

BUDGET PLANNING REPORT FOR RESIDENTS SERVICES 2015/16

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REASON FOR ITEM

This is the first opportunity for the Policy Overview Committee to discuss the current stage of development of budget planning work with regard to Residents Services (excluding Housing, Public Health and Education). Within the context of the Council's overall financial position, this paper sets out the main financial issues facing the Group's services and the work being undertaken to respond to them. This paper gives a strategic context in which the detailed proposals to be discussed at Policy Overview Committee meetings in January 2015 will need to be considered.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the development of the financial planning process undertaken to date, and comments as appropriate on the response to the issues being developed by the Group.

INFORMATION

- 1 This is the first of two opportunities within the planning cycle for the Policy Overview Committee to consider issues relating to budget planning for 2015/16. The focus of this report is the major issues that have been identified through the service and financial planning process for Residents Services. The report to be considered in January 2015 will set out the detailed budget proposals for the Group, those proposals having been included in the report to Cabinet on the Medium Term Financial Forecast (MTFF) on 18 December 2014.

Corporate Summary

- 2 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.
- 3 The budget report to Council in February 2014 identified the savings requirement for 2015/16 as £20.3m and work is currently underway to refresh this figure. The finance settlement announced in December 2013 was only for the year 2014/15, although indicative figures for 2015/16 were released. However, until the final settlement is announced towards the end of the year the final funding position will not be clarified.
- 4 In addition, there is significant other uncertainty within the budget for next year from increasing demographic pressures; from ongoing welfare reforms and from the impact of the introduction of the Better Care Fund and the Care Act.

- The Better Care Fund (BCF) which Spending Round 2013 announced for introduction in 2015/16 will present an additional risk to be managed. This will see existing transfers from the NHS pooled with other Department of Health resources to create a national fund at £3,800m to support integrated working between the health and local government sectors. Hillingdon's share of this funding in 2015/16 is estimated at £17,991k, which will be managed through a section 75 pooling agreement. A provision of £1,000k per annum has been included in the Development and Risk Contingency to cover the risk of funding being insufficient to cover any new burdens transferring to the Council from 2015/16.
 - The Care Act 2014 impacts on adult social care funding arrangements, which includes the introduction of capped care costs and increased deferred payment arrangements. However, significant new burdens funding is expected in the medium-term. Local analysis will be completed over the coming months and any impacts managed through the 2015/16 MTFF cycle.
- 5 Alongside this, any other emerging pressures which arise throughout this financial year will have to be provided for in next year's budget. The budget gap will be monitored throughout the year and the budget strategy adjusted accordingly to ensure that a balanced budget for 2015/16 can be set.

Strategy to deal with the budget gap

- 6 The Council remains strongly placed to deal with the challenges ahead. We have a good track record of coming in or under budget each year and have accumulated balances of £35.9m by the end of 2013/14. We have a well established HIP programme that has helped steer the Council from a position of having low balances to one of having healthy balances at the same time as dealing with significant external challenges. This has been enhanced by the development of the BID programme as the main vehicle for delivering the fundamental changes required to the Council's structure and ways of working in order to address the reductions in funding going forward.

MTFF process update

- 7 The timetable for the budget process was refreshed in February 2014 and the first MTFF sessions with Groups took place during late June to review the detailed budget proposals developed by each group. Progress on the development and delivery of these proposals will be monitored monthly by CMT and the Leader of the Council throughout the remainder of the year.

Timetable for 2015/16 Budget

8 The broad timetable is as follows:

Process	Timetable
Monthly BTB updates (March 14 to Feb 15)	Monthly
Initial discussion with the Leader	March
Subjective review of non-staffing expenditure	March - June
Analytical review of 2013/14 outturn	April - June
Completion of salary base budget reviews	June
Review of Budgets at Cost Centre level	May - July
CMT discussion on options to address 15/16 gap	April
MTFF Review – 1st Challenge Sessions	June
Initial Draft MTFF Report to Leader	End July
POC Meetings – Context of 2014/15 Budgets	July
MTFF Review – 2 nd Challenge Session	Sept/Early October
Second Draft MTFF Report to Leader	November
Joint CMT and Cabinet Awayday	November
Draft Local Government Finance Settlement	December
Draft MTFF reported to Cabinet	December
POC review of draft Group Plans and budget proposals	January
Council Tax setting	February

Budget Planning in Residents Services

Summary of Key Financial Issues

- 9 Residents Services (excluding Housing & Education) have identified significant budget savings for 2014/15 totalling £3,028k. At month 2, £1,635k of these savings were reported as banked, £916k on track, £427k still at early stages. One saving of £50k was deemed unlikely to be achieved. Measures are being identified to avoid a budget pressure.
- 10 The 2014/15 efficiency savings include a review of discretionary budgets across the group, plus reviews of Technical Admin & Business Support, ICT, and Fleet Management. In addition further income has been received through the New Homes Bonus grant and income has been increased through the Highways Permit Scheme. Procurement savings will be delivered through robust contract management.
- 11 The 2015/16 MTFF proposals are continuing to develop a number of existing workstreams, and identifying new opportunities for savings and efficiencies emerging from the work undertaken through the Council's now well established HIP and BID processes. Examples of these include widening of Technical Support review, ICT modernisation and a number of restructures following on from a review of the Senior Management team responsibilities. The emphasis continues to be on generating savings through service improvement based on process efficiency, use

of technology and consolidation of provision. This work will be supported by the detailed budget monitoring process, alongside the established and rigorous processes for challenging expenditure and recruitment decisions.

- 12 It is anticipated that there will be limited opportunities for significant further income generation from fee-based services within Residents Services. However, where applicable, the levels of non-residential fees & charges will be kept under review, in the context of usage and capacity levels. The Group will also continue to vigorously pursue any opportunities for additional grant income, where these are aligned to Council objectives.
- 13 Alongside development of further savings, the Group will continue to review all contract related and discretionary spend.

Next Steps

- 14 The Medium Term Financial Forecast setting out the draft revenue budget and capital programme will be considered by Cabinet on 18 December 2014 and issued for consultation during the remainder of December 2014 and January 2015. This will include detailed consideration by each of the Policy Overview Committees of the proposals relating to their respective services.

SUGGESTED COMMITTEE ACTIVITY

The Committee is asked to consider the Budget and comment as appropriate.

BACKGROUND PAPERS

The Council's Budget: General Fund Revenue Budget and Capital Programme 2014/15 – reports to Cabinet 13 February 2014 and Council 20 February 2014.