

BUDGET PROPOSALS REPORT FOR RESIDENTS 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 Residents Services 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 Residents 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 Residents Services, 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 19th 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 Residents Services proposals 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.

RESIDENTS SERVICES BUDGET PROPOSALS

Summary of Key Financial Issues

17. The approach to the delivery of savings within Residents Services continues to be driven through a programme of transformational reviews of every service area, and is managed through the established HIP Business Improvement Delivery Programme. This includes ongoing reviews of structures, service groupings and removal of duplication. Within this over-arching work, the opportunity is being taken to question the need for services and examine alternative methods of service delivery, through process efficiency and use of technology. The Directorate continues to focus on maximising funding opportunities and income streams which do not impact on frontline service provision. In the current financial year (2013/14) Residents Services (excluding Housing & Education) are on track to deliver budget savings of £4.7 million.
18. A number of workstreams will continue to focus on procurement, alongside an ongoing review of contract-related expenditure across all services. Alongside the procurement work, the robust processes for controlling and challenging expenditure decisions that were already in place have been updated, and applied to the new service configuration.
19. The Group has undertaken its annual review of the scale of fees and charges, within which there continues to be an emphasis on differentiating Hillingdon resident and non-resident charges. There is further commentary below and detail in Appendix B, however as set out in the 2013/14 budget it is proposed to freeze most fees and charges in 2014/15.
20. The budget proposals include a five year capital programme with significant investment in the Borough's infrastructure and a number of proposed new projects.

Group Revenue Budget 2014/15

21. The movement between the current year's budget and the draft budget requirement for 2014/15 is summarised in Table 1, with further details below and in the appendices.

Table 1: Group Revenue Budget 2014/15

	Budget (£000s)
Budget 2013/14	55,078
Inflation	956
Corporate Items	-1,128
Service Pressures	308
Priority Growth	636
Savings	-5,182
Other Adjustments	529
Draft Group Revenue Budget 2014/15	51,197

Development and Risk Contingency

22. 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 £3,450k for 2014/15 for Residents Services.

23. The items within this are £2,810k for the West London Waste Levy, £240k for the Carbon Reduction Commitment Energy Efficiency Scheme, and £200k each for the High Speed 2 and Heathrow Expansion Challenge contingencies.

Service Pressures

24. The pressure on contingency for 2013/14 contained provision for reduced income from outsourced services within Leisure and Cabinet took the decision to release the contingency into base budget in Month 7. However, there remains an ongoing service pressure from reduced income in future years, the full year effect of which is £308k.

Priority Growth

25. Additional Growth of £636k in 2014/15 for Residents Services has been included in the draft budget for consultation, and this is based on Cabinet's known expenditure commitments.

26. Following on from the Council's library refurbishment programme, extended opening hours are proposed for Uxbridge, Oak Farm and Harlington libraries, with £236k included in Priority Growth to support additional staffing costs.
27. An initial sum of £400k has been set aside to fund priority growth initiatives around sports and leisure that seek to improve activity levels amongst residents which should improve health more generally going forward.
28. £400k has been included within Priority Growth to commence a programme to repaint metal street lights in the borough. There is also investment in local rating enforcement of £100k which will ensure that the maximum amount of income is being billed and collected from liable parties.

Savings

29. The approach to the delivery of savings within Residents Services continues to be coordinated through HIP workstreams and centered around transformational changes. These workstreams are combined with robust approval processes and challenge of day-to-day spend within the Directorate. Residents Services have developed savings proposals of £5,182k for 2014/15, which includes £569k of full year effect savings. These are shown in Appendix A.
30. The increase in net grant for the New Homes Bonus receivable from the DCLG for bringing new homes into use within the borough, net of the proposed topslice to support the Local Economic Partnership for 2014/15 is £1,595k. The in-year award is based on the addition of approximately 900 properties to the Council Tax Base between October 2012 and September 2013.
31. A target of £250k in 2014/15 for middle management restructures across the group has been set. This follows on from the Senior Management Restructure of the directorate that was undertaken during 2013.
32. A benchmarking exercise has identified a list of corporate buildings where energy saving measures should generate savings estimated to be £100k per annum. Further efficiency savings totalling £250k are achievable from efficiencies in Waste Services (£150k) and fleet management costs (£100k) in 2014/15.
33. The highways permit scheme for utilities works is now well established and based on the overachievement of income in 2012/13 it is proposed to build in £200k from 2014/15.
34. Across the service, a number of procurement savings are being developed through the implementation of the category management approach. Whilst much of this work is at an early stage and the detailed tendering exercises have yet to be undertaken, an estimated saving of £197k is included within Residents Services. In addition, the review of Public Health contracts is expected to deliver a further £450k of procurement savings in 2014/15. The efficiency savings from realigning Public Health responsibilities and objectives within the directorate generates further savings of £1,571k in 2014/15

Fees and Charges

35. 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.
36. Schedules detailing the proposals relating to fees and charges for 2014/15 for Residents Services are attached at Appendix B. The only substantive amendments to fees and charges proposed relate to a refresh of the charging structure for Pre-Planning Advice, in order to support the Council's Economic Development agenda, and a simplification of hire charges at the Compass Theatre, Winston Churchill Hall and Manor Farm, intended to put residents first and freezing residents charges at current levels.

Capital Programme

37. The capital programme for 2014/15 is based on a five-year capital budget focused on maximising the use of identified funding in order to minimise the level of new borrowing that ultimately impacts on budget requirements funded through Council Tax. As in previous years, the process of developing a capital programme has focused on identifying and sustaining available funding streams whilst simultaneously managing the significant impact of increased demand for sufficient school places in the borough. The draft capital programme may need to be revised once the final impact of the settlement is known as this may impact on the affordability of the programme. A summary of the draft capital programme for Residents Services is shown in Appendix C.
38. Key items within the draft capital programme are described below. A number of the projects have been costed in detail, and are deemed ready to commence during 2014/15 if approved by members. In cases where expenditure will be phased over multiple years, this narrative makes reference to full project costs.
39. Provision for £2,000k Priority Growth investment in the borough's highways and a further £1,000k Priority Growth investment in pavements is included in this draft programme – bringing capital investment in local infrastructure to more than £9,000k for 2014/15.
40. On 26 September 2013, Cabinet approved in outline a scheme to refurbish Harlington Road Depot site to enable a number of additional services to be transferred to the site and thus free up assets across the borough for disposal or alternative use. This capital programme assumes that surplus depot sites would be sold to fund £1,300k works at Harlington Road Depot.
41. The West Drayton Cemetery is expected to reach full capacity by September 2014, provision for £456k has been included in this programme to enable an expansion to take place and associated infrastructure works to be completed on the site. A sum of £300k has been included to fund refurbishment of the Council-owned Whiteheath Farmhouse in order to prevent further decay of the structure and meet English Heritage requirements with regard to maintenance of the site.

42. Within the annual Programmes of Works, the addition of £500k per annum to 2017/18 (£600k for 2014/15) is proposed to support major electrical and mechanical works at the Civic Centre in order to ensure the site remains operational and safe over this period. In addition improvements to the Rural Activity Garden Centre are included in this capital programme at £250k. It is proposed to maintain the current level of £600k in the Property Works Programme to support larger projects at sites across the borough. It is expected that improvement to Northwood Recreation Ground at £70k, a number of Health and Safety projects on Golf Courses at £38k and drainage works at Whiteheath and Park Lodge farms for £105k be sourced from this budget in 2014/15.
43. In terms of future projects, there are a number of areas where capital investment is planned but the specifics of the project are yet to be costed in detail. Provision has been made to support delivery of a landmark 1,200 seat theatre on the St Andrew's Park site at a estimated cost of £44,000k, the on-going financing costs of which will be supported from the existing £1,000k per annum provision for capital investment and £1,413k additional income from appropriated HRA commercial properties. Alongside this theatre, provision is also included to deliver a museum from Section 106 monies on this site at a cost of £1,000k. Further work on costing both proposals will continue and be fed into the MTFF process.
44. £1,200k has been included in this programme to deliver a modernisation of the Civic Centre ICT network infrastructure, both ensuring continued availability of systems beyond 2016 when the existing infrastructure is de-supported and introducing Wi-Fi in place of hard cabling. Also included is a sum of £1,000k to support the renovation of the Grade 2 listed Uxbridge Cemetery Gatehouse and Chapel, which will both preserve these buildings for the local community and ensure that the Council meets its statutory obligations with regard to maintaining the asset.
45. In addition a specific provision of £500k has been included to enable refurbishment/improvement works on a number of Council-owned bowls clubs within the borough.
46. The Council continues to attract significant grant funding from Transport for London (TfL) with the estimated annual budget expected to remain above £4 million per annum for the next three years.

SUGGESTED COMMITTEE ACTIVITY

To consider the report and make comments on the detail. Comments will be provided to Cabinet.

BACKGROUND PAPERS

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