

Budget Proposals Report for Residents Services 2016/17

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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 2016/17, this report sets out the draft revenue budget and Capital Programme of the Residents Services for 2016/17, along with indicative projections for the following four years. Following consideration by Cabinet on 17 December 2015, 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 18 February 2016, and the report will include comments received from Policy Overview Committees. At the meeting on 18 February 2016 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2016/17, who will meet to agree the budgets and Council Tax for 2016/17 on 25 February 2016.

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 Council continues to operate within the constraints of Government's deficit reduction programme, which has seen a reduction of 56% (£67m) in central government funding since 2010/11 and all indications are that funding will continue to decline. There remains significant uncertainty around funding forecasts for the remainder of the MTF period, with November's Autumn Statement reaffirming the direction of travel of local government

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funding.

2. The draft budget presented to Cabinet in December does not include the impact of funding outlined within the recent Spending Review or Provisional Local Government Finance Settlement. However, the expectation is that the overall funding position for the next 4 years may have improved slightly from previous forecasts although the position in 2016/17 could well be worse than assumed because local government savings have been front loaded.
3. In order to provide a firm basis from which to respond to on-going funding reductions, there has been significant work undertaken to review and confirm the baseline position of demand-led service areas, with Looked After Children placements and the new permanent establishment for Children & Young People's Services being two examples. Alongside this work on demand-led budgets, monitoring of progress in the successful delivery of the 2015/16 savings programme has fed into development of the 2016/17 budget to ensure that the Council is not carrying forward issues into the new financial year.
4. Against this baseline position, groups have been developing savings proposals sufficient to meet the externally driven budget gap and respond to increases in cost pressures. In addition to this work across directorates, a comprehensive review of the corporate elements of the budget has been undertaken since February, capturing funding, inflation and capital financing. During the early summer and again in the autumn, a series of challenge sessions were held to affirm the budget position. Each session followed a similar format reviewing:
 - The 2014/15 outturn, particularly any on-going issues arising.
 - The current position in 2015/16 - both monitoring and savings delivery.
 - Existing and emerging pressures which need to be addressed in the 2016/17 budget and forecasts for future years.
 - Progress on the development of savings proposals for 2016/17.
 - Identification of any potential growth or invest-to-save bids.
 - Capital programme requirements.
5. The consultation budget collated the outputs from these sessions, with sufficient savings proposals having been developed to bridge the budget gap in 2016/17 while freezing Council Tax for all residents for an eighth successive year and funding the freeze for older persons into a twelfth year in 2018/19. A surplus of £1,251k is retained at this stage in the budget setting process in order to manage the risk of further reductions in funding once 2016/17 grant awards have been confirmed.

The Budget and Policy Framework Procedure Rules

1. The consultation on the budget proposals commenced on 18 December 2015 following decisions taken by Cabinet on 17 December 2015.
2. There will be a further consideration by Cabinet of the budget proposals on 18 February 2016, 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 25 February 2016, and if approved without further amendment they will be effective immediately.

Corporate Summary

3. 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.
4. The budget proposals included in this report represent Cabinet's budget strategy for 2016/17 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2016/17 whilst maintaining balances and reserves at well above the minimum recommended level. The final funding settlement for 2016/17 will not be available until late December and so the budget has therefore been drafted on the latest estimated position.
5. The principal challenge in delivering a balanced budget for 2016/17 is the development of significant savings, with the savings requirement for 2016/17 originally being estimated at £20,276k. This was revised in the wake of the March 2015 Budget to £21,247k, with a planned £4,000k drawdown from balances to smooth the impact of front-loaded funding cuts reducing the outstanding budget gap to £17,247k. Following the reduction in funding cuts for 2016/17 signalled by the July 2015 budget and latest intelligence on core government funding, the budget gap stood at £14,079k.
6. The budget proposals presented to Cabinet in December are analysed below, with a £5,950k projected reduction in Government Grants being off-set by increased Council Tax and Business Rates receipts to reduce the budget requirement by £1,012k. Inflationary pressures and growth in demand continue to drive up the savings requirement, with savings proposals of £12,144k presented in this draft budget sufficient to generate a £1,251k surplus.

Table 1: Headline Budget Movements

	£'000
Funding Sources	
Council Tax Receipts	108,654
Retained Business Rate Receipts	47,435
Central Government Grant	46,851
Total Resources	202,940
Budget Requirement 2015/16	203,952
Inflation	3,439
Corporate Items	(1,890)
Contingency	8,862
New Priority Growth	(530)
Savings	(12,144)
Budget Requirement 2016/17	201,689
Surplus / (Deficit)	1,251

7. 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. As previously noted, the Council's Business Improvement Delivery Programme is now well established and able to drive the delivery of these savings - evidenced by £8,172k of the £10,034k 2015/16 savings being either already banked or on track in Month 7 monitoring.
8. The draft General Fund Capital Programme for the period 2016/17 – 2020/21 proposes significant capital investment of around £371,725k - containing funding to deliver a new Theatre, museum and bunker visitor centre in Uxbridge, three new Youth Centres, funding for a new playground renewal programme as well as bolstering investment in existing local infrastructure.

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Summary of Key Financial Issues

9. 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 coordinated and 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 (2015/16) Residents Services (excluding Housing & Education) are on track to deliver budget savings of £3.272 million.

10. A number of workstreams will continue to focus on improving 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.
11. 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. The Council continues to operate a system of differential charges through the Hillingdon First card, which enables preferential rates to be offered to local residents.
12. In addition to preferential rates for residents the Council froze almost all Fees and Charges for residents during 2014/15, with modest increases for a small number of charges in 2015/16. Where increases are recommended, the cost recovery principle has been considered. Charges have been benchmarked against those of neighbouring authorities and shown to remain competitive.
13. 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 2016/17

14. The movement between the current year's budget and the draft budget for 2016/17 is summarised in Table 2 below. Each of the lines in Table 1 is set out in the following sections and in Appendix A.

Table 2: Group Revenue Budget 2016/17

	Residents Services £'000
Operating Budget 2015/16	65,862
Inflation	763
Corporate Items	0
Contingency	236
Priority Growth	(175)
Savings	(4,472)
Other Virements	0
Operating Budget 2016/17	62,214

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Development and Risk Contingency

15. 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 £3,607k in 2016/17 for Residents Services:

- **Waste Disposal Levy & Associated Contracts (£596k increase from 2015/16)** - In anticipation of release of reserves by the West London Waste Authority (WLWA), who are currently projecting a surplus of £1,400k in 2015/16, the annual uplift in the cost of waste disposal has been reduced to £596k. Where permissible, the Council continues to make local arrangements for waste disposal where this offers better Value for Money than WLWA contracts. The £596k growth in 2016/17 includes £136k increase in the variable cost element of the Grndon's co-mingled dry recycling contract and £184k from the phased increase in costs under the Powerday contract - both arrangements remain less expensive than disposal through WLWA mechanisms.
- **High Speed 2 & Heathrow Expansion Challenge Funds (£400k increase from 2015/16)** - In order to continue to support the Council's opposition to both High Speed 2 and the further expansion of Heathrow airport, provision of £400k is established within Development & Risk Contingency for 2016/17.
- **Parking Revenue Account (£400k increase from 2015/16)** - The installation of CCTV enforcement of Keep Clear Zones outside the 89 schools across the borough is proposed within the draft capital programme for 2016/17, with provision held within Development & Risk Contingency to manage any pressure within the Parking Revenue Account should efficiencies within the account and resulting enforcement income be insufficient to off-set the full cost of this investment.

Priority Growth

16. This draft budget includes £804k of council - wide Priority Growth to support new initiatives and investment in services, of which new items totalling £265k are allocated to Residents Services in 2016/17, removal of one-off funding for 15/16 nets this off to a negative adjustment of £175k. Growth items specific to Residents Services to be funded in this budget include:

- Provision of £140k growth to fund a Museum Curator and Assistant on the RAF Uxbridge site
- Additional investment of £100k in Planning Enforcement
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- £25k funding to support Domestic Violence Prevention
- Removal of one-off funding of £440k for Ward Budget initiatives

Savings

17. Savings proposals, focused on increased efficiency and effectiveness with no reduction in service provision, have been developed through the Council's BID Programme and associated workstreams. The savings have been adjusted to take account of rephrasing of 2015/16 proposals so the Council does not carry forward undeliverable savings in the refreshed MTF. These proposals fall into five broad themes: Zero Based Reviews; Preventing Demand; Service Transformation; Effective Procurement; and Maximising Income.
18. Savings proposals currently developed total £12,144k across the Council for 2016/17 including £2,865k of full year effects of prior year savings. The total savings included in the draft budget for Residents Services total £4,472k (including full year effects from prior year savings) and are included in Appendix A.
19. Savings totalling £1,428k are being released through Zero Based Reviews in Residents Services, realigning budgets in those areas where either current activity is lower than historic budgeted spend or income generation reliably outperforms budget assumptions. These savings do not affect funding available to support the provision of services.
20. The Council continues to review and challenge its existing business process through the BID Programme, with £4,480k savings to be delivered council-wide in 2016/17 through implementation of new and more efficient ways of working.
21. A broad range of BID reviews are underway across Residents Services with potential savings of £1,569k expected to be delivered through Service Transformation in 2016/17. Specific initiatives include restructuring of Senior Management across the group; reviews of Wellbeing, Public Protection & Community Safety; Technical Administration; ICT and Corporate Fraud Services. Alongside these reviews, cross-cutting initiatives to reduce reliance on standby and overtime arrangements are expected to contribute towards savings delivery.
22. Effective Procurement and on-going contract management continue to contribute towards the Council's broader savings programme, with £1,408k of 2016/17 savings proposals council - wide specifically linked to procurement activity. Savings of £250k are being delivered by Residents Services, with £100k of this from Facilities Management contracts.
23. Finally under Maximising Income, the group proposes savings of £1,225k. The bulk of this (£1.048m) comes from additional income secured through the New Homes Bonus

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grant which rewards residential development in the borough. The remaining additional income is projected to come from the small number of revisions to fees and charges which are discussed below.

Fees and Charges

24. 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.
25. Schedules detailing the proposals relating to fees and charges for 2016/17 for the Residents Services are attached at Appendix B.
26. Revisions to a small number of fees and charges are proposed as part of this draft budget, with the cost to service users kept below 90% of relevant charges in neighbouring authorities. Amongst the proposed amendments are:
 - a. Increases to Registrar's fees & charges for weddings, and introduction of Sunday wedding ceremonies;
 - b. Increases to leisure fees and charges at a number of sites across the borough,;
 - c. New charges in respect of the proposed FootGolf provision at Uxbridge Golf Course
 - d. Increases to Cremation Fees;
 - e. Introduction of new charges to support a new offer of pre-application advice in respect of Houses of Multiple Occupation (HMOs);
 - f. Introduction of chargeable Private Post Mortems at the mortuary;

Capital Programme

27. The capital programme for 2015/16 was approved by Cabinet and Council as a five-year capital budget that 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.
28. The process of developing a capital programme has again focused on identifying and sustaining available funding streams whilst simultaneously managing the significant impact of increased demand for sufficient school places in the borough.
29. 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 the Residents Services is shown in Appendix C. Key items within the draft capital programme are as follows:-

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30. The existing approved programme includes a number of major schemes commencing in 2016/17, the funding for which has already been earmarked within the Council's broader MTFF. Key highlights include the new theatre project at St Andrew's Park, a borough museum and a new Youth Centre in Harefield.
31. This draft programme also includes a number of new schemes or additions to existing programmes or projects.
32. Provision of £2,657k is included in this draft programme for enforcement at 'School Keep Clear' restrictions, spanning 124 sites across the borough.
33. An increase of £2,000k to £4,072k in provision for replacement of the Council's fleet, which is intended to enable replacement of 51 vehicles, including 23 refuse collection vehicles by 2020/21.
34. Further investment in local infrastructure is included within this draft capital programme, with an additional £1,000k funding for Highways Structural Works in 2016/17 bringing total investment in locally maintained Highways to £6,000k over the MTFF period. In addition, £1,000k of specific growth to finance investment in Pavements is included in the draft capital programme for 2016/17.
35. The £1,000k funding available from Government to support renovation of the Battle of Britain Bunker at RAF Uxbridge is included in this draft capital programme. This new investment will supplement the existing Council Resourced investment of £4,850k, which will create an educational facility and visitors centre to replace the existing RAF building.
36. To fund the rolling replacement of playgrounds across the borough, an additional £1,250k is included in the draft capital programme at £250k per annum from 2016/17 to 2020/21. This will enable the Council to continue to minimise on-going repairs and maintenance costs while enhancing facilities for residents.
37. Provision of £227k to continue investment in modernising the Council's Harlington Road Depot site is also included in this budget.

SUGGESTED COMMITTEE ACTIVITY

To consider whether there are suggestions or comments the Committee wish to make.

BACKGROUND PAPERS

Medium Term Financial Forecast 2016/17 - 2020/21 – report to Cabinet 17 December 2015

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