

FINANCIAL MANAGEMENT STRATEGY 2014 – 2017 Progress to date

Financial resilience strategies for the Council and its communities

- Co-operative strategies:
 - **Develop the financial planning process with the community to allocate resources transparently (both revenue and capital) to co-produced priority outcomes and away from lower priority services, allowing us to manage a further reduction in spending of £90.4m over three years**

Section 2 of the report explains how the Council will be evolving from the Outcomes Based Budgeting approach to the Resource Allocation Framework
 - **Support the development of a new Financial Resilience Strategy to build resilience within our local communities through targeted investment and hence reduce dependence on public services and support. An update on progress was presented to Corporate Committee on 5th December 2013.**

The new Financial Resilience Strategy was signed off by Cabinet on April 28th and will be formally launched as part of the council's second Healthy Finances Week in July. The co-produced strategy is being delivered in partnership with Lambeth Citizens (umbrella group of local citizen organisations) and will improve outcomes for financially vulnerable residents in the borough in a range of important ways – including reducing debt, supporting residents to get bank accounts, supporting the take up of benefits and credits, promoting the London Living Wage, helping residents to get online and building financial skills and confidence through a new Money Champions scheme. The strategy and associated delivery plan will ensure we are not just mitigating the impact of welfare cuts on residents who have been hard hit (the average loss per claimant has been estimated at £1,631 pa with Lambeth residents losing over £10m in benefit income annually) but also supporting residents to get ready for the introduction of Universal Credit.
 - **Invest in capacity building in the Third Sector to help bring additional funding from alternative sources into the Borough and to work with the Council in co-operative service provision models.**

Following the Council's commissioning of Lambeth Voluntary Action Council and Community Matters (a national organisation) to support a network of community hubs with their desire to increase ownership of local assets and attract external investment, in this first Phase, the hubs have begun to build platforms from which activities focussed on need and aligned to outcomes can be commissioned. A number have made significant progress, leveraging in grants to

cover pre and full feasibility to 3 key assets. As the programme develops the hubs will be able to maximise more opportunities to attract external funding - capital and revenue.

The Council has also approved the grant funding of the Young Lambeth Co-operative (YCL) who will commission and take responsibility for youth and play services. The YLC is due to commence commissioning activity during 2014/15.

- Funding strategies:
 - **Minimise dependence on Central Government funding by maximising income generation from other sources including lobbying, accessing other funds (for example, European grants or Mayoral projects) and commercial/entrepreneurial opportunities such as traded services.**

External Funding Opportunities

Officers across the Council continue to review and engage with external funding opportunities relevant to strategic priorities. Key sources include the Lottery funders, Mayor of London and European Union.

A number of bids have been submitted over the last year. This has resulted in some major awards with the outcome for others not yet known.

Confirmed key awards in 2013/14 and 2014/15 to date:

London Crime Prevention Fund (Mayor's Office for Policing and Crime) - £1.1m awarded in April 2013 for 4 community safety projects with similar awards to be made in 2014/15 & 2015/16.

Your Heritage (Heritage Lottery Fund) - £249k awarded in 2013/14 for Kennington Park Flower Garden.

Fulfilling Lives – Multiple & Complex needs (Big Lottery Fund) – Final stage award confirmed in February 2014 with Lambeth sharing one third of £9.4m over 8 years with Southwark & Lewisham. A specialist support team will now be established in Lambeth to work with adults with multiple and complex needs. Funding will be administered by the 'Resolving Chaos' organisation but ring-fenced for expenditure in Lambeth.

Fulfilling Lives – A Better Start (Big Lottery Fund) – Final stage confirmed successful in June 2014. £38m grant awarded (of which £5m capital) over 10 years with Lambeth and Health match funding of £1.8m. This will fund the Lambeth Early Action Partnership (LEAP) project. This is a 10 year programme to transform early years services from pregnancy to age 3 in the Coldharbour, Stockwell, Tulse Hill and Vassall wards. Funding will be administered through the NCB (National Children's Bureau). This is one of only 5 awards nationally.

Key bids awaiting outcome:

Townscape Heritage Initiative (Heritage Lottery Fund) – £50k development funding was awarded in 2013/14 for a project to restore heritage features and bring buildings back into use in central Brixton. The final stage bid was submitted for £2m approx. in June 2014 with the outcome expected in the Autumn. Up to £650k capital match funding has also been identified for this project.

Opportunities in 2014/15:

The office of the Mayor of London /GLA continue to offer new funding opportunities. In addition to Community Safety, there are current opportunities relating to Housing (Housing Zones programme).

European Union – European Structural and Investment Funds 2014-20 (ESF & ERDF). Officers have already contributed to the development of a London Enterprise Partnership led funding programme in London which will deliver these resources. This is expected to fund projects addressing skills and employment issues with details to be confirmed later in 2014.

Traded Services

The Communications team has established a trading arm to manage and seek out new opportunities. The work is focused currently on bidding to work with a number of authorities both through formal processes and also through direct engagement. Currently Sutton, Richmond and Harrow are progressing open tenders for their communications services. The team have now established contracts with Derbyshire County Council, the Central Government Information Office and Leicester Council and hope to establish work with a number of other authorities as well.

The team is exploring broadening the trading offer so that it can pick up elements of research, consultation and event management. Within the event space the team is looking to broaden the way I tworks in Lambeth in order to raise more revenue that in turn will provide knowledge and expertise that can be part of the trading offer. For example the team is looking to establish corporate event management, sponsorship and advertising contracts, event training and training event management.

- **Increase income from our fees and charges, having due regard to our social and environmental responsibilities.**

A detailed benchmarking review has been undertaken and it was agreed as part of the outcome based budgeting exercise that the review would inform fees and charges being addressed within each workstream. A fees and charging policy has been developed as a framework to enable a consistent and transparent approach to setting charges in the council. Together with the council's corporate income and debt recovery policy this will help to inform the council's

approach to supporting individuals in the management and payment of their debt to the council, ensuring scarce resources are targeted in accordance with the priorities identified by the Outcome Panels.

- **Build our Council tax base and protect our income stream by maximising collection as well as through discretionary use of discounts and premia.**

The Council has introduced empty premiums and removed the discounts which applied to empty properties and second homes. The council tax collection rate at the end of 2013/14 reached 94.5%. This was a slight drop from the previous year which was 94.7%. In 2013/14, the total cash collected was £113.5m (£107.1m non-CTS and £6.4 from CTS), compared to £106.5m in the previous year. The collection rate for Council Tax Support (CTS) debt was 78.8% and the non-CTS rate reached 95.7%. The collection of CTS debt was well above the initial estimates; the position will continue to be monitored in 2014/15.

- **Drive local economic growth and development and hence capitalise on the opportunities afforded by recent national policy and legislative changes (including local business rates retention, New Homes Bonus, Community Infrastructure Levy and new community rights as enshrined in the Localism Act 2011)**

A report was presented to the Growth Cabinet Advisory Panel that considered vulnerable groups and those who were further from the jobs market, and what it would cost or save to bring them into employment. This looked at Lambeth's job brokerage scheme and its performance to date, with a recommendation that a monitoring officer be appointed to track results. Funding has been confirmed for this year, but will be subject to review when there is clarity around the commissioning plan. The joint co ordination unit strategy board at VNEB has now been launched and met twice. This is the vehicle that will link our brokerage to jobs in the area via a joint clearing house. The Panel also considered the Community Local Investment Plans (CLIPS). Work has been ongoing with the local community to agree the boundaries and governance. A report is being considered by cabinet in July.

Detailed financial modelling is underway to project the likely income streams which will arise from the significant development expected across the borough as well as the infrastructure improvements which will be needed in response. This will help to inform the prioritisation of capital investment needs identified through the Outcome Panels which in turn should drive further growth in a virtuous circle.

- **Exploit opportunities for sharing services with other local authorities, public sector partners or social enterprises if they contribute to the council's priorities.**

The Oracle R12 Enterprise Resource Planning solution is being implemented in August 2014 which involves the collaboration of Lambeth and five other London Boroughs with a view to allowing joint service arrangements to be put in place.

An opportunity to share services with Southwark Council has been taken with a shared specialist team for Public Health including the Joint Director of Public Health. The responsibility for Public Health transferred to Local Government in April 2013 and gave the opportunity to design a new service and the possibility to share a Public Health Director and specialist team was explored. The opportunity to share a team with Southwark is advantageous due to some similarities in the health profile of the populations of the boroughs which has produced cost savings at the same time as providing the boroughs with the service they both require.

- Explicitly manage reserves and balances to strike a balance between managing immediate financial risk and investing in transformation to safeguard priorities in the longer term . **Ref narrative in main body of report**

Asset management strategies

- Co-operative strategies:
 - **Map the borough-wide asset base to highlight deficiencies or opportunities such as potential duplication of provision within the community**
 - **Develop the co-operative mechanism to target capital resources and investment to deliver co-produced priority outcomes and away from lower priority services. Capital investment will now be transparently planned and targeted to support community priorities alongside revenue funding through the commissioning strategies. The council's new Outcome Based Budgeting approach is also an opportunity to show more clearly how capital resources are directly supporting the delivery of community outcomes.**

The council is now building on its Outcome Based Budgeting approach by facilitating Outcome Panels to allow simultaneous consideration of all resources (both revenue and capital) available to support the delivery of particular community outcomes. These Panels will be assessing and influencing not only the revenue commissioning approach for services but also the aligned capital investment and asset holdings that will help underpin the achievement of those revenue strategies. The longer term asset management strategies including around acquisition or disposal of assets will therefore evolve in parallel with of the priority needs assessments from the Panels.

 - **Continue to develop principles and mechanisms for co-operative ownership of assets to enhance and simplify community access and benefits**
 - **Build capacity across the borough by supporting the “Community right to bid”**

The Council administers the Asset of Community Value register allowing groups to nominate buildings which they believe provide a key community benefit.. To date, eight assets have been nominated, including the Undercroft at Southbank and Brixton St Vincent's Community Centre. One of the nominated assets (Brixton St Vincent's) has been put on the market and has a moratorium in place to allow community groups the opportunity to raise funds to purchase the property
- Rationalisation strategies:
 - **Review the planning and management of the Capital Investment Programme to ensure timely delivery of projects whilst also deriving maximum possible strategic benefit from anticipated resources as they become available**

The initial review of the governance arrangements for Capital are now complete and have resulted in a simpler system for commissioning capital investment which allows for both early Officer and Member input and challenge before the formal resource allocation decision is taken. Once the project is underway, there are also now matching delivery governance arrangements to ensure that investment is made efficiently and the intended benefits are achieved.

- **Continue to rationalise our asset portfolio, basing all investment or disinvestment decisions on integrated information on the value, efficiency and cost of assets (both capital and revenue) as well as their relevance to delivery of priority outcomes**
- **Explore innovative funding solutions for strategic developments to minimise the public sector capital financing burden including leveraging additional value from existing assets, special purpose vehicles and commercial/social enterprise developments**
- **Explore alternative internal funding sources (including increased revenue contributions and internal borrowing) and external funding sources (including regional and European funds)**

High quality financial management strategies	
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Financial management focus	<ul style="list-style-type: none"> • Complete the transformational restructure of the finance function to allow greater standardisation of approach through centralisation together with improved efficiency and agility • Support development of improved financial and budget management skills among service managers and potential co-operative partners • Actively seek to capture efficiency gains with our partners and other neighbouring authorities through pooling resource capacity, economies of scale and shared best practice in service provision
Financial governance and control	<ul style="list-style-type: none"> • Capitalise on the opportunities afforded through the introduction of Oracle R12 to improve routine controls over financial transaction and balance sheet data • Develop extended financial governance across new co-operative arrangements to support transparency, probity and propriety in the stewardship of all public monies and help partners minimise the risk of errors, financial mis-management, fraud or corruption arising
Data quality and transparency	<ul style="list-style-type: none"> • Agree a financial data quality approach with the community to produce accessible and relevant council data to support co-operative commissioning decisions and improve transparency and accountability • Work with co-operative partners to extend this approach to cover financial data relating to all commissioned spend of public monies
Financial intelligence	<ul style="list-style-type: none"> • Utilise the full reporting capability of the new Oracle R12 to align financial and non-financial reporting and give greater insight into trends and exceptions in business performance • Maintain a detailed, comparative understanding of unit, transaction, marginal and total costs for key services to underpin co-operative resource allocation decisions