

London Borough of Camden – Financial Strategy Update: July 2017

17th July 2017

Summary of the Report:

This briefing provides an update on progress towards implementing the 2015-2018 Financial Strategy agreed by Cabinet in September and December 2014.

This report presents the updated and extended programme following decisions taken by Cabinet in December to defer elements of budget reductions originally agreed for 2017/18 for one year to 2018/19. Overall progress towards MTFS target remain largely on track, although some challenges remain for live work programmes, and these are outlined in greater detail.

This update also provides information on the Housing Revenue Account income generation strategy for 2017/18 to 2019/20, which was agreed by the Cabinet in January.

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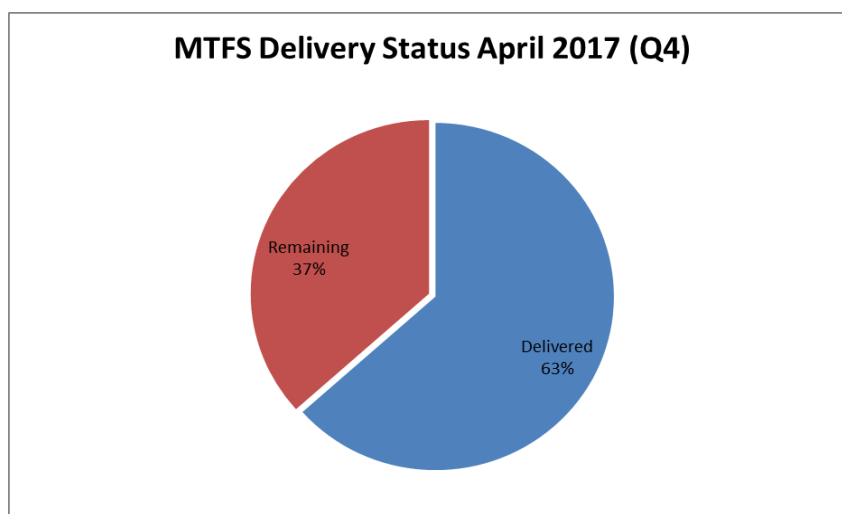
1. Introduction

- 1.1. The council continues to make steady progress overall on delivering the savings, but there remain substantial challenges for a number of savings to be delivered in 2017/18 and 2018/19.
- 1.2. The MTFFS programme should also be seen in the context of the council's wider financial position. It remains the case that full delivery of the programme is crucial to delivering a balanced outturn in 2017/18 and a balanced budget in 2018/19. The council faces a number of ongoing financial pressures on top of the MTFFS budget reductions and the final outturn position for 2016/17 has been supported by drawing down from a number of reserves.

2. Delivery Overview

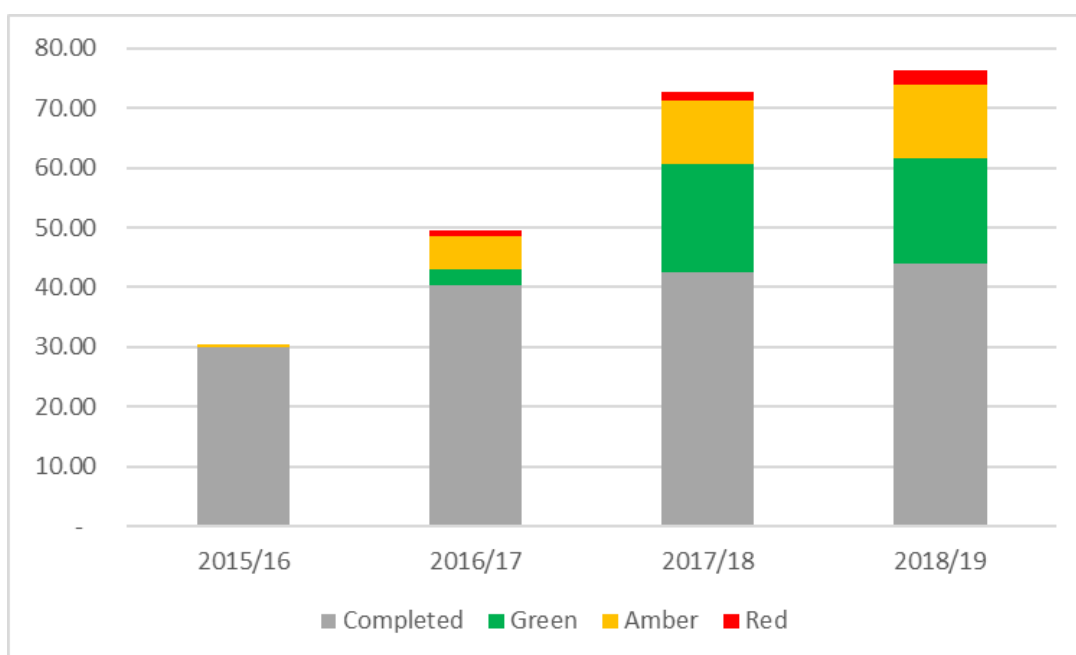
- 2.1. £44.09m, 58% of the total savings target, has been achieved to date - see chart 1. The sum achieved includes projects that have already achieved their total savings targets and those that have achieved part of their target.

Chart 1: MTFFS delivery status



- 2.2. There are four high risk projects (rated red RAG) for 2017/18 and three red-rated projects in 2018/19. Commentary for each of these red-rated projects is included in the section below.
- 2.3. Chart 2 below provides a summary of delivery progress for each year of the financial strategy.

Chart 2: Breakdown of delivery progress at Q4 (£m)



	15/16 Agreed Savings	16/17 Agreed Savings	17/18 Agreed Savings	18/19 Agreed Savings
Completed	29.95	40.38	42.57	44.09
Green	0.08	2.57	18.02	17.55
Amber	0.34	5.65	10.70	12.39
Red	-	0.96	1.40	2.40

3. High risk projects

- 3.1. As set out above, delivery of the savings strategy is crucial for council's ability to deliver a balanced outturn in 2017/18 and a balanced budget in 2018/19. Despite the good progress made, there are a number of projects that are reported as high risk.

Adult Social Care

- 3.2. There are currently four projects rated as red:
- Contributions Policy update – ASC18
 - Better management of debt – ASC16
 - Robust application of existing charging policy – ASC17
 - LD Accommodation and reviewing high cost packages – DS1
- 3.3. In addition, the £2.39m savings from transformational changes required in 2018/19 have yet to be agreed, and this is currently rated amber (ASC19).

- 3.4. The robust application of existing charging policy project continues to be rated as red in 2018/19.
- 3.5. Consideration is currently being given to the impact of delayed savings together with how best to utilise new ASC resources (from the Social Care Precept & enhanced Better Care Fund) to meet underlying demographic and cost pressures achieve the necessary transformation.

Transformation Savings – ASC19

- 3.6. In December 2016, following an extensive review of pressures and savings delivery in social care, Cabinet took a decision to refocus the 2015/16 – 2017/18 adult social care savings programme and defer £2.6m to 2018/19, of which £2.39m was to be identified and agreed in the course of 2017/18. It was noted that further delivery of savings would require significant service transformation and cultural change. Although work has been undertaken to frame the development of an approach to transformation, further work is required to develop firm proposals and activities that will deliver all the requisite savings. A further progress report will be brought to Cabinet in October or December 2017.

Contributions Policy Update – ASC18

- 3.7. Following consideration of the feedback received through the consultation and the updated Equality Impact Assessment Cabinet approved the proposed updated policy on 14 June 2017. This included an amendment to the previous proposal consulted on around a flat rate charge for transport. Amended and approved proposals now mean that transport needs will be considered as part of an individual's Personal Budget and any financial contributions towards this would be assessed through the assessment of affordability. This would not impact most people.
- 3.8. Delivery of additional income was dependent on agreement of proposals by Cabinet including the proposed implementation timetable (for new and existing customers). There will be part year effect in 2017/18 and the forecast is that £308k of income in 2017/18 is at risk (against the target of £690k).

Better Management of Debt – ASC16

- 3.9. This new project agreed by Cabinet in December 2016 has an income target of £500k in 2017/18. This is a complex piece of work needing to balance both a fair and equitable approach to collection and review work to ensure a whole system approach that addresses the underlying causes of the current debt position and 'turns off the tap'.
- 3.10. Work to focus on the additional collection of debt continues to progress but not at the pace required to deliver the income target agreed by Cabinet. Without addressing whole system issues, the income target will

not be realised. Detailed analysis is being carried out with close involvement of the Director of Adult Social Care (DASS) and opportunities to involve the Systems Thinking Team in the review work are currently being explored.

Robust Application of Existing Charging Policy – ASC17

- 3.11. This project focuses on ensuring changes in financial circumstances - for example receipt of new benefits - are reflected in updated financial assessments in a timely manner. The income target was based on sample modelling but now appears to have overstated predicted changes in benefits. Officers are working to provide a revised robust methodology to measure the impact of the new approach including clear criterion for those in and out of scope and other possible interrelated impacts e.g. delays or errors by the DWP in benefits assessments.

Learning / Physical Disabilities – High Costs Packages / Making Sure People are in the Right Accommodation – DS1

- 3.12. This project is reviewing all high cost packages of care for adults with Learning Disabilities to remove duplication and ensure support planning is in line with the Care Act, revising care packages as appropriate and supporting people to move back to borough as required. It involves working with people to identify alternative ways of delivering support whether through the identification of assets/strengths based alternatives, and by working with providers to reduce costs.
- 3.13. The project delivered £148k against the savings target of £348k for 2016/17 (43%), leaving a c£200k shortfall. Progress has been slow to date and project resources are being reviewed to ensure the right capacity is in place to support the review process. This is starting to have an impact although further reviews will be more challenging. The structure of the current Supported Living contracts and the lack of lower cost commissioned options, such as an established Shared Lives service also contribute to the challenges in delivery of savings.

Advertising – SAT3

- 3.14. This project is due to deliver £2.51m in total in 2018/19, £250k of which is to be delivered in 2017/18. It is one of the main projects that are due to deliver budget reductions in the next two years and it faces challenges as the council is working to ensure that digital advertising screens have no adverse impact on amenity and public safety and there are potential market fluctuations in advertising revenues which may also be impacted by Brexit.

HR / Finance System – TS6

- 3.15. The implementation of new HR and Finance system is due to deliver savings of £1.1m in 2018/19 and is currently scheduled for implementation in April 2018. While introducing a new integrated system

will have profound benefits such as real-time information for decision makers and reduced duplication of records, it is obviously vital that business continuity is maintained throughout the changeover period and as such there may be transitional costs during the implementation period that delay the delivery of the full savings.

Income from Arts and Events – VC1

- 3.16. The original target of £792k was reduced to £690k in February 2016 in recognition of difficulties such as the policy change with respect to charging for community events and festivals, and challenges around the hire of public spaces.
- 3.17. There remains a residual pressure of £400k for 17/18 that will need to be considered in the light of future changes to the way that arts, tourism and libraries are managed within the authority. There are potential impacts that may result from future changes to buildings and sites in which events are held in Camden that could further affect income targets. Work is currently being undertaken to identify ways to achieve this remaining pressure, and an update on the progress of this will be reported in the next MTFS report in December 2017.

4. Housing Revenue Account

- 4.1. In January, the Cabinet approved a medium term savings and income generation strategy for the Housing Revenue Account for 2017/18 to 2019/20 to meet the anticipated budget pressures for the next three years and bring the HRA in line with the General Fund financial strategy. This was mainly in response to the revenue pressures largely driven by the government mandated 1% reduction in rents for each year from 2016/17 to 2019/20 contained in the Welfare and Work Reform Act (2016), combined with ongoing cost pressures such as inflation on salaries, supplies and services budgets and particularly on repair costs.
- 4.2. The savings programme in the HRA is a mixture of a reduction in expenditure as a result of projects to improve efficiency, and an increase in income from service charges and from non-dwelling assets.
- 4.3. Planned savings from expenditure include operational reviews of the Property Management Division including a review of Framework Contracts, the programming of major repairs and use of ICT to deliver Channel Shift for customer access; and the review of Void performance to streamline the process and reduce turnaround times therefore increasing rent income as well as reducing average costs. In addition, a Long-term Property and Asset Strategy Review will consider a new Divisional plan and consolidated structure for Property Management to ensure a cost effective landlord services across the council.
- 4.4. Increased income will be delivered through a review of the commercial property portfolio to maximise commercial income in line with the current

market and identify under-utilised assets that could be converted to commercial use.

- 4.5. A new service charge of £1.10 per week has been levied from April 2017 for maintenance of Mechanical and Electrical equipment in the communal areas of dwellings. The introduction of the new service charge was accompanied by a reduction in rent of at least £1.10 for tenants receiving the new service charges. The new charge has been levied on approximately 18,000 tenants and will raise an additional £900,000 in income to fund maintenance of the communal areas.
- 4.6. The HRA programme is in early stages of implementation and is progressing as expected.

Table 1 - HRA savings and income generation strategy - 2017/18 to 2019/20

Project Title	17/18 RAG	Cabinet Agreed Savings 17/18	Cabinet Agreed Savings 2018/19	Cabinet Agreed Savings 2019/20	Detailed Proposal Description
Developing a new Landlord service	GREEN	£200,000	£200,000	£500,000	<p>The mix of tenures within the HRA has been changing and is likely to continue to change due to government Right to Buy legislation and the introduction of the sale of 'Higher Value Voids' to fund a government levy. This means that the focus and volume of work for the Landlord service is likely to develop and will require a new approach and focus.</p> <p>The landlord service includes:</p> <ul style="list-style-type: none"> -The rents service -Housing Investigations Team -Court Team -Housing officer function
Increasing income from the commercial property portfolio	GREEN	£812,000	£134,000	£2,252,000	<p>A review of the commercial portfolio currently being undertaken. A review of garages, pram sheds and parking areas may identify development opportunities. The council could seek to maximise income from underground parking areas, either through commercial parking or for alternative use such as self-storage.</p> <p>The council is securing income from the short-term leasing of the 'Belsize' blocks and has also secured some income from the use of property by Guardian companies. A prudent estimate of income has been forecast.</p> <p>Initial work to generate commercial income will concentrate on Rent Reviews of existing commercial portfolio, utilising and marketing underground parking areas, leasing or use of guardian scheme for long term void properties due to the council's CIP programme and the leasing of HRA assets as Telecom and digital connectivity sites.</p> <p>A review of the underused assets such as garages, sheds and commercial</p>

Project Title	17/18 RAG	Cabinet Agreed Savings 17/18	Cabinet Agreed Savings 2018/19	Cabinet Agreed Savings 2019/20	Detailed Proposal Description
					properties is being undertaken to decide the best use of these assets to either generate income streams from other uses or generate a capital receipt.
Long term Property, Landlord and Asset Strategy Review	GREEN	-	£1,500,000	£6,500,000	<p>Review opportunities provided by the council's new structure to provide more cost effective landlord services.</p> <p>Minimise reactive repairs and increase flexibility in the programming and delivery of planned capital works.</p> <p>Drive value for money through the council's contractual arrangements and repairs delivered through the in house team.</p> <p>Make sure that revenue budget reductions do not impact on the council's ability to meet its landlord obligations, statutory requirements and provide an effective repairs service to residents, service users and stakeholders.</p>
Management of Property Portfolio	GREEN	-	£2,065,000	£3,120,000	<p>The Property Management division brings together a wide ranging property portfolio and a wide range of service delivery teams. The following key work streams have been identified:</p> <ul style="list-style-type: none"> • Utilisation of Better Homes framework and the Wates contract for major repairs • Greater programming of major repairs and replacement mechanical and electrical components • Review of compliance across the portfolio and standardisation of approach • Improved Customer access arrangements • A portfolio approach to the repairs service: - Standardisation of product and procurement of materials

Project Title	17/18 RAG	Cabinet Agreed Savings 17/18	Cabinet Agreed Savings 2018/19	Cabinet Agreed Savings 2019/20	Detailed Proposal Description
					<ul style="list-style-type: none"> - Review of discretionary repairs - Service standards such as end to end times - Vehicle fleet and materials
Unpooling of service charges	GREEN	£902,000	£1,500,000	£1,500,000	The council levies a number of charges to tenants for services. An initial review has identified some services here no separate service charge is levied to tenants. In effect these services are funded from rent payments. The services identified are Door Entry Systems and Communal Decorations/repairs. Levying additional service charges for these services would be considered alongside the rent reduction and would require a Cabinet decision.
Void Performance Improvement	GREEN	£320,000	£1,100,000	£1,100,000	<p>By streamlining the voids process and reducing turnaround time by 8 days the council could save £100,000.</p> <p>By reviewing the voids standard and improving contractor performance, a further revenue saving of £1m could be achieved.</p> <p>Benchmarking suggests that other boroughs are carrying out a lower degree of works and not routinely replacing kitchens and bathrooms. Some boroughs also apply a limit to the number of viewings that CBL applicants can attend in a period of time.</p> <p>The aim is to manage the contractors to deliver the highest possible standard within the agreed cost envelope.</p>