

BUDGET PROPOSALS REPORT FOR CENTRAL SERVICES 2012/13

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REASON FOR ITEM

To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund revenue budget and capital programme for 2012/13, this report sets out the draft revenue budget and capital programme of the Central Services Group for 2012/13, along with indicative projections for the following two years. Following consideration by Cabinet on 15 December 2011, these proposals are now under consultation, and the proposals for each Group are being discussed at the January cycle of Policy Overview Committees.

Cabinet will next consider the budget proposals on 16 February 2012, and the report will include comments received from Policy Overview Committees. At the meeting on 16 February 2012 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2012/13. Full Council will meet to agree the budgets and Council Tax for 2012/13 on 23 February 2012.

The Committee needs to consider the budget proposals as they relate to Central Services, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the budget projections contained in the report and comments as appropriate on the combined budget proposals put forward by the Central Services Group, within the context of the corporate budgetary position.

INFORMATION

Background

1. As reported to Council in February 2011, the budget report for Council Tax setting for 2011/12 contained an initial savings requirement of £16.4m for 2012/13. The budget strategy developed in response to the CSR 2010, which is reliant on the HIP Business Improvement Delivery project, contained challenging savings targets totalling in excess of £60m over the subsequent four year period. In 2010/11 the Council delivered budgeted savings of around £15.6m in (£10.2m original savings target, increased to £15.6m to deal with in-year Government cuts). Significant progress has been made in terms of proposals to deliver an additional £26.2m savings in 2011/12, which are on track, as well as developing initial plans to deliver the £16.4m savings required in 2012/13. Alongside this, groups were also tasked

with reviewing all pressures and a review also commenced of all corporate pressures.

2. The local Government Finance Settlement in 2010 was for 2 years, so large elements of the funding for 2012/13 were known at the start of the budget cycle. However, there were still a number of areas of uncertainty within the budget, some of which still remain, and recent funding consultations add further uncertainty going forward. In addition, there are some emerging demand led pressures have now been recognised in the draft budget. The net result of all these changes is that the estimated budget gap now stands at £17.8m.
3. The timetable for the development of the 2012/13 was brought forward significantly from previous years with work commencing as soon as the 2011/12 budget was agreed by Council in February (2011). Work on the development of savings proposals was integrated with service transformation work programmes and managed through the HIP Business Improvement Delivery (BID) programme. BID has continued to develop and evolve. The Deputy Chief Executive and Corporate Director of Planning, Environment, Education & Community Services (CE PEECS) has responsibility for the coordination and delivery of the total BID programme and ensures that there is a standardised approach taken across all groups and services. Group change boards, have now been established to manage the delivery of the programme within each group. This refreshed governance framework enabled significant early progress on both the delivery of a balanced 2011/12 budget position and the development of a balanced set of proposals for 2012/13. Challenge sessions were held with all groups during June to ensure their proposals were sufficiently robust and to discuss the service pressures in each area, both ongoing and emerging. As a result of this work the draft 2012/13 budget was comprehensively updated and a detailed set of proposals and supporting working papers provided to the Leader at the end of July (2011).
4. The structure of the report reflects the budget proposals reported to Cabinet on 15 December 2011, and sets out the aggregate corporate position, followed by Central Services' proposals extracted from the corporate budget.

The Budget and Policy Framework Procedure Rules

5. The consultation on the budget proposals commenced on 16 December 2011 following decisions taken by Cabinet on 15 December 2011.
6. There will be a further consideration by Cabinet of the budget proposals on 16 February 2012, including comments from Policy Overview Committees. These will be collated and reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee. Council will be requested to approve the Cabinet's proposals on 23 February 2012, and if approved without further amendment they will be effective immediately.

Corporate Summary

7. While the focus of the discussion for the Policy Overview Committee should be the specific services within its remit, it is important that this discussion is conducted in the context of the overall corporate financial position.
8. The budget proposals included in this report represent Cabinet's budget strategy for 2012/13 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2012/13 whilst maintaining balances and reserves at well above £12m over the medium term.
9. The main challenge in delivering a balanced budget for 2012/13 is the development of significant savings of around £17.8m, on top of the £26.2m delivered in 2011/12. However, the Council's Business Improvement Delivery Programme is now well established and is driving the delivery of these savings. The month 7 budget monitoring for 2011/12 shows that good progress is being made in responding to this challenge; with the latest year end forecast showing a projected budget underspend of £2,349k and 94% of the 2011/12 savings being on track for delivery.
10. The final funding settlement for 2012/13 has not yet been announced and the budget has therefore been drafted on an estimated cut in funding of £9.2m, partially offset by a further central Government grant of £2.8m, enabling a freeze in Council Tax in 2012/13.
11. Detailed within the draft budget proposals, in addition to the £17.8m savings proposals are £5.1m of corporate increases, £5.4m of contingency provisions and service pressures and an allowance of £3.3m for inflation.
12. The development of savings proposals has continued to concentrate on more efficient service delivery methods, the rolling out of the new Council operating model, focusing on core services and by not creating new pressures by providing services that are no longer funded by Central Government.
13. The draft general fund capital programme for 2012/13 amounts to £204m over three years, with £111m of that investment focused on meeting demand for Primary School Places across the Borough. In addition this programme will enable completion of a number of major projects during 2012/13 including the South Ruislip and Hayes End Library Developments and a new Civic Amenity Site at New Years Green Lane.

Central Services Budget Proposals

Summary of Key Financial Issues

14. The planned savings within Central Services are largely being achieved through service efficiencies without impacting on the level of service provided. The focus has been on re-prioritising activity and identifying areas of duplication and overlap and reengineering processes to eliminate. This has resulted in a number of major restructures and changes to the way services are delivered within central services.
15. Work on the 2012/13 savings proposals has been ongoing throughout 2011/12 and many of the proposals build further on reviews which were designed to meet the 2011/12 savings targets. As a result, many of the savings proposals have either been implemented already or are in the process of being implemented. This will also ensure that in 2012/13 we benefit from the full year effect of the savings.
16. A significant number of central services provide support functions and as such the demand on these services is driven by the front line services being supported. There is therefore a limit to the extent to which these support services can be reduced while also continuing to respond to the same level of service demand. This has been achieved to date through business process reengineering and other efficiency work and through prioritising activity on our core business. Continuing to make significant savings in future years will also rely on business process reengineering within the services we support and therefore reducing the demand on Central Services.

Group Revenue Budget 2012/13

17. The movement between the current year's budget and the draft budget requirement for 2012/13 is summarised in Table 1 below. Each of the lines in Table 1 is set out in the following sections and in Appendix A.

Table 1: Group Revenue Budget 2012/13

	Budget (£000s)
Budget 2011/12	23,034
Inflation	774
Corporate Items	0
Service Pressures	0
Priority Growth	0
Savings	-1,672
Other Adjustments	0
Draft Group Revenue Budget 2012/13	22,136

Development and Risk Contingency and Service pressures

18. The Development and Risk Contingency provides for resources within the revenue budget that are unallocated at the beginning of the year, but that can be applied to

issues as they arise during the year. The contingency is therefore used to budget for items where the probability or value of items is uncertain at the beginning of the year. The current draft Development and Risk Contingency includes items totalling £620k for 2012/13 for the Central Services Group.

19. Key items within this are:

- A provision of £400k for the Council's Liability for uninsured claims, where the Council has, under its current Insurance policy, agreed to fund the excess values, which in most cases stand at £100k. It is proposed that this contingency be set at the same level set in 2012/13 as the current financial year.
- A new provision of £220k for the Schools Payroll service, to cover fixed costs that cannot be reduced in the short term, which were previously funded by income from schools. The decision to pull out of this service was taken following the decision of a number of schools to move to alternative providers and an indication from others that they were likely to follow. A full review of the options open to the Council in relation to Payroll and transactional HR services is now being undertaken. This work is also considering opportunities that will arise when the contract for the current HR/Payroll system ends in August 2013.

Inflation

20. An increase of 1% to pension costs had been factored into inflation within Central Services and there also remains the possibility of a pay award being given to lower paid staff, so an increase of 0.25% has been allowed for this.
21. The Mayor of London announced a 7% inflationary increase in the concessionary fares levy, which makes up a large proportion of the inflation within Central Services.

Savings

22. The savings proposals contained within this draft budget have been developed through the HIP Business Improvement Delivery programme (BID), the Council's response to the projected budget savings requirement of around £65m over the next four year period.
23. Savings proposals currently developed total £17.8m for 2012/13 across the Council. The total savings figure for each group is net of the redundancy costs contained within their package of proposals. The savings included in the draft budget for Central Services total £1.672m and are included in Appendix A.
24. Human Resources have proposed savings totalling £523k, a large part of which has come from a review of the management structure of the Business Support Teams (which were managed by HR) and also through proposals to rationalise the delivery of training within the Council. The latter aims to review and reduce the amount of externally commissioned training by replacing it with internal delivery wherever

possible and also to provide an effective and efficient administrative and commissioning process for Learning & Development activities within the Council.

25. Savings from Finance and Procurement make up £524k of the target for Central Services. The savings have been achieved through a restructure of the Accounting, Procurement and Exchequer teams with the largest element coming from the Accounting restructure. The new Accounting structure has been designed to respond to the new Council Group structure (1 less Senior Finance Manager required), ensures that staff work at the level they are being paid and has moved transactional activity to a new shared service team. This has ensured that these changes have been achieved without any reduction in the level of financial support provided. This was important given the significant financial challenges the Council faces over the coming years.
26. Restructures have taken place in both the Performance and Partnerships teams. Performance staff within the Council were centralised in line with the Council's Operating Model, facilitating a restructure of the whole service. This generated significant savings of £360k. A review of the Partnership team structure generated savings of £86k, which was as a result of reducing management posts and reviewing the grades of the remaining posts.
27. Minor restructures are taking place across other services which, along with the full year effect of 2011/12 savings, make up the remainder of the savings for Central Services.

Fees and Charges

28. The Council is empowered to seek income from fees and charges to service users across a wide range of activities. Some of these fees and charges are set by the Government or other stakeholders, but many others are set at the discretion of the Council, based on Cabinet's recommendations.
29. The inflation assumption included in the budget does not take account of any increase in income from fees and charges. However, within their detailed savings proposals Groups will take account of any projected increases as was the case in 2011/12.
30. Schedules detailing the proposals relating to fees and charges for 2012/13 for the Central Services Group are attached at Appendix B. The only areas with external charges to the public are Corporate Communications who charge for advertising in Hillingdon People and the Registration of Births, Deaths and Marriages department within Democratic Services.
31. Charges for advertising in Team Hillingdon have not been increased this year due to concerns that, considering the economic climate, an increase to charges could act as a disincentive to local businesses to take out adverts.

32. The majority of charges within the Registration of Births, Deaths and Marriages service are statutory charges, over which we have no power to make any changes. The remainder of charges for non statutory services were reviewed and deemed to be at an appropriate level in light of increases to charges in 2011/12.

SUGGESTED COMMITTEE ACTIVITY

To consider the report and make comments on the detail.

BACKGROUND PAPERS

Medium Term Financial Forecast 2012/13 – 2014/15 – report to Cabinet 15 December 2011