:

- 4.31. The Customer Engagement Service comprises the following teams: Hantsweb (the County Council's web service); Hantsdirect (the County Council's contact centre); Insight & Engagement (including public consultation and engagement, policy, performance and strategic partnerships); Marketing and Advertising; and Corporate Communications. These teams sit alongside the Leader's and Chief Executive's offices and together provide a range of core support functions to departments and Councillors, as well as several external public facing services.
- 4.32. The Customer Engagement Service has a Transformation to 2019 savings target of **£740,000**. Over half of the required savings will be achieved through changes to the Service's operating model. Changes include restructuring teams to reduce the overall number of staff, and further maximising opportunities to generate income to offset costs.
- 4.33. Remaining savings will be delivered through the Channel Shift project, which aims to reduce demand for Hantsdirect in order to deliver the Service with a smaller core team. This will be achieved by further encouraging and supporting residents to use digital services, where possible; providing residents with the easiest and quickest way to access the right information and services. Cost reductions will also be achieved through making processes more efficient (for example replacing manual with automated processes and moving more functions online).
- 4.34. A key enabler of channel shift will be improvements to existing IT and telephony systems – placing greater dependency on online processes and support functions.
- 4.35. It is important to note that while residents will be encouraged to self-serve online, existing methods of contact (such as telephone and text phone), and support to access services (such as translation services), will remain available.

Culture Communities and Business Services

- 4.36. The proposed CCBS Departmental 2019 Transformation Programme focusses on the delivery of the 2019 savings target, but includes projects that will deliver savings beyond 2019 in order to ensure that services are resilient and sustainable for the future. Undoubtedly identifying further savings as part of this Transformation Programme has been even more challenging than in previous years given the transformation that services have already undertaken. A total of ten projects have been identified across the department, which are outlined below.
- 4.37. **The Library Service** is exploring options to achieve a saving of **£2.25m** by 2019. The Library Service Transformation Strategy to 2020 was approved in April 2016 and was developed to ensure that the Library Service can evolve to meet the changing needs of customers, whilst retaining traditional services. The proposals to deliver transformation to 2019 savings are therefore underpinned by this service strategy. Self service technology will be installed in all libraries and vacancy management will continue to be rigorously applied to all staff vacancies, reducing staff numbers as far as possible. It is proposed to undertake a public consultation in 2018 on options to reduce the operating costs of running the service. The options could include reducing opening hours, transferring libraries to be run by their local community, making greater use of volunteers and making a permanent reduction to the Book Fund.
- 4.38. **Property Services** – Property Services, including Facilities Management, is undertaking a project to refresh the Property Services vision, with consideration to existing and potential future pressures, and deliver necessary changes to the operating model to ensure a strong Property Services for the future. This project is called Property Futures. As part of this, transformation savings for 2019 will be achieved through workforce reductions. A detailed savings strategy will be developed from the operating model design undertaken in the Property Futures project. The design is due to be finalised by late 2017, at which point it will be possible to identify specific activities, and actions to be undertaken to achieve the Transformation to 2019 savings. Also as part of Property Futures, a strategy for the delivery of procurement frameworks for use by HCC and other authorities is being developed to deliver increased surplus. Together these elements will deliver in the region of **£866,000** of savings for 2019 from Property Services.
- 4.39. **Office Accommodation** – This programme aims to build upon the previous Workstyle programme which will review how the office estate is used, and seeks to deliver around **£1.3m** savings by making more efficient use of the Office Accommodation portfolio. This programme will implement a strategy to reduce the number of buildings in use. Therefore costs to HCC through intensification of use of HQ buildings to release parts of, or whole buildings in order to generate revenue, and reducing occupation of Area Offices in order to release or sub-let vacated space. The project sits alongside the investment in digital and flexible working operational models for departments which will contribute to reductions in office space. It is expected there will be a high impact on all staff and service areas due to the need to work differently.

- 4.40. **Transformation of the Country parks and of the Countryside Access and Estate** – The Country Park Transformation Programme will create a modern and relevant suite of self financing 21st century country parks, that encourage more people from Hampshire and beyond to visit more often and stay longer. This programme is already underway and work is ongoing across the parks. As part of this programme, Automatic Number Plate Recognition (ANPR) systems will be installed within car parks at the country parks to enable us to better enforce payments for parking, and therefore generate additional income. The service is also planning to change the way that it delivers the management of the Countryside access and estates to reduce the reliance on the cash limited budget, through the Countryside Operational Transformation programme. This will look to achieve savings through working differently, utilising skills more effectively, improving productivity, increasing traded services, and increasing volunteering. Additionally, it is proposed that a limited reduction to the revenue funding of the Basingstoke Canal may be made. Together these will deliver in the region of **£640,000** of savings by 2019.
- 4.41. **Trading Standards** – The savings target of **£407,000** will be met through looking at options around cost reductions and increased income generation. The service aims to deliver efficiency savings through a review of processes, and through a review of services provided. This may involve stopping some aspects of service delivery where appropriate. In parallel the service aims to refocus staff to generate additional income through the development of the 'Buy with Confidence' scheme and other income streams.
- 4.42. **Hampshire Outdoor Centres** will enhance their service provision to increase income generation, and to find efficiencies in working practices to reduce costs, supported by new IT systems. A new income stream is planned to be generated through installing camping pods at Calshot Activities Centre, following the success of similar pods at Tile Barn. An ANPR car parking system will be installed at Calshot Activities Centre to increase compliance with parking charges. In order to reduce costs the service is also exploring different delivery approaches that will generate workforce efficiencies. Together, these changes will deliver around **£162,000** of savings by 2019.
- 4.43. **Hampshire Archives and Records** service is looking at options to generate additional income, as well as making further cost reductions to achieve a saving of around **£154,000** for 2019. Additional income generation will be achieved through an increased commercial approach (for example, digitisation service, online pay-per-view access, building/facilities hire), introduction of contributions from depositors, and provision of paid-for professional services to partners. A charging framework based on full cost recovery will also be in place. The service is planning to make workforce reductions through staff turnover to achieve cost savings. The service is also exploring external partnership opportunities and considering potential alternative service delivery models.

- 4.44. **Sir Harold Hillier Gardens** is seeking to generate further income and achieve internal efficiencies to deliver savings for 2019. Current trends indicate growth in visitor numbers, and, providing this trend continues, additional income will be generated through admissions and memberships. Additionally the Gardens are exploring options with regards to developing new partnership opportunities. The Gardens are also looking to find ways to work differently to make efficiencies, for example through reducing print and postal costs of customer communications, maximising use of volunteers, and changes within Education activities. Capital development proposals are being explored to enhance the visitor experience and attract more visitors, and a fundraising strategy is being developed, with the associated benefits anticipated beyond 2019. The Gardens will achieve savings in the region of **£225,000** by 2019.
- 4.45. **Registration Service** - Additional income will be generated through a review of the fee structure to ensure full cost recovery and increased marketing. Cost profiling and benchmarking with other local authorities across the South East region have been used to develop a revised fee structures for ceremonies for 2017/18 and beyond. Further benchmarking may be required as other authorities undertake similar revisions to fees from April 2017 onwards. With appropriate investment in marketing, it is expected that this will deliver **£195,000** savings for 2019 transformation.
- 4.46. **Hampshire Scientific Service and Asbestos Management Service** – These two services are each planning to deliver £50,000 savings totalling **£100,000** saving for 2019. The Asbestos Management transformation project aims to deliver savings through increasing external income. Additionally internal efficiencies will be driven through the implementation of a new system, also ensuring compliance with Health and Safety Executive (HSE) requirements. Hampshire Scientific Service will also look to generate new income streams and plans to develop joint working with Hampshire Trading Standards and other Regulatory Service providers to support economic growth to local businesses and increase income to Hampshire County Council.
- 4.47. A number of the projects within the CCBS Departmental 2019 Transformation Programme have a dependency on Digital and IT to support the delivery of efficiency savings. For example, the transformation of the Library service is very reliant on IT improvements, including the implementation of new self-service terminals across libraries. Additionally, the provision of a new memberships and bookings system, which is integrated with the corporate systems, is expected to deliver efficiencies in the way that we work, better customer intelligence, and ultimately a better experience for customers.
- 4.48. The Office Accommodation project has a strong link to the Enabling Productivity Project (EPP) and this cross-cutting theme will run through all of the transformation programmes, enabling more flexible and efficient ways of working.
- 4.49. There is relatively high confidence in the CCBS 2019 Transformation Programme. A significant part of the savings would be dependent upon

additional income generation, which carries a degree of uncertainty, and therefore contingency planning is essential. The department is working to enhance commercial acumen skills within the senior management team, and is planning to increase the capacity within the Transformation Team to support development of commercial strategies, underpinned by robust evidence. Marketing will play a vital role in attracting visitors to use our services and therefore generating increased income.

- 4.50. An additional risk is that existing and developing partnership relations are critical to a number of opportunities, and therefore CCBS will need to work closely with partners to ensure savings can be achieved under the planned timescales. Contingency plans are being prepared in case specific aspects of opportunities cannot be progressed. Another significant risk for the Programme is the level of cultural change that the department will require to work differently to develop the services in a sustainable way. Change Management planning will be integrated into project plans within specific services and departmentally.

Policy and Resources – non-departmental budgets

- 4.51. Non-departmental budgets within Policy and Resources Committee cover a number of areas such as Members expenses, Grants to Voluntary Organisations and Members Devolved Budgets.
- 4.52. As part of previous Transformation Programmes the aim has been to reduce these areas of spend by the same percentage that was applied for other Departments. However, since a large proportion of the non-departmental budget relates to the costs associated with the democratic processes of the County Council, this has placed a higher burden on the other main items of expenditure within this area, namely Grants to Voluntary Organisations and Members Devolved budgets.
- 4.53. A Transformation to 2019 savings target of **£808,000** has been set for this area to be achieved by April 2019. Inevitably this would necessitate re-visiting the same areas of spend for further reductions in order to meet the target.
- 4.54. We have worked hard with Voluntary organisations in the past to look at the benefits we receive for the grants we award, to better target their provision to achieve the best outcomes for the community and the County Council alike, and to build the resilience of the Sector in order that it becomes more financially self-sufficient and less dependent on County Council grant funding.
- 4.55. Similarly, the review of Members Devolved Grants undertaken as part of the Transformation to 2017 Programme highlighted the value of the ability to offer contributions to groups and causes that have a significant local impact based on local requirements. Furthermore, the impact of the Transformation to 2019 Programme on targeting services to those most in need will place a greater emphasis on the need to be able to respond to other local issues, especially where awards are used as pump priming for attracting other funding.

- 4.56. In order to meet the £808,000 saving it is therefore proposed to reduce the annual contribution to the Corporate Policy Reserve which is contained within the overall budget but held centrally. The current annual contribution is £1.9m a year and one off commitments against the reserve are covered by the current balance.
- 4.57. Whilst this will limit the opportunity to implement future one off policy initiatives this must be weighed against the impact of further reductions in the budget areas outlined above.

5. Summary Financial Implications

- 5.1. The savings target that was set for Policy and Resources was £14.929m (£7.817m for Corporate Services, £6.304m for Culture, Communities and Business Services, and £808,000 for Policy and Resources non-departmental budgets). The detailed savings proposals that are being put forward to meet this target are contained in Appendix 1.
- 5.2. The opportunity assessment work already completed has demonstrated that many of these proposals are both complex in nature and challenging to deliver - in some areas, more than two years will be required to fully develop plans and implement the necessary service changes.
- 5.3. In addition it is recognised that many of the support services will be required to continue to provide support to other departments across the County Council (for example by Corporate Services to support the delivery of broader Transformation to 2019 savings) whilst progressing the delivery of their own savings. This consideration is expected to further influence the timing for when some of these proposals will be fully implemented.
- 5.4. As noted throughout the report, some proposals will also be dependent on further investment in IT before the savings identified can be realised.

6. Workforce Implications

- 6.1. Appendix 1 also provides information on the current estimated number of reductions in staffing as a result of implementing the proposals.
- 6.2. The estimated reduction of between 185 to 281 full time equivalent (FTE) posts across Policy and Resources (as set out within Appendix 1), is based on the current expected reduction required to deliver the proposed savings. However, the final FTE reduction will become clearer as further work is completed to redesign existing operating models and to define new ways of working in the future.
- 6.3. To achieve these reductions, the County Council's existing approach to managing down staff levels in a planned and sensitive way through the use of managed recruitment, redeployment of staff where possible and voluntary redundancy where appropriate will be continued.

7. Consultation and Decision Making, and Equality Impact Assessments

- 7.1. As part of its prudent financial strategy, the County Council has been planning since February 2016 how it might tackle the anticipated deficit in its budget by 2019/20. As part of the Medium Term Financial Strategy, which was last approved by the County Council in July 2016, initial assumptions have been made about inflation, pressures, Council Tax levels and the use of reserves. Total anticipated savings of £140m are required and of this sum, savings targets to the value of £120m were set for departments as part of the planning process for balancing the budget.
- 7.2. The proposals in this report represent suggested ways in which departmental savings could be generated to meet the target that has been set as part of the Transformation to 2019 Programme. Individual Executive Members cannot make decisions on strategic issues such as Council Tax levels and use of reserves and therefore, these proposals, together with the outcomes of the *Serving Hampshire - Balancing the Budget* consultation exercise outlined below, will go forward to Cabinet and County Council and will be considered in light of all the options that are available to balance the budget by 2019/20.
- 7.3. The County Council undertook an open public consultation called *Serving Hampshire – Balancing the Budget* which ran for six weeks from 3 July – 21 August. The consultation was widely promoted to stakeholders and residents through all available channels, including online, via the County Council’s website; Hampshire media (newspapers, TV and radio); and social media. Hard copies were also placed in Hampshire libraries and alternative formats, such as easy read, were made available on request.
- 7.4. The *Balancing the Budget* consultation asked for residents’ and stakeholders’ views on ways the County Council could balance its budget in response to continuing pressures on local government funding, and still deliver core public services. Specifically, views were invited on several high level options as follows:
- Reducing and changing services;
 - Introducing and increasing charges for some services;
 - Lobbying central government for legislative change;
 - Generating additional income;
 - Using the County Council’s reserves;
 - Increasing Council Tax; and
 - Changing local government arrangements in Hampshire.
- 7.5. A total of 3,770 responses were received to the consultation. The key findings from consultation feedback are as follows:
- The majority of respondents (**65%**) **agreed** that the County Council should continue with its **financial strategy**.
 - Responses were relatively evenly split between those who tended to support **changes to local services** and those who did not (**50% agreed**, 45% disagreed and 5% had no view either way).

- Of all the options, this was respondents' **least preferred**.
 - Two thirds of respondents (**67%**) **agreed** that the County Council should raise existing **charges** or introduce new charges to help cover the costs of running some local services.
 - Over half of respondents (**57%**) **agreed** that the County Council should **lobby the Government** to vary the way some services are provided, and enable charging where the County Council cannot levy a fee due to statutory restrictions.
 - Of all the options presented, generating **additional income** was the most **preferred option**.
 - On balance, the majority of respondents (**56%**) **agreed** that the County Council should retain its current position **not to use reserves** to plug the budget gap.
 - Of all the options, this was respondents' **second least preferred**.
 - Respondents would prefer the County Council to continue with its plans to raise **Council Tax** in line with Government policy (**50%** ranked this as their preferred approach to increasing Council Tax).
 - Of all the options, increasing Council Tax was respondents' **second most preferred**.
 - More than half of those who responded (**64%**) **agreed** that the County Council should explore further the possibility of **changing local government structures** in Hampshire.
- 7.6. Executive Lead Members and Chief Officers have been provided with the key findings from the consultation to help in their consideration of the final savings proposals. In particular, as a result of the feedback on service issues, the County Council will seek wherever possible to:
- **Minimise reductions and changes to local services**, and continue to ensure that resources are prioritised on those who need them most, i.e. vulnerable adults and children;
 - **Increase and introduce charges** to cover the costs of some local services. Where the County Council is unable to charge for services due to statutory restrictions, the County Council will continue to **lobby the Government for legislative change**;
 - Maximise further **income generation** opportunities.
- 7.7. The proposals set out in Appendix 1 have, wherever possible, been developed in line with these principles but inevitably the effect of successive reduction programmes over a 9 year period will begin to have an impact on the services that can be provided.
- 7.8. In some cases, the proposals in this report will be subject to further, more detailed public consultation if they are ratified by the Cabinet and Full

Council in October and November respectively, at which the overall options for balancing the budget will be considered in light of the consultation results.

- 7.9. In addition to the consultation exercise, Equality Impact Assessments (EIAs) have been produced for all of the detailed savings proposals outlined in Appendix 1 and these have been provided for information in Appendix 2. These, together with the broad outcomes of the consultation, have helped to shape the final proposals presented for approval in this report.
- 7.10. Whilst the impacts identified within the EIAs for the savings included within this report are generally low or none, and appropriate mitigation has been identified where possible, some potential impacts have been identified. Further information on the main impacts identified for each department within Policy and Resources is provided in the following paragraphs.

Corporate Services

- 7.11. The vast majority of the proposals for Corporate Services are expected to have no or a low impact on members of the public, as the majority focus on the provision of support services to the wider County Council, or through further transforming the way in which we are able to interact with our customers (for example through the greater use of digital services).
- 7.12. As noted previously in the report, the majority of these savings will be delivered through a reduction in staff numbers.

Culture, Communities and Business Services (CCBS)

- 7.13. Within CCBS, EIAs have been completed to assess the expected impacts of the proposed savings. Appendix 2 excludes the Equality Impact Assessment for the ongoing Country Park Transformation Programme which was previously published on 1 November 2016. Further EIAs are expected on more detailed aspects of these proposals as they develop, once there is greater clarity.
- 7.14. While the impacts identified are generally neutral or low, appropriate mitigation has been identified where possible. There are some potential impacts as a result of changes within the Library service. Whilst there will be fewer staff in the Library Service in the future, customers will be able to take and return books via the self service technology, seeking help from staff when needed. Volunteers will be trained to help and support staff. The introduction of ANPR within Country Parks and Calshot Outdoor Centre is also expected to have a low impact because parking charges are already in place.

Policy & Resources non-departmental budgets

- 7.15. The proposals for Policy and Resources non-departmental budgets are considered to have no impact on staff or the residents of Hampshire.

8. Recommendation

- 8.1. To approve the submission of the proposed savings options contained in this report and Appendix 1 to the Cabinet.

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

Hampshire maintains strong and sustainable economic growth and prosperity:	YES
People in Hampshire live safe, healthy and independent lives:	YES
People in Hampshire enjoy a rich and diverse environment:	YES
People in Hampshire enjoy being part of strong, inclusive communities:	YES

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> Report to Cabinet - Transformation to 2019: Report No. 1	<u>Date</u> 19 June 2017
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

A full Equalities Impact Assessment has been completed for each savings proposal and copies are provided at Appendix 2.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime and disorder.

3. Climate Change:

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

There are no specific proposals that impact on the County Council's carbon footprint / energy consumption, but where service changes are considered/made they will take this in to account.

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

No specific consideration to the need to adapt to climate change, but where service changes are considered/made, they will take this in to account.

Proposed Savings Options (subject to consultation where appropriate)

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
Corporate Services						
CR-IBC-01	Integrated Business Centre Improving business compliance with standard operating procedures, maximising self-service and enhancing automation will reduce queries and error correction to deliver cashable cost reductions.	There will be reductions in IBC staff and impact on the IBC's customers whom will need to take more responsibility for self-service. Consultation with customers will aim to minimise any negative impact.	0	467	467	20 - 30
CR-FIN-01	Finance To produce a revised Finance operating model that meets the needs of the organisation in the face of reducing finance resources.	There will be a reduction of around 20% in staff and an impact on the role of Budget Holders and Budget Managers. Consultation with budget holders and budget managers together with training and support will aim to minimise any negative impact. Ultimately the amount of professional finance capacity to support the organisation will be decreased.	270	896	896	25 - 30

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
CR-HR-01	HR To create a revised operating model with fewer staff whilst maintaining and improving service levels through utilising technology to reduce customer demand and automate manual processes where possible.	There will be reductions in HR staff. There will also be an impact on managers who will access HR support services in a different way. Consultation with managers will aim to minimise any negative impact.	0	729	729	16 - 20
CR-HR-02	HR - Resourcing Creation of a resourcing function with enhanced use of technology to enable efficient delivery of end to end resourcing services.	A responsive and flexible Resourcing service with a greater agility to meet organisational requirements, delivered through easy to use systems (will require implementation support for managers and revised online guidance). There will be a headcount reduction and a change to the skills profile within resourcing.	0	287	287	12 - 16

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
CR-IT-01	IT - services Reduced support for non-critical / non-Tier 1 business IT applications, greater use of self service for IT support and a change in telephony with possible introduction of soft phones (replacing current handsets).	There will be reductions in IT staff and impact on IT's customers whom will need to take more responsibility for self-service and potentially use telephony in a different way. Consultation with customers together with training will aim to minimise any negative impact.	91	1,326	1,451	16
CR-IT-02	IT - infrastructure Removal of IT Service Desk telephone service outside of core hours and weekends and reduction in backup retention periods.	Limited impact to staff levels and skill sets. Out of hours service queries will take longer to log and some restore requests cannot be fulfilled in the future.	0	737	737	4
CR-IT-03	IT - operating model To produce a revised IT operating model that meets the needs of the organisation in the face of reducing IT resources along side a financial review	There will be reductions in IT staff. There will be a requirement for the business to be more self sufficient in planning their projects.	0	1,321	1,321	19

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
CR-AUD-01	<p>Internal Audit To provide tangible evidence to support a robust process of assurance across the organisation resulting in a more targeted / reduced internal audit requirement.</p>	<p>There will be an impact on departmental managers with regard to requirements to self serve and maintain the assurance map once established. There will be further impact on internal audit staff in building the right capacity to meet market demands or alternatively, if such market opportunities do not arise, a reduction in staff.</p>	0	147	147	3 - 5
CR-GEN-01	<p>General Reduction in non-service general expenses reflecting third party efficiency and cost reduction</p>	None.	92	92	92	0

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
L&G-19-01	Law and Governance operational improvements <ol style="list-style-type: none"> 1. Removal of vacant posts from the staffing structure. 2. Transition of Legal Safeguarding work to electronic bundles and use of the digital court room. 3. Transition of the County Council to electronic decision making. 4. Reprocurement of the healthwatch contract. 5. Rationalisation of legal Knowledge resource/reference journals 	Delivering savings through operational improvements ensures the target can be met whilst ensuring appropriate legal and governance support continues to be provided to the County Council.	250	400	400	4

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
L&G-19-02	<p>Law and Governance income generation</p> <ol style="list-style-type: none"> 1. Manage internal demand on Legal Services down by the equivalent of 5000 hours by 2019/20. 2. Deploy capacity that is released on new external income generating work. 3. Generate increased income from Health and Safety and other governance areas. 	External income will help maintain the size and skill mix of Legal Services and provide some flexibility in the allocation of staff. Increased productivity and risk assessed priority allocation of resources will mitigate the reduction in hours of core funded work.	250	450	450	0
TP-19-01	<p>Transformation Practice Income generation from external clients</p>	External income will help maintain the size and skill mix of the Practice and provide some flexibility in the allocation of staff. Increased productivity and risk assessed priority allocation of resources will mitigate any reduction in hours of core funded work.	0	100	100	0

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
CES-19-01	Customer Engagement Service To revise the Customer Engagement Service operating model through restructuring teams to reduce the overall number of staff, and further maximising opportunities to generate income to offset costs.	As 91% of CES budget is attributable to pay costs, there will be an impact on staff - due to both staff reductions and potential broadening of roles. Remaining resources will need to be prioritised.	0	460	460	8-12
CES-19-02	Hantsdirect channel shift To reduce the volume and length of calls to Hantsdirect by encouraging customers to use lower cost channels and improving the processes within Hantsdirect.	Staffing levels within Hantsdirect will be reduced. There is also a risk that customer service levels could be impacted for a short period after implementation of new processes and services.	0	280	280	18-25
Corporate Services Total			953	7,692	7,817	145 - 181

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
Culture, Communities and Business Services						
CCBS-19.01	Registration Service Increase in income through a review of the fee structure	This service is offered on a 'choose to use' basis with no regular access by customers. Additional income will be generated through a review of the fee structure and increased marketing. The service will continue to offer a range of options to suit all customer budgets and therefore a low to medium impact is expected on customers.	195	195	195	0
CCBS-19.02	Trading Standards Generating efficiencies through different ways of working and growing income	The service will look to generate additional income through existing and new services, which may include new charges. Additionally the service will reduce costs by working differently and therefore more efficiently. An impact on staff is possible due to the potential for some structural changes and a different working environment. Some services may need to be reduced or stopped, which is under consideration.	387	407	407	0-10

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
CCBS-19.03	Hampshire Scientific Service and Asbestos Management Increase income surplus through business growth, supported by the implementation of new systems.	Asbestos Management plans to generate additional external income to offset expenditure, supported by use of better technology. Similarly, the Scientific Service aims to grow income surplus through business development including better joint working with Regulatory Service Providers. Overall impact is expected to be low.	50	100	100	0-5
CCBS-19.04	Countryside Service Transformation of the Country parks and of the Countryside Access and Estate	The overall impact of this project is likely to be low. The Country Park Transformation Programme will improve operational capacity of the park teams and provide a better offer and improved service to the public. Although there will need to be some increased charges to the public e.g. car parking, the anticipation is that the overall impact will be positive.	63	640	640	0-5

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
CCBS-19.08	<p>Library Service Implementation of more efficient operating models to reduce costs</p>	<p>It is proposed to undertake a public consultation in 2018 on options to reduce the operating costs of running the Service. The options could include reducing opening hours, transferring libraries to be run by their local community, making greater use of volunteers and making a permanent reduction to the Book Fund. Self service technology will be installed in all libraries and vacancy management will continue to be rigorously applied to all staff vacancies, reducing staff numbers as far as possible.</p>	1,461	2,255	2,255	25-35

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
CCBS-19.13	Property Services Income generation and cost reduction	The project will refresh the Property Services vision and deliver necessary changes to the how the teams work and are structured to ensure a strong Property Services for the future. Further work is required before the level of required changes, and therefore the impact, can be determined. It is expected that there will be an impact on staff.	0	866	866	15-25
CCBS-19.14	Property Services Office Accommodation Working environment changes to enable reduction in office accommodation	This project seeks to make cost reductions through our office accommodation portfolio, and by using the space in our buildings more effectively. It is expected there will be an impact on all staff and service areas due to the need to work differently.	687	800	1,300	0

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
CCBS-19.15	Archives & Records Operating efficiencies and income generation	Potential for reduced service delivery in non-core areas. Online access and volunteer support will release some staff capacity and improve customer access, but there is likely to be increased charges for some services, and depositors will be asked to provide a contribution to the archives that we hold and store.	88	154	154	0-5
CCBS-19.17	Hampshire Outdoor Centres Workforce efficiencies to be achieved through product realignment. Additional income through glamping pods at Calshot, and use of Automatic Number Plate Recognition for car parking enforcement	It is expected that efficiencies will be achieved through better use of systems and through changes to how services are delivered with some impact on staff, but a low impact on customers. Although car parking enforcement may have some impact on customers, it is expected that income generation through camping pods will have a positive impact by providing a new offer at Calshot Activities Centre.	162	162	162	0-10

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
CCBS-19.19	<p>Sir Harold Hillier Gardens Additional income generation through attracting greater numbers of members and visitors</p>	<p>Income generation will be increased through membership and day visitor growth. Investments made in the Gardens to attract more visitors is expected to have an overall positive impact. Additionally, reduction in expenditure on education, print and postage is expected to have a low impact on staff and customers.</p>	225	225	225	0-5
Culture, Communities and Business Services Total			3,318	5,804	6,304	40-100

Reference	Service Area and Description of Proposal	Impact of Proposal	2018/19 £'000	2019/20 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
Policy and Resources Non-departmental budgets						
P&R-01	P&R Other Services To limit the impact on services within this area the proposal is to meet the full saving by reducing the current annual contribution to the Corporate Policy Reserve, which is included centrally within the overall revenue budget.	At the end of 2016/17 the Corporate Policy Reserve stood at nearly £5.5m and in recent years has not been used for specific policy initiatives in the same way that it had been previously. Whilst reducing the annual contribution will limit the County Council's future ability to fund specific policy initiatives, it is felt that this is commensurate with the overall reductions across the Council following the pro-longed period of austerity.	0	808	808	0
Policy and Resources Non-departmental budgets Total			0	808	808	0
Policy and Resources Total			4,158	14,304	14,929	185-281

EIAs

1. Corporate Services:

- a) Corporate Resources
- b) Transformation and Governance
- c) Customer Engagement Service

2. Culture, Communities and Business Services