

REPORT TO:	Full Council 5th July 2021
SUBJECT:	Transformation Funding Strategy & 2021/22 Usage
LEAD OFFICER:	Chris Buss, Interim Director of Finance , Investment and Risk (S151 Officer)

SUMMARY OF REPORT:

This report sets out proposals to use expected capital receipts to fund one-off transformation costs which aim deliver ongoing future savings or cost mitigations. Under regulations issued by MHCLG, such use of flexible capital receipts requires the approval of Full Council.

Recommendations set out in this report propose £1.893m of capital receipts are utilised to fund transformation spend requests which are projected to deliver £5.145m of savings. The financing of this spend is contained within unused capital receipt balances brought forward and expected in-year receipts.

FINANCIAL IMPACT

The cost of these proposals is able to be met from either capital receipt balances brought forward or further anticipated in-year receipts. The investment proposed delivers substantially higher in-year savings than their cost and without such investment these savings, included in the Councils current year budget, would be at risk of non-delivery.

1. RECOMMENDATIONS

- 1.1 Full Council is requested to:
- 1.2 Approve the strategy as outlined in Section 3 to use capital receipts to support the delivery of ongoing savings where such proposals meet the requirements of the Flexible Capital Receipts Regulations, deliver positive payback, and are affordable;
- 1.3 Approve the specific list of transformation funding schemes as set out in the body of this report and summarised in Table 1;
- 1.4 Note that the requested approval for the Commissioning and Procurement Transformation project (£330k) will be subject to final verification by the officer-led Transformation Funding Panel pending the outcome of the review of current and expired contracts; and
- 1.5 Note that further updates will be provided to Full Council toward the end of the year as to actual spend against these recommended transformation projects and any

additional spend proposals developed and approved within the framework of the strategy set out in this report

2. EXECUTIVE SUMMARY

- 2.1. The Local authorities (Capital Finance and Accounting) (England) 2003 ordinarily limit a council's ability to use capital receipts to either funding new capital expenditure or setting aside for the repayment of capital borrowing.
- 2.2. However from 2016/17 temporary greater freedoms have been granted by the Secretary of State to use newly generated capital receipts from the sale of property, plant or equipment in order to fund transformation costs that result in either an ongoing revenue saving or transformation of a service to avoid future revenue cost increases. These freedoms were granted under Statutory Guidance on the Flexible Use of Capital Receipts (2016) and are included as Appendix 1 to this report.
- 2.3. Requests for use of capital receipts to fund one-off transformational funding have been received from service departments and reviewed by an officer panel to ensure they meet the criteria as set out in the regulations and deliver sufficient payback to be worthwhile charging to capital receipts. The recommendations of that officer panel have subsequently been considered and approved by the Executive Leadership Team.
- 2.4. £1.893m of proposed use of flexible capital receipts to deliver future ongoing savings or cost reductions have been recommended to be approved, which aim to deliver £5.145m of savings in year. Details of the individual transformation funding schemes which comprise this total are set out in the body of this report.
- 2.5. Capital Receipts required to fund these transformation costs are expected to be available from unused balances brought forward and the future disposal of various miscellaneous property holdings during the year as well as from the major disposals including: Croydon Park Hotel; Taberner House; and College Green.
- 2.6. This report sets out the detailed proposals for the use of flexible capital receipts for Full Council's consideration – as required under the terms of the amended regulations – and also sets out the strategy of using capital receipts in such manner only after careful consideration of availability of capital receipts; conformity to regulations; and affordability.
- 2.7. The use of available capital receipts to fund revenue transformation costs implies less receipts available to fund new expenditure or repay debt. That said, review and challenge of the overall capital programme, as well as typical levels of slippage, is expected to more than compensate for any impact such changes would have on the prudential indicators set out in the March Treasury Management Strategy Report.

3 Flexible Use of Capital Receipts Strategy

- 3.1 Government has provided a definition of expenditure which qualifies to be funded from capital receipts. This is: “Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”
- 3.2 The Council’s MTFs assumed up to £5 million of capital receipts could be utilised for transformation funding. The Council’s strategy for use of flexible capital receipts is to ensure that such use remains affordable to the revenue account, taking into account the opportunity cost of otherwise funding the capital programme; ensuring such usage conforms to the requirements set out in the regulations; and delivers a positive and rapid rate of return in the level of savings delivered. As such all projects need to provide a positive rate of return at business case stage.

4 PROPOSED USE OF FLEXIBLE CAPITAL RECEIPTS

- 4.1 The following sets out brief details of each of the proposals recommended for approval under the Council’s Flexible Capital Receipts Strategy for 2021/22:
- a) £74k Reconfiguration of Early Help Services – An early help transformation lead is needed to work across organisational boundaries to develop a revised service model, working with partners from health, schools and the voluntary sector to transform service delivery through multi-agency working, deploying voluntary and community organisational capacity on a locality basis to reduce the demand for council services and increase delivery in partners' settings as the council releases buildings through the asset strategy. At a relaunch of the Early Help Partnership Board on 23rd March partners demonstrated commitment to work together on this transformation. A 12-month secondment opportunity will be offered across the partners and will be open to suitably experienced staff from health, the VCS and schools as well as early help and social care and will demonstrate the council’s commitment to working with partners to respond to the council’s financial challenge whilst ensuring that community-based resources are coordinated and deployed to get best value and maximum benefit for children and families.

This request is required to deliver £424k as part of the already agreed saving CFE Sav 02 – Reconfiguration of Early Help Services.

- b) £37k Review of Children with Disabilities Care Packages – An experienced reviewer with a background in services for children with disabilities is required to review the Calleydown centre as part of the care package offer, develop costed options for change that maintain good outcomes for children and reduce budget risks, and make recommendations that improve value for money for the council that will be an integral part of the overall review of care packages. This will require specialist skills for a period of up to six months.

This request is required to deliver £384k annual savings as part of the already agreed saving CFE Sav 04 – Review of Children with Disabilities Care Packages

- c) £11k Reduction in the Numbers of Children in Care – This bid is for an expert practitioner with a track record of success to work with the fostering service for 30 days in total. In addition to leading a targeted campaign, the consultant will work alongside LBC staff to upskill and train up so the expertise is embedded in the service's BAU.

This request is linked to the delivery of the already approved £794k revenue saving CFE Sav 05 – Reduction in Numbers of Children in Care.

- d) £485k Improve Practice System Efficiency – Request for transformation funding for an experienced locum team for court work for 12 months to meet the gap in experience and resilience. The social work with families service has few Advanced Practitioners. Whilst the overall agency rate is 29% in this service it is approaching 40%, with a number of unfilled social work vacancies. This is the long term child protection team, responsibility for taking reports to court to safeguard children. Exit interviews indicate that the impact of court work has directly led to resignations from the service. To stem the flow and secure this key area of work a team of 4 locum social workers and a team manager will be procured through the Adecco framework contract with close monitoring of KPIs linked to payment.

Additionally, difficulties in recruiting social workers are resulting in high levels of agency staff usage, at costs higher than would be paid for permanent staff. A fixed term recruitment manager for nine months is requested to work alongside the recruitment team to refresh the recruitment strategy and establish and embed effective, streamlined innovative practices as the

recruitment business as usual for children's social care. Savings from improving practice system efficiency which include increased caseloads and reviewing management tiers will be compromised if social worker agency rates continue to climb and cases cannot be allocated.

This request is linked to the delivery of the £1.065m saving agreed as CFE Sav 07 – Improve Practice System Efficiency as part of the March Budget Setting Report

- e) £266k Baseline Savings – Disability Operational Budget – additional staffing resources for a seven month period to reducing the costs of commissioning Learning Disabilities and Mental Health services as part of the MTFs savings proposals HWA Sav 06 and HWA Sav 09. The investment is expected to contribute to the delivery of £754k

A request for a business analyst for a period of six months to support the baselining of spending back towards London-average and progress in savings delivery to ensure they are achieved.

Finally within this request, a temporary strategic lead to support the development of the accommodation plan to review expensive placements and bring costs down and implement alternative accommodation strategies

- f) £320k Stretch Savings (Disability Operations) / Option Appraisal of Provider Services – Additional four social workers to speed up the review of care packages, expected to progress an additional 250 reviews over that otherwise achievable. The identification of more appropriate care packages is expected to save £320k.

Consultancy advice to identify future savings opportunities required over the MTFs, setting out options for investment or dis-investment across the department, but with a particular focus on: active lives; extra care housing; strategic provider assessment; shared lives; and careline.

- g) £61k Baseline Savings – Mental Health Operations – Transformation funding is required to pilot the introduction of pathway management within the Single Homelessness service team to manage the step down of people with MH and LD in expensive placements to lower cost care. The role will also manage voids and cost reduction on voids across the service area.

This request is expected to return an in-year saving of £344k as part of the overall agreed saving

- h) £59k Savings on Care Provision – ASC Older People – funding to support external Business Objects report writer to develop management reports to analysed data within the newly implemented ASC recording package. The development of these reports are essential for the delivery of already agreed savings within the department around social care cost reduction
- i) £113k Consolidate Debt Collection – reviewing and improving the debt collection across a range of income streams including council tax; parking; housing benefit; sundry debt and enforcement. Changes to systems to achieve higher throughput allowing for efficiencies and contribution to increased collection rates. This request is in support of the three year additional savings of £960k as approved in the March Budget Setting Report.
- j) £82k Digital by Default Revenues Billing – For NNDR and CTAX communications; to switch the default method of communication from "print and post" to email and other digital methods. Most businesses and landlords are likely to be online and a significant proportion of other council tax payers. Switching to electronic communication makes a marginal saving of 53p per transaction

The funding request is for a) marketing - mostly SMS messages and b) a small amount of extremal assistance to progress the project

- k) £55k One Alliance PMO Support – Two posts (part matched funding by NHS) to provide organisational and development expertise capacity for core Croydon Renewal Plan transformation work to be based in the L&D team. An OD specialist is required to support the development of a strong integrated Leadership and front line work across the Alliance partners and an ongoing OD programme. There is a requirement to identify gaps and areas of synergy to support integration of further work to be delivered across the Alliance. Statutory partners in particular must seek to ensure an improved understanding of pressures, cultures and drivers in different parts of the system in order to promote opportunities for more open, collaborative and partnership working, as required by integration. Therefore there is a request for £20k for a 6month post to undertake this work. Croydon health services has been asked to match fund as the Council and CHS are larger providers of the alliance (total funds £40k). Savings come from the older adults placement and package spend and this will support the existing £3m MTFS target. £20k would fund one post (match funded by NHS) and a further £35k would fund a graduate for the core L&D team to support the Croydon Renewal plan work. Ideally both would be approved to give maximum transformation potential.

l) £330k Commissioning and Procurement Transformation – Commissioning and Procurement (C&P) is currently experiencing an increasing number of expiring and expired contracts as a result of a year in pandemic, reduced resource due to the council's staff reduction as well as increased procurement demand as a result of Covid, the council's financial position and other factors. C&P therefore requires 5 temporary Procurement Officers and a Procurement Governance Re-design lead to:

- maximise the opportunities available to save and transform through the addressing of the backlog of outstanding expiring and expired contracts to achieve best value
- transform the systems, process and structures of commissioning, procurement and contract management to enable it to function with a permanent reduction in staff resource to achieve savings and change
- support the council's financial situation through a programme of contract savings

4.2 Whilst the all of the above funding requests are recommended to Full Council to approve, the transformation panel would wish to review this bid in light of the outcome of the council-wide review of contracts and development of the future commissioning and procurement work-plan before additional staff resources are recruited.

4.3 The table below summarises the above requested bids for transformation spend funded from flexible capital receipts:

	Request	Saving to be Delivered		
	2021/22 (£,000's)	2021/22 (£,000's)	2022/23 (£,000's)	2023/24 (£,000's)
Reconfiguration of Early Help Services	74	(424)	(185)	-
Review of Children with Disabilities Care Packages	37	(384)	(384)	(384)
Reduction in the numbers of children in care	11	(794)	(1,654)	(1,385)
Consolidate debt collection	23 90	(100)	(560)	(960)
Digital by default for billing	82	(60)	(120)	(120)
Baseline Savings - Disabilities Operational Budget	105			
Baseline Savings - Disabilities Operational Budget	65	(754)	(1,000)	-
Baseline Savings - Disabilities Operational Budget	96			
Stretch Savings - Disabilities Operational Budget	240	(320)	(276)	-
Options appraisal of provider services	80			
Baseline Savings - Mental Health Operational Budget	61	(344)	(512)	(1,005)
Savings on care provision - ASC Older People	59	-	-	-
One Alliance PMO	55	(300)	(150)	-
Improve Practice System Efficiency	437	(1,065)	(1,450)	(794)
Improve Practice System Efficiency	48			
Commissioning and Procurement Transformation	330	(600)	(586)	-
	1,893	(5,145)	(6,877)	(4,648)

4.4 The Transformation Funding Strategy and recommended programme of individual schemes (as set out above) is likely to evolve over the course of the year as circumstances change and proposals are developed to deliver further required savings towards the 2022/23 MTFs gap. Subject to the availability of Capital Receipts within the £5 million limit further in year bids will be subject to officer evaluation and will be reported for approval to Cabinet as part of the regular reporting of financial forecasts to cabinet.

4.5 The final implications relating to this report are as set out in the body of this report

(Approved by Chris Buss – Interim Director of Finance, Investment and Risk and s151 Officer)

5 LEGAL CONSIDERATIONS

5.1 The Head of Litigation and Corporate Law comments on behalf of the Director of Law and Governance that Transformation Funding shall be in accordance with the various relevant Acts and Regulations. This includes the Local Government Act 2003 and associated Statutory Guidance on the Flexible Use of Capital Resources. The Guidance contains the content of the Strategy and

the requirement that it is presented to full Council for approval.

- 5.2 Members should note that the Council are under a duty (s3(1) Local Government Act 1999) to obtain Best Value and make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 5.3 In considering the recommendation in this report Members should have regard to the Council's overall governance and financial position. It should be noted that Croydon Council's external auditors have published on 23 October 2020 a Report in the Public Interest which identifies governance weaknesses. Further, that the Council accepted the findings of a rapid review carried out on behalf of the Ministry of Housing, Communities and Local Government (MHCLG). This resulted in Croydon's Improvement and Assurance Panel, the government-appointed panel which provide external advice, challenge and expertise to the council, along with assurance to the Secretary of State as the council continues to deliver its renewal plans. They will measure the council's progress against agreed milestones and report to MHCLG on a quarterly basis. The Use of Transformation Funding is a High Priority Action in the Action Plan in Response to the Report in Public Interest.

Approved by Sandra Herbert, Head of Litigation and Corporate Law on behalf of the Director of Law and Governance & Deputy Monitoring Officer

6 HUMAN RESOURCES IMPACT

- 6.1 There are no direct human resources impacts as a result of this report

7 EQUALITIES IMPACT

8 ENVIRONMENTAL IMPACT

9 CRIME AND DISORDER REDUCTION IMPACT

10 DATA PROTECTION IMPLICATIONS

Attachments:

Appendix 1 – Flexible Capital Receipts Regulations and Guidance