

London Borough of Camden – Financial Strategy Update: July 2016

7th July 2016

Summary of the Report:

This report provides an update the progress towards implementing the budget reductions agreed as part of the 2015-2018 Financial Strategy by Cabinet in September and December 2014, and increased by Cabinet in June and December 2015.

The Strategy was developed in response to continuing cuts to the Council's funding. It is intended to close the forecast funding gap faced by the Council from 2015/16 to 2017/18.

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1.0 INTRODUCTION

1.1 Due to the continuing reduction to core government funding, as well as unavoidable demographic pressures, the Council has a savings programme in place that is set to deliver £78m budget reductions between 2015/16 and 2017/18. This includes £2m savings made from outcomes focused waste and recycling contract saving (SAT2) agreed in June 2015 and savings worth a further £2.7m agreed by Cabinet in December 2015.

2.0 FINANCIAL STRATEGY: IMPLEMENTING THE CAMDEN PLAN

2.1 Instead of annual, arbitrary, reductions to budgets across the board, the Council took a planned, longer-term approach to achieving the required budget reductions by focussing on the things that contribute most to key outcomes set out in the Camden Plan. The Strategy has led to the agreement to pursue 126 individual projects. The proposed allocation of resources was considered against four investment tests, which are congruent with the objectives of the Camden Plan:

- Tackle Inequality - how does investment reduce inequality amongst our residents?
- Focus on Outcomes - investment decisions will be made that will have the greatest impact on improving the lives of Camden's people. How does investment meet these outcomes?
- Invest in Early Intervention where possible and in the capacity to act decisively where necessary - how does investment focus on prevention?
- Make Every Pound Count - how effective is the investment?

2.2 Activities that were found to contribute to the delivery of the aims and objectives of the Camden Plan and the priorities of residents were selected for increased or maintained investment and protected from the required cuts in funding.

2.3 The financial strategy was agreed in December 2014 and many of the projects are or were subject to delegation, further decision making or consultation. Some projects were therefore subject to change. The Cabinet in April agreed a revised approach to reshaping the Integrated Youth Support Service. It has been agreed that savings should be tapered over a longer period whilst sustainable alternative delivery options for youth services are explored and developed. The shortfall in savings in 2016/17 is £142k; this will increase to £261k in 2017/18 and go down to £95k in 2018/19. It is expected savings will be fully achieved in 2019/20. As the budget had been set by April, the service must manage the 2016/17 shortfall internally while the programme will be reprofiled from 2017/18.

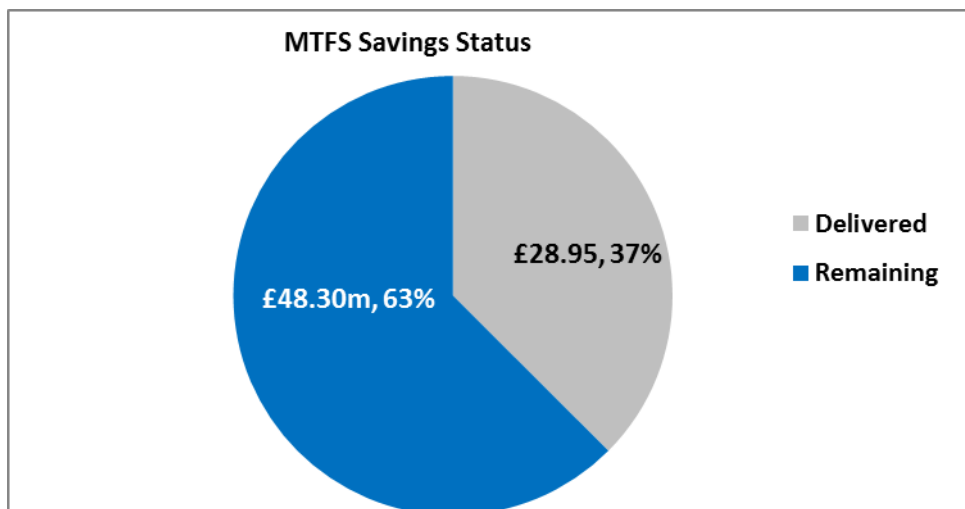
2.4 To support these developments, an investment of up to £550k was agreed from the Camden Plan reserve to fund the exploration and any infrastructure start-up costs that will support the development of universal youth services.

- 2.5 At the same time, the Council continues to look for further sources of savings and efficiencies. In April 2016, Cabinet agreed to establish a shared ICT and Digital service between Camden, Haringey and Islington. This will create an integrated service for all three organisations with the proposals designed to deliver revenue savings of £6m per annum across the three organisations once the service is fully operational. Work is underway to implement the service with an anticipated go-live date of October 2016 and with a phased approach to full integration. Activity to date has focused on further development of the operating model, the long term strategy for data centre provision and a more joined up approach to supplier management and third party expenditure.
- 2.6 In January 2016 the Cabinet agreed a new structure that saw the number of directorates decreased from 6 to 3 from April 2016. As the report noted, savings will be achieved incrementally throughout 2016/17 and therefore were not reflected in the 2016/17 budget. When these savings are realised this will be reflected through budget monitoring and formally acknowledged in the 2017/18 budget.

3.0 PROGRESS TOWARDS DELIVERY

- 3.1 The Council is now in the second year of implementing the financial strategy. At this stage in delivery, actual savings achieved is £28.95m, 37% of the total savings target. This includes projects that have already achieved their total savings targets (44 projects have delivered their total savings target worth £20.06m) and those that have achieved part of their target.

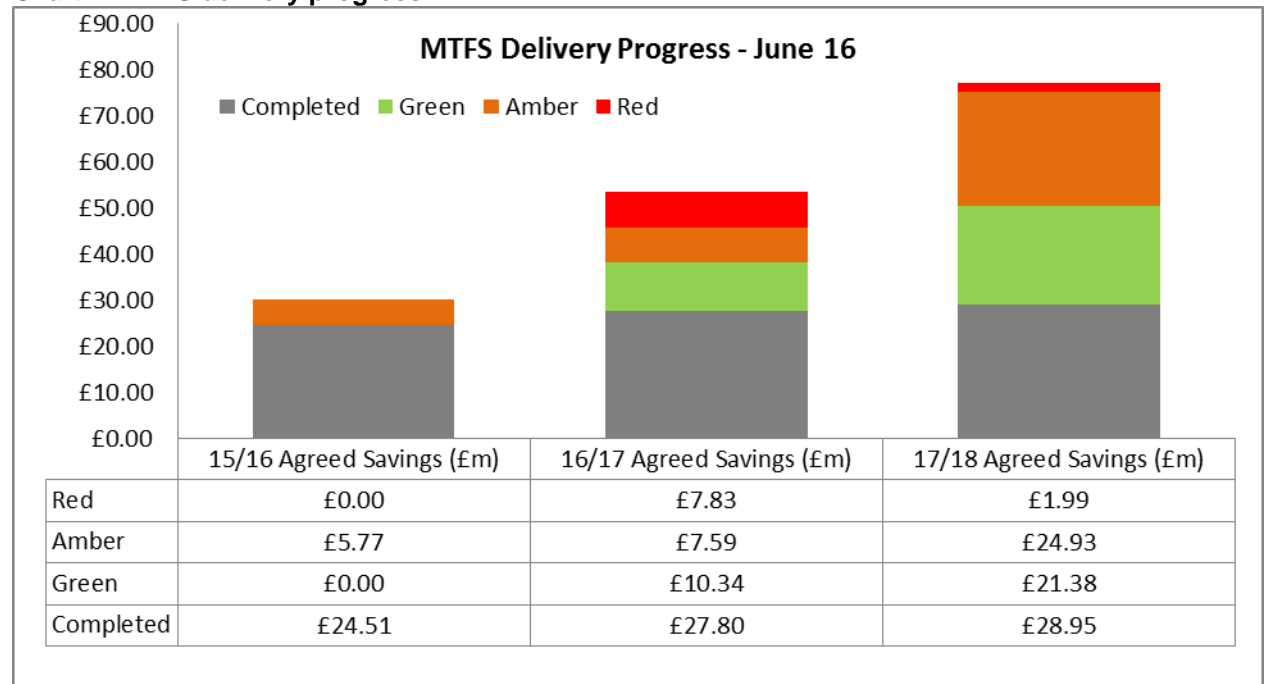
Chart 1: MTFS savings status



- 3.2 Despite the good progress made, there still remain significant challenges ahead. 2016/17 continues to be the high risk delivery year with 14 projects flagged as at risk (Red), with a total savings figure of £7.83m – this is 10% of the agreed total savings target. A similar savings figure is also flagged as Amber for 2016/17. There are also a sizeable number of projects, many of which are particularly complex, currently rated Amber for 2017/18, with a total savings value of £24.93m – a third of the total savings target. Chart 2 below

provides a summary of delivery progress for each year of the financial strategy.

Chart 2: MTFS delivery progress



- 3.3 There have been some movement in the savings identified as at risk since the previous quarterly report, although many projects that were flagged as at risk continue to face challenges. A breakdown of the amber and red rated projects and the amount of savings at risk can be found in Appendix A. There are a number of high risk (red RAG rated) projects, with the major risk year being in 2016/17. The high risk projects are listed below;

Adult Social Care

- 3.4 There continues to be significant risks with the delivery of a number of projects within adult social care. Although the 2015/16 savings for these projects have been met, there remains a major risk in 2016/17, with £5.49m of savings identified as at risk.
- 3.5 Since the savings programme was developed, Adult Social Care has experienced significant pressures, which have been a contributing factor to the service struggling to implement aspects of the savings programme. The most significant pressures are summarised below;
- A significant development in adult social care has been the Care Act, which has added to the complexity of an already complex area of service provision. The Care Act changed the approach to delivering adult social care, with some new requirements and a change in emphasis in the delivery.
 - In addition, ASC services across the country have also experienced a phenomenal increase in the number of deprivation of liberty (DoLS)

applications following the outcome of a Supreme Court ruling, in which the threshold for what constituted a Deprivation of Liberty was significantly reduced. Processing these applications is complex, involving best interest assessments being carried out within tight statutory timescales, and therefore it creates significant pressures for the service.

- Heightened awareness of safeguarding has increased the number adult safeguarding concerns reported in Camden that require a social care safeguarding assessment. This is demanding on the service with bespoke activity required for each case. Investigating these concerns requires complex joint work with partners and is a priority for the Council.

3.6 The service is sensitive to demographic changes which impact on the level of demand. The key demographic message is that demand is increasing
Analysis of Camden's population shows:

- An estimated 9% (21,000 people) increase in borough population over the next 10 years;
- This includes a 37% increase in people aged 75+ and an 11% increase in those aged 65-74;
- As about 25% (3,200) of people aged 75+ are currently receiving at least one service from adult social care. Assuming the same proportion of older people still receive care in 10 years' time, we may expect to see an additional 1,170 people aged 75+ in the service.

3.7 Work has been undertaken to develop a programme that will address the financial challenge in 2016/17 and 2017/18. The shortfall will be met through a combination of existing savings programme delivery and a range of new savings opportunities that are being explored by officers.

Crime Reduction (Safer Communities)

3.8 The requirement to delay the public consultation until after the mayoral election in May 2016 will delay the implementation of the new service structure by up to 9 months. This is in addition to the initial slippage due to the requirement of a public consultation which was reported to Cabinet in December 2015. The current budget pressure for 2016/17, including mitigation actions taken by the service, is £513K. The service transformation is now expected to take place in December 2016.

Improving the collection and recovery of income

3.9 This continues to be a high risk project, with £450K at risk by 2017/18. The review to date has delivered the recovery of fees for licensing and additional annual income through setting up annual contracts. A strategic framework is being drawn up to monitor income proposals effectively and to ensure we listen to customer demands to better inform our income processes. A direct debit campaign is being planned to launch this year to make certain that

wherever possible customers are paying by this method to reduce collection costs and ensure more effective and prompt collection with minimal waste.

Workforce efficiency savings - empowered teams

- 3.10 There remains a shortfall of £209K for 2016/17, rising to £448K for 2017/18. Focus remains on identifying opportunities for redesigning services and management arrangements under the guidance of the newly appointed executive directors.

Maximising income (arts and events)

- 3.11 In February 2016, Cabinet chose to prioritise the continuation of waiving fees for community festivals, meaning £102k of the agreed income generating target is no longer achievable. The savings target for this project was reduced by this amount and this was reflected in the 2016/17 budget. Despite the re-profiling of savings to reflect Members' decision to continue the Community Waiver and using surplus income from the leisure contract, there remains a residual pressure of £100k for 2017/18. 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.

Charge to capital the cost of CSF building related projects

- 3.12 It is likely that the 2017/18 savings target of £206K will not be achieved; there is a current forecast shortfall of £106K. Further discussions are needed to try and achieve the savings target.

4.0 EFFECTS ON STAFFING

- 4.1 The realisation of the Council's savings programmes meant the Council lost valuable and experienced staff who had worked hard over the years to build up highly respected public services. From April 2010, there were 805 redundancies, of which 459 were compulsory and 346 voluntary. In addition to those appointed to new or different roles as part of service changes, there were also 94 redeployments to other parts of the Council, which would otherwise have led to redundancy.
- 4.2 Since April 2014 there has been 175 redundancies, of which 88 have been compulsory and 87 voluntary. These redundancies have mainly come from restructures being implemented during 2014/15 in Parking, Human Resources, Finance, Strategy and Corporate Communications. In addition to these services, 21 redundancies were from St Margaret's and Branch Hill Residential Care Homes. These redundancies were due to a reconfiguration of the service to better reflect the reduction in volume and to ensure that we had the requisite numbers of staff, in the right type of roles to deliver a revised service provision.
- 4.3 Wherever possible, redundancies will be minimised through the use of a variety of measures including holding vacancies, not replacing leavers, covering roles with temporary workers, the use of voluntary redundancy where

appropriate, and redeployment wherever possible. In the situations where redundancies occur, support and training will be offered to staff through counselling, career planning and advice services, as well as skills based workshops designed to support their search for alternative employment.

Appendix A: MTFS Savings Programme 2015-18: Amber and Red Rated Projects

REF	Outcome	Project Title	RAG 2015/16	Savings 2015/16	RAG 2016/17	Savings 2016/17 (cumulative)	RAG 2017/18	Savings 2017/18 (cumulative)
CR (1-9)	Crime Reduction (Safer Communities)	Change the way the service prioritises its resources by focusing on the most vulnerable and at highest risk in the community.	AMBER	160,000	RED	1,686,000	GREEN	1,736,000
DS3	Personalisation	Learning/Physical Disability - First Contact	AMBER	232,000	RED	1,006,000	AMBER	1,941,000
DS6	Personalisation	Learning/Physical Disabilities - Refocusing the Team		-	RED	815,000	AMBER	815,000
MH6	Personalisation	Mental Health – First contact	AMBER	39,000	AMBER	408,000	AMBER	626,000
OP2	Personalisation	Older People – First Contact	AMBER	828,000	RED	3,045,000	AMBER	4,989,000
OP3	Personalisation	Older People - Refocusing the Team	AMBER	207,000	RED	620,000	AMBER	1,032,000
DS1	Personalisation	Learning/Physical Disabilities - Making sure people are in the right accommodation	GREY - COMPLETED	294,000	AMBER	873,000	AMBER	1,517,000
DS2	Personalisation	Learning/Physical Disabilities - Personalising Day Services	GREY - COMPLETED	125,000	AMBER	375,000	AMBER	750,000
DS5	Personalisation	Transitions within Disability Services	GREY - COMPLETED	365,000	AMBER	615,000	AMBER	990,000
H1	Reduce health inequality	Initiatives within sexual health services		-	AMBER	1,630,000	AMBER	2,080,000
RF3	Resilient Families	Longer Term savings and efficiencies relating to implementation of the Early Help Strategy		-		-	AMBER	500,000
TS1&2a	Transactional and Strategic Support	Strategy & Change - Departmental Teams	AMBER	1,571,549	AMBER	1,571,549	AMBER	1,571,549
TS1&2b	Transactional and Strategic Support	Strategy & Change - Finance	AMBER	741,000	AMBER	741,000	AMBER	741,000
TS1&2c	Transactional and Strategic Support	Strategy & Change - IT	AMBER	1,657,451	AMBER	1,657,451	AMBER	1,657,451

REF	Outcome	Project Title	RAG 2015/16	Savings 2015/16	RAG 2016/17	Savings 2016/17 (cumulative)	RAG 2017/18	Savings 2017/18 (cumulative)
TS14	Transactional and Strategic Support	Service restructure within law and governance	AMBER	330,000	GREEN	330,000	GREEN	330,000
Att2	Attainment	Connexions - traded approach	GREY - COMPLETED	100,000	AMBER	280,000	AMBER	280,000
Att5	Attainment	Increase in traded income from schools for repairs and maintenance	GREY - COMPLETED	25,000	AMBER	50,000	AMBER	50,000
BS6	Best Start	Public Service review of early years services incl early education and childcare and children centre services.		-	AMBER	1,000,000	AMBER	1,500,000
IM2	Income Maximisation	Improving the collection and recovery of income across the Council	GREY - COMPLETED	100,000	RED	450,000	RED	650,000
IG1	Investing in growth	Sub regional working (NEETs employment & Investing in Growth)		-		-	AMBER	700,000
IG3	Investing in growth	Stop sending adjoining occupier letters for planning applications.		-	AMBER	199,000	AMBER	199,000
R1	Resident involvement	Rationalising our engagement mechanisms and approach to engaging residents	GREY - COMPLETED	168,000	AMBER	370,000	AMBER	442,000
R1 - HRA	Resident involvement	Rationalising our engagement mechanisms and approach to engaging residents - deduction HRA element		-	AMBER	70,000	AMBER	188,000
SAT5	Safe and attractive place	Integrated asset management approach			AMBER	1,500,000	GREEN	1,500,000
SAT6	Safe and attractive & travel easily	Changes to public conveniences		-	AMBER	260,000	AMBER	260,000
SN5	Sustainable Neighbourhoods	Charge to capital the cost of CSF building related projects	GREY - COMPLETED	100,000	AMBER	206,000	RED	206,000
VC1	Vibrant Culture	Maximising income (arts and events)	GREY - COMPLETED	282,000	AMBER	360,000	RED	690,000
VC7	Vibrant Culture	Reshaping delivery of library services		-	AMBER	320,000	AMBER	750,000

REF	Outcome	Project Title	RAG 2015/16	Savings 2015/16	RAG 2016/17	Savings 2016/17 (cumulative)	RAG 2017/18	Savings 2017/18 (cumulative)
TS15	Transactional and Strategic Support	Review of learning and development delivery and expenditure		-	GREEN	163,000	AMBER	327,000
TS6	Transactional and Strategic Support	Implementation of new Human Resources/Finance system enabling Process Change. Possible shared system opportunity with other London bodies		-		-	AMBER	1,100,000
SN1	Sustainable Neighbourhoods	Increased use of private rented sector to prevent homelessness	GREY - COMPLETED	500,000	GREEN	1,000,000	AMBER	1,500,000
SAT3	Safe and attractive & travel easily	Increased income from advertising	GREY - COMPLETED	260,000	GREY - COMPLETED	260,000	AMBER	2,510,000
RF1	Resilient Families	Development of Youth Hubs Model		-	GREEN	500,000	AMBER	887,000
RF10	Resilient Families	Review of Short Breaks Local Offer		-		-	AMBER	79,000
MH3	Personalisation	Mental Health - Process efficiencies within Camden and Islington Foundation Trust (CIFT)	GREY - COMPLETED	235,000	GREY - COMPLETED	495,000	AMBER	611,000
CAR6	Carbon reduction across the borough	The implementation of a self-financing business model for the Camden Climate Change Alliance, with income from paid services supporting its programme of activities for businesses		-	GREEN	50,000	AMBER	73,000
W1&2a	Workforce	Management, Agency & Consultancy - CSF	GREY - COMPLETED	365,013	AMBER	365,013	AMBER	615,013
W1&2e	Workforce	Management, Agency & Consultancy - Law & Governance	GREY - COMPLETED	184,106	AMBER	237,244	AMBER	237,244
W1&2h	Workforce	Management, Agency & Consultancy - Savings to be Identified	GREY - COMPLETED	(84,597)	RED	209,265	RED	448,265
BS5	Best Start	Re-investment in drop in provision		-	AMBER	(100,000)	AMBER	(100,000)

Note: Savings shown in this table are cumulative. If there is a grey (completed) RAG followed by an amber RAG, this means that an element of the savings has been achieved (year1), but there are additional savings required in the second year and these are at risk.