

**TRANSFORMATION FUND – BASELINE AND MONITORING REPORT**

*To:* **General Purposes Committee**

*Meeting Date:* **13 June 2017**

*From:* **Chief Finance Officer**

*Electoral division(s):* **All**

*Forward Plan ref:* **Not applicable**      *Key decision:* **No**

*Purpose:* **To outline the starting position and monitoring approach for savings proposals for which transformation funding has been approved.**

**To outline the total spend in 2016-17 from the Transformation Fund and the savings secured as a result of investment.**

*Recommendations:* **It is recommended that the Committee note and comment on the report.**

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## 1. BACKGROUND

- 1.1 As part of a new approach to business planning, focused on outcomes, it was agreed that the Council would establish a fund that could be used to supplement base budgets, ensuring that finance is not seen as a barrier to the level and pace of transformation that can be achieved. The approval of a change in the basis for defraying the Council's debt enabled the establishment of a transformation fund of nearly £20m.
- 1.2 The transformation fund can be accessed following the approval of a business case by the General Purposes Committee. As part of its ongoing stewardship of the fund, it is scheduled that the Committee will receive quarterly monitoring updates on expenditure and outcomes.
- 1.3 This report outlines the way that we will monitor each proposal explaining how we will know if savings are achieved as a result of investment. The report also provides the first quarterly monitoring report, detailing the total spend from the Transformation Fund in 2016-17 for the small number of schemes that began spending before April 2017, and the savings secured as a result of that expenditure.

## 2. METHODS FOR BASELINING AND APPRAISING SAVINGS ACHIEVEMENT

- 2.1 A range of methodologies were explored for setting baselines and appraising the achievement of savings for each proposal, ensuring consistency in calculation where possible but, as a minimum, ensuring consistent principles were applied.
- 2.2 The principles were to ensure:
  - the calculations could be easily understood
  - there was a clear relationship between a quantitative measure and savings achieved
  - the data required to support the appraisal was readily available and did not require significant additional manipulation
  - the data would not change significantly in year thereby ensuring quarterly comparisons were meaningful
- 2.3 Due to the differences in services delivered and the complexity of those services, each savings proposal has been evaluated individually. The methodologies for baselining and measuring are detailed within the **Appendix A** to this paper.
- 2.4 In several cases, existing monthly "variance report" processes, whereby budget managers categorise explanations for changes in the reported financial position, can be utilised to capture savings attributable to the transformation fund activity.

## 3. ISSUES

- 3.1 During the baselining exercise a number of issues were identified in evaluating whether or not a saving has been achieved. Issues that are specific to individual proposals are outlined within the **Appendix A** to this paper, but common issues are detailed below.
- 3.2 A key consideration is how, or whether, a saving can be wholly and definitively attributed to one action or factor. The majority of savings in the Business Plan, but in particular those linked to demand management and preventative measures in relation to care, are impacted by multiple actions simultaneously and disaggregating that can be difficult. This has impacted on the choice of savings calculation and in some cases will appear to be a simplified view of a complex service.

- 3.3 The difference between a “cashable saving” (or reduction in spending from current levels) and an avoided cost is another issue that has been encountered. As transformation is at the forefront of the Business Planning process, a number of savings are predicated on cost avoidance. This type of saving is potentially more speculative as there are more assumptions required regarding what would have happened had the preventative measures not been in place.
- 3.4 As a result of these issues, the way in which a saving is appraised may need to change during the financial year. If this occurs, a revised baseline report will be presented to GPC and the new methodology outlined.

#### 4. MONITORING REPORT

- 4.1 The quarterly monitoring report has been designed to capture both financial and non-financial information relating to the achievement of savings and outcomes of proposals with transformation investment, and reflecting previous discussions with GPC.
- 4.2 The monitoring report will include the following:
- original phasing of investment and savings as per the approved 2017-22 Business Plan
  - investment funding spent to the end of the quarter
  - savings secured to the end of the quarter, including indication of whether the savings are one-off or permanent
  - actual return on investment
  - any known impact for partner organisations
  - progress on non-financial outcomes
- 4.3 The first monitoring report, on 2016-17 expenditure from the Fund, is provided in **Appendix B**.

#### 5. OVERVIEW OF EXPENDITURE AND SAVINGS

- 5.1 There were 5 proposals approved by the Committee that requested investment in 2016-17. Of these, 2 have drawn down on that investment, totalling £312k.
- 5.2 The summary table below shows the total expenditure, corresponding savings and return on investment achieved. The detail of each proposal, including non-financial impacts, is detailed in appendices to this report.

Business Plan Ref	Proposal Title	Total expenditure £000	Total savings £000	Return on Investment
C/R.5.303	Using assistive technology to support older people to remain independent in their own homes	84	-	n/a
B/R.6.214	Street Lighting Synergies	228	-	n/a
<b>TOTAL</b>		<b>312</b>	<b>-</b>	<b>n/a</b>

## **6. NON-FINANCIAL OUTCOMES**

- 6.1 One of the main requirements for qualifying for investment from the transformation fund is that the investment will drive savings of sufficient magnitude, and therefore return on investment, over the lifetime of the project. This report therefore focuses on financial outcomes but it is recognised that there are significant non-financial outcomes also resulting from the investment.
- 6.2 Each proposal has been individually appraised for non-financial outcomes and this is detailed within the appendices to this report.

## **7. ALIGNMENT WITH CORPORATE PRIORITIES**

### **7.1 Developing the local economy for the benefit of all**

This report sets out the principles, baselines and calculation methodologies for appraising approved investments and savings across Transformation work streams.

### **7.2 Helping people live healthy and independent lives**

The impacts associated with the people living healthy and independent lives are be captured within Community Impact Assessments for each savings proposals within the Business Plan.

### **7.3 Supporting and protecting vulnerable people**

The impacts associated with the people living healthy and independent lives are be captured within Community Impact Assessments for each savings proposals within the Business Plan.

## **8. SIGNIFICANT IMPLICATIONS**

### **8.1 Resource Implications**

The details of significant implications on resources are set out in the appendices to this report.

### **8.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

### **8.3 Statutory, Legal and Risk Implications**

There are no significant implications within this category.

### **8.4 Equality and Diversity Implications**

There are no significant implications within this category.

### **8.5 Engagement and Communications Implications**

There are no significant implications within this category.

## 8.6 Localism and Local Member Involvement

There are no significant implications within this category.

## 8.7 Public Health Implications

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	T Kelly – 25/04/2017
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by Finance?	Not applicable
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Not applicable
Have the equality and diversity implications been cleared by your Service Contact?	Not applicable
Have any engagement and communication implications been cleared by Communications?	Not applicable
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Not applicable
Have any Public Health implications been cleared by Public Health	Not applicable

Source Documents	Location
General Purposes Committee Agenda, Reports and Minutes	<a href="https://cmis.cambridgeshire.gov.uk/ccclive/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/2/Default.aspx">https://cmis.cambridgeshire.gov.uk/ccclive/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/2/Default.aspx</a>