

## **BUDGET PROPOSALS REPORT FOR ADMINISTRATION & FINANCE SERVICES 2014/15**

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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, Housing Revenue Account budget and capital programme for 2014/15, this report sets out the draft revenue budget and capital programme of the Administration and Finance Groups for 2014/15, along with indicative projections for the following four years. Following consideration by Cabinet on 19 December 2013, 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 13 February 2014, and the report will include comments received from Policy Overview Committees. At the meeting on 13 February 2014 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2014/15, who will meet to agree the budgets and Council Tax for 2014/15 on 20 February 2014.

The Committee needs to consider the budget proposals as they relate to Administration and Finance Groups, 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 Administration and Finance Groups, within the context of the corporate budgetary position.**

### **INFORMATION**

#### **Background**

1. The timetable for the development of the 2014/15 budget was brought forward as in previous years with work commencing as soon as the 2013/14 budget was agreed by Council in February 2013. This was against the backdrop of the Chancellor of Exchequer's budget in March and the planned Spending Round announcement by Central Government in late June both of which contained several announcements relevant to local government.
2. The March budget included a further 1% reduction to local government funding in 2014/15 in addition to the 2% reduction announced in the Autumn Statement 2012. The

1% limit on pay inflation was extended to 2015/16 and it was announced that the draft Care Bill arising from the recommendations from the Dilnot Commission would be implemented a year earlier in 2016. These recommendations will cap individual payments for Adult Social care and support at £72k and the threshold for means testing for residential care will rise from £23k to £118k.

3. On 26 June 2013 the Spending Round was announced which outlined central government's spending plans for 2015/16. Unlike previous Spending Reviews this Spending Round covered one year only. The key impacts upon local government were that Local Government funding would be cut by 10%, 2% higher than the 8% assumption included in the February budget report. However, later clarifications of assumptions behind this announcement including top slicing of New Homes Bonus funding, which will go to LEP's increases the effective cut in 2015/16 to 15%. In addition it was announced that Council Tax Freeze Grant would be continued in 2014/15 and 2015/16 with a grant equivalent to a 1% increase and that £3.8bn of current pooled and NHS funding would be put into an Integrated Transformation Fund in 2015/16 to develop integrated health and social care services and £335m would be provided to local authorities in 2015/16 to prepare for the reformed Social Care funding system.
4. The additional 1% cut in Revenue Support Grant reduces Hillingdon funding in 2014/15 by £899k. But the continuation of the Council Tax Freeze grant for 2014/15 adds an additional £1,129k as a zero increase in Council Tax had already been factored into the MTFF for 2014/15. The actual funding arrangements for 2014/15 will not be known until the Local Government Finance settlement for 2014/15 is announced which is expected to be around the 19<sup>th</sup> December 2013.
5. Since February, Groups have been working up their savings proposals in further detail, to achieve their original target as a minimum and also to deliver further savings to cover any slippage in previous year's savings and to help fund growing demand led pressures. Considerable work has also been undertaken on the corporate aspects of the budget including grant funding, Collection Fund forecasts, capital financing and inflation. In addition to this, changes in Group structures and the appointment of 2 new Directors has enabled a fresh look at the MTFF for both Adults and Children's Social Care. Rather than rolling forward existing plans and then updating and refining the proposals, both these Groups MTFF's have been re-built from scratch on both the demographic pressures side and the savings side.
6. Two rounds of budget challenge sessions have been held covering Residents Services, Adult Social Care, Children and Young People Services, Administration & Finance, Capital and HRA, Procurement & Commissioning, All Age Disabilities and Corporate budgets, first in late June/early July and then a second round in late September/early October. As a result of this work the draft 2014/15 budget was comprehensively updated and early draft budget reports were provided to the Leader at the end of July.
7. The structure of this report reflects the budget proposals reported to Cabinet on 19 December 2013, and sets out the aggregate corporate position, followed by the proposals for Administration and Finance extracted from the corporate budget.

## **The Budget and Policy Framework Procedure Rules**

8. The consultation on the budget proposals commenced on 20 December 2013 following decisions taken by Cabinet on 19 December 2013.
9. There will be a further consideration by Cabinet of the budget proposals on 13 February 2014, 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 20 February 2014, and if approved without further amendment they will be effective immediately.

## **Corporate Summary**

10. 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.
11. The budget proposals included in this report represent Cabinet's budget strategy for 2014/15 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2014/15 whilst maintaining balances and reserves at well above the minimum recommended level.
12. The main challenge in delivering a balanced budget for 2014/15, as in the previous years, is the development of significant savings - around £13,100k on top of the £76m delivered over the last four years. 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 2013/14 showed that good progress is being made in responding to this challenge; with the latest year end forecast showing a projected budget underspend of £4,189k and 81% of the 2013/14 savings being on track for delivery.
13. The final funding settlement for 2014/15 has only just been announced, but not yet fully analysed, and so the budget has therefore been drafted on the latest estimated position.
14. Detailed within the draft budget proposals, in addition to the £13,140k savings proposals are £2,386k of priority growth proposals, £9,748k of additional contingency provisions, £320k of service pressures, £1,626k of corporate budget savings and an allowance of £2,529k for inflation.
15. 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.
16. The draft general fund capital programme for the period 2014/15 – 2018/19 proposes significant capital investment of around £382,426k, including the conclusion of the

Primary schools capital programme, the development of a new Secondary Schools capital programme, the provision of a new landmark theatre and museum, investment in roads and pavements, as well as investment in 3 new Youth Centres and improvement work associated with other environmental and recreational facilities.

## **ADMINISTRATION AND FINANCE GROUPS BUDGET PROPOSALS**

### **Summary of Key Financial Issues**

17. Savings of £1.539m have been proposed from the Administration and Finance Groups for 2014/15, including £445k relating to Public Health Efficiencies. These planned savings within both the Administration and Finance Groups are largely being achieved through service efficiencies without impacting on the level of service provided. Of these proposals, £142k relates to the full year effect of savings made in 2013/14, with the remainder made up of new savings, which on the whole will be delivered through restructures in services.
18. Work on the 2014/15 savings proposals has been ongoing throughout 2013/14, particularly as many relate to restructures and a planned approach was essential to ensure service continuity. As a result of this early work, many of the savings proposals have either already been implemented or are in the process of being implemented. This will also ensure that in 2014/15 we benefit from the full year effect of the savings.
19. A significant number of Central departments 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 Administration and Finance.

### **Group Revenue Budget 2014/15**

20. The movement between the current year's budget and the draft budget requirement for 2014/15 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 2014/15

	<b>Budget (£000s)</b>
Budget 2013/14	23,211
Inflation	262
Service Pressures	12
Savings	-1,539
<b>Draft Group Revenue Budget 2014/15</b>	<b>21,946</b>

## **Development and Risk Contingency**

21. 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 £400k for 2014/15 for the Administration and Finance Groups.
22. 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 other than Public Liability which stands at £250k. It is proposed that this contingency be set at the same level set in 2013/14 as the current financial year.

## **Service Pressures**

23. Funding for an additional Property Lawyer post within the Legal Services team was identified as part of the BID programme and was agreed as part of the 2013/14 MTFF proposals to enable the function to cover the high volume of work in the Housing area, reducing the requirement for external Legal Support. As the post did not start until June, 9 months funding was provided in the 2013/14 budget and the £12k shown above makes up the remaining 3 months funding for the post.

## **Savings**

24. The savings proposals contained within this draft budget have been developed through the HIP Business Improvement Delivery programme (BID), the Council's response to Central Government's austerity programme.
25. Savings proposals currently developed total £13,140k for 2014/15 across the Council. The total savings included in the draft budget for the Administration and Finance Groups total £1,539k and are included in Appendix A.
26. Phase 2 Restructures within both the Procurement and Revenues Services make up the majority of the £637k savings proposed within the Finance Group. The Procurement service aims to further embed the Category Management approach across the Council, which the Revenues Service looks to further review the structure in light of the impact of the Welfare Reforms and the changing needs of the service.
27. The Administration Group have presented savings proposals of £457k towards the total amount presented of £1.539m. This is made up of; restructures within the Policy, Performance and Partnerships, Legal and Human Resource Services, which make up a total of £317k, the full year effect of prior year savings totalling £110k and a review of operating hours within the Registration service which proposes to generate additional income of £30k.

28. The remaining £445k of the proposed saving from Administration and Finance, is being delivered through efficiency savings from aligning Public Health responsibilities and objectives within the Group, to eliminate duplication and overlap between existing and new responsibilities as a result of the transfer of Public Health to Local Authorities in April 2013.

### **Fees and Charges**

29. 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.

30. Schedules detailing the proposals relating to fees and charges for 2014/15 for the Administration and Finance Groups are attached at Appendix B.

### **SUGGESTED COMMITTEE ACTIVITY**

To consider the report and make comments on the detail.

### **BACKGROUND PAPERS**

Medium Term Financial Forecast 2014/15 - 2017/18 – report to Cabinet 19 December 2013