

London Borough of Camden – Financial Strategy Update: December 2017

24th November 2017

Summary of the Report:

This briefing provides an update on progress towards implementing the 2015/16-2018/19 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 2016 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 MTFS for 2017/18 to 2019/20, which was agreed by the Cabinet in January.

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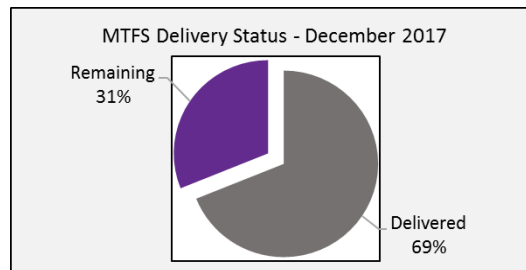
1.0 Introduction

- 1.1 The council continues to make steady progress overall on delivering the savings, but there remain substantial challenges in a number of projects to be delivered in 2017/18 and 2018/19.
- 1.2 The MTFS 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 financial pressures on top of the MTFS budget reductions and the final outturn position for 2016/17 was supported by drawing down from a number of reserves.

2.0 Delivery Overview

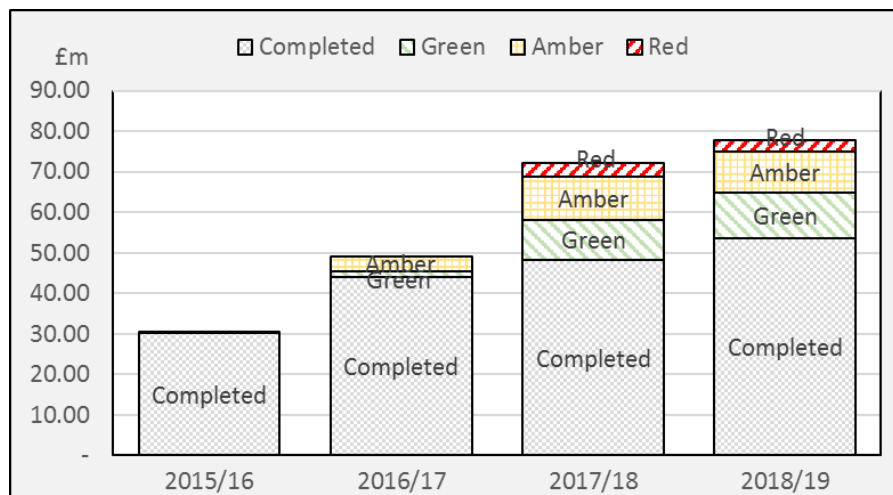
- 2.1 £53.53m, 69% of the total savings target, has been achieved to date. The sum achieved includes projects that have already achieved their total savings targets and those that have achieved part of their target. We expect percentage to rise considerably over the remainder of the year.

Chart 1: MTFS delivery status



- 2.2 There are six high-risk projects (rated red RAG) for 2017/18 and four projects that include red-rated elements 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 as at December 2017



	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Completed	30.26	43.92	48.34	53.53
Green	0.11	1.42	9.70	11.29
Amber	-	3.86	10.70	10.09
Red	-	-	3.45	2.78

3.0 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 ASC projects rated as red in 2017/18. This remains as last reported in July 2017:

- 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 The additional savings (ASC19) from further transformational change required in 2018/19 will be presented to Cabinet on 6th December 2017 for approval. As these proposals are not yet agreed, these savings are currently rated amber.

3.4 The robust application of existing charging policy project (ASC17) continues to be rated red in 2018/19. More detailed updates on the projects listed above can be found below.

Transformation Savings – ASC19

(2017/18 – No Savings, 2018/19 – Amber)

3.5 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 £2.69m to 2018/19, of which £2.39m was to be identified and agreed in the course of 2017/18 and £0.30m was the combined target of projects already agreed. It was noted that further delivery of savings would require significant service transformation and cultural change.

3.6 Based on the current monitoring position in 2017/18, £0.30m from the current savings plan (agreed by Cabinet in December 2016) has been identified as undeliverable. The proposed delivery of this additional saving requirement has been included in the December 2017 paper referenced in paragraph 3.7 below.

3.7 The 2018/19 transformation savings (ASC19) proposals have now been formulated and are being presented to cabinet in the report, *Delivering strengths based and sustainable Adult Social Care: phase two Medium Term Financial Strategy savings proposals (2018/19)* in December 2017. This will include a new list of projects which will be monitored in 2018/19 alongside existing projects.

Contributions Policy Update – ASC18
(2017/18 – Red, 2018/19 – Green)

- 3.8 Following consideration of the feedback received through the consultation and the updated Equality Impact Assessment Cabinet approved the proposed updated policy on 14th 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 will not impact most people.
- 3.9 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 £0.31m of income in 2017/18 is at risk (against the target of £0.69m). Any outstanding balance at the end of 2017/18 is forecast to be delivered in 2018/19.

Better Management of Debt – ASC16
(2017/18 – Red, 2018/19 – N/A)

- 3.10 This project agreed by Cabinet in December 2016 has an income target of £0.50m in 2017/18, this is a one-off budget reduction in 2016/17 and 2017/18 with no impact on 2018/19 onwards. This is a complex piece of work needing to balance both a fair and equitable approach to collection and a review of work to ensure a whole system approach that addresses the underlying causes of the current debt position and 'turns off the tap'.
- 3.11 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 for 2017/18. Without addressing whole system issues, the income target will not be realised. This system wide review work is underway.

Robust Application of Existing Charging Policy – ASC17
(2017/18 – Red, 2018/19 – Red)

- 3.12 This project focused on ensuring changes in financial circumstances - for example receipt of new benefits - are reflected in updated financial assessments in a timely manner. A review of the financial assumptions underpinning this project has informed the view that the full target is not achievable. The shortfall has been added to the additional savings to be approved for 2018/19 (see [paragraph 3.6](#)).

Learning / Physical Disabilities – High Costs Packages / Making Sure People are in the Right Accommodation – DS1
(2017/18 – Red, 2018/19 – Green)

- 3.13 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 through the identification of assets/strengths based alternatives, and by working with providers to reduce costs.
- 3.14 There was a shortfall in delivery of savings in 2016/17. Project resources have been 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 as there are fewer high cost packages in scope. There continue to be challenges in delivery of savings from LD care packages in 2017/18 and it is anticipated there will be a shortfall in delivery again this year and the work will need to continue into 2018/19.

HR / Finance System – TS6

(2017/18 – Red, 2018/19 – Half Red, Half Amber)

- 3.15 The implementation of new HR / Finance system is due to deliver savings of £1.1m, with half in 2017/18 and the other half in 2018/19. 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. As such there have been transitional costs during the implementation period that have resulted in the saving for 2017/18 to be flagged as Red (significant risk).
- 3.16 The HR elements of the system have been rolled out in 2017 with the finance & procurement elements to follow in early 2018. Until the systems are implemented, it remains challenging to establish where efficiencies can be realised and savings made. While the new system will provide more accurate and timely information to services to support faster and better decision making, it may be difficult to extract cashable savings since the efficiencies are spread across the organisation. Therefore, full delivery of this saving remains a risk for 2018/19 onwards with the potential that it may be undeliverable in full.

Advertising – SAT3

(2017/18 – Green / Amber, 2018/19 - £1.5m Red, £0.7m Amber, £0.3m Green)

- 3.17 This project is due to deliver £2.51m in total in 2018/19, £0.51m of which is to be delivered in 2017/18. The saving has four main elements, of which bus shelter and small format digital, lamp column banners and waste vehicle digital advertising are all in a strong position to fully deliver their share of the saving for by 2018/19. However, there remains significant challenges around large format digital advertising screens which would have a substantial adverse impact on amenity and public safety. Coupled with this, there are potential market fluctuations in advertising revenues which may also be impacted by Brexit. Therefore, the £1.50m large format digital advertising element of this saving is being flagged as Red (significant risk) for 2018/19, with the potential that this saving may be undeliverable.

Sub-Regional Sub Regional Working (NEETs) - IG1

(2017/18 – Green / Amber, 2018/19 – Green / Red)

- 3.18 The sub regional working (NEETs) project is due to deliver £0.7m of savings from 2017/18. While the council remains in a strong position to deliver £0.4m of this saving, £0.3m is flagged as Red (significant risk) for 2017/18 and 2018/19. The general premise of the project was to benefit from the government's increasing devolution of funding and powers to the Mayor and the London Enterprise Panel through the Growth Deal for London, and the anticipated further devolution of funds from European programmes, Connexions and Economic Development. The outcome of the project has been much closer working with partners to deliver better outcomes for Camden, but without any direct funding for Camden to redirect to existing areas, therefore there remains a shortfall on the saving, which cannot be

delivered within the original project scope. This issue has been reported through the internal monitoring process and the Supporting Communities directorate are aiming to deliver these savings by other means.

- 3.19 Additionally, there are several Supporting Communities projects where budgets have been adjusted, which are proving difficult to fully deliver in the way originally planned, and are therefore flagged as amber (at risk). The majority of these relate to anticipated additional income which is proving difficult to fully separate from other income issues thus making it appear that the MTFs element has not been delivered when it often has. These issues are being reported through the internal monitoring processes and are being reviewed, with a view to resolution within Supporting Communities through a Directorate wide programme to balance and right size budgets where required.

4.0 Housing Revenue Account (HRA)

- 4.1 In February 2016 the Government enacted the Welfare and Work Reform Act (2016), which included provision for a mandatory reduction of all social rents by 1% for each of the four years between April 2016 and April 2019. This along with inflationary pressures in HRA budgets meant that the HRA was facing significant budgetary pressures. In reaction to this Cabinet agreed efficiency savings of £3m to ensure a balanced budget for 2016/17.
- 4.2 In January 2017 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 ongoing anticipated budget pressures up to 2019/20 and bring the HRA in line with the General Fund financial strategy.
- 4.3 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.
- 4.4 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 cost effective landlord services across the council.
- 4.5 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. The Council is also raising commercial income from the leasing of roof tops for digital connectivity.
- 4.6 A new service charge of £1.10 per week has been levied since 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 £0.90m in income to fund maintenance of the communal areas.

- 4.7 The programme is on target to deliver all agreed saving for 2017/18 and plans are well developed to deliver the savings agreed for 2018/19 and 2019/20. Table 1 summarises the HRA Savings and Income Strategy, and further detail for each project proposal can be found in the [Financial Strategy Update – July 2017](#).

Table 1 - HRA savings and income generation strategy – 2016/17 to 2019/20

Project Name	Agreed Savings 2016/17 £m	Agreed Savings 2017/18 £m	Agreed Savings 2018/19 £m	Agreed Savings 2019/20 £m
Management of property portfolio	-	-	2.065	3.120
Increasing income from the commercial property portfolio	-	0.812	1.340	2.252
Void performance improvement	-	0.320	1.100	1.100
Separation of service charges	-	0.902	1.500	1.500
Developing a new Landlord service	-	0.200	0.200	0.500
Long term property, Landlord and asset strategy review	-	-	1.500	6.500
Service efficiencies	3.000	3.000	3.000	3.000
TOTAL	3.000	5.234	10.705	17.972