

2017/18 BUDGET PROPOSALS REPORT FOR SERVICES WITHIN THE REMIT OF CORPORATE SERVICES & PARTNERSHIPS POLICY OVERVIEW COMMITTEE

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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 2017/18, this report sets out the draft revenue budget and Capital Programme for 2017/18 for the services within the remit of the Corporate Services & Partnerships Policy Overview Committee, along with indicative projections for the following four years. Following consideration by Cabinet on 15 December 2016, 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 2017, and the report will include comments received from Policy Overview Committees. At the meeting on 16 February 2017 Cabinet will make recommendations to Council regarding the budget and Council Tax levels for 2017/18, who will meet to agree the budgets and Council Tax for 2017/18 on 23 February 2017.

The Committee needs to consider the budget proposals as they relate to the Finance and Administration Groups and to the relevant service areas within the Resident Services Group, 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 Finance and Administration Groups, and to the relevant service areas within the Resident Services Group, within the context of the corporate budgetary position.

INFORMATION

Background

1. The Council continues to operate within the constraints of the Government's deficit reduction programme, which has seen a sweeping reduction in central government funding since 2010/11 and is set to continue until at least the end of the decade. Alongside this reduction in funding, continuing demographic and demand pressures and a return to an inflationary environment over the medium term, will necessitate delivery of further substantial savings.
2. The last report to Cabinet on the budget was in February 2016, at which point the savings requirement for 2017/18 was estimated to be £18,464k. This has since been revised upwards to £19,388k, primarily as a result of increased inflationary pressure on the cost of Social Care placements. Taking account of the planned drawdown of £5,000k from General Balances, this

leaves a net savings requirement of £14,388k. The Autumn Statement in late November reaffirmed the overall level of funding for the Local Government sector in 2017/18, which combined with the Council's acceptance of the multi-year settlement offer in October, all but confirms the scope of this challenge.

3. 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 2015/16 outturn, particularly any on-going issues arising.
 - The current position in 2016/17 - both monitoring and savings delivery.
 - Existing and emerging pressures which need to be addressed in the 2017/18 budget and forecasts for future years.
 - Progress on the development of savings proposals for 2017/18 and beyond.
 - Identification of any potential growth or invest-to-save bids.
 - Capital programme requirements.
4. The consultation budget collated the outputs from these sessions, with sufficient savings proposals developed to bridge the budget gap in 2017/18 without recourse to reductions in service levels or levying the Social Care precept, while freezing Council Tax for all residents for a ninth successive year and funding the freeze for older persons into a twelfth year in 2018/19.

The Budget and Policy Framework Procedure Rules

5. The consultation on the budget proposals commenced on 16 December 2016 following decisions taken by Cabinet on 15 December 2016.
6. There will be a further consideration by Cabinet of the budget proposals on 16 February 2017, 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 2017, 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 2017/18 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2017/18 whilst maintaining balances and reserves at well above the minimum recommended level. The final funding settlement for 2017/18 will not be available until February and so the budget has therefore been drafted on the latest estimated position.

9. The principal challenge in delivering a balanced budget for 2017/18 is the development of significant savings, with the savings requirement for 2016/17 originally being estimated at £18,464k. This has since been revised upwards to £19,388k, primarily as a result of increased inflationary pressure on the cost of Social Care placements. Taking account of the planned drawdown of £5,000k from General Balances, this leaves a net savings requirement of £14,388k.
10. The budget proposals presented to Cabinet in December are analysed below, with a £11,314k projected reduction in Government funding being off-set by increased Council Tax and Business Rates receipts of £4,638k to reduce the net reduction in resources to £6,162k. Inflationary pressures and growth in demand continue to drive up the savings requirement, with savings proposals of £14,388k presented in this draft budget.

Table 1: Headline Budget Requirement

	Movement from 2016/17 £'000	2017/18 Budget Requirement £'000
<u>Funding Sources</u>		
Council Tax and Business Rates Revenues	(3,368)	(158,513)
Collection Fund Surplus	(1,000)	(2,500)
Revenue Support Grant	9,918	(19,513)
Other Central Government Funding	1,396	(36,400)
Planned Use of General Balances	(784)	(5,000)
Total Resources	6,162	(221,926)
<u>Budget Requirement</u>		
Roll Forward Budget		228,088
Inflation	6,230	
Corporate Items	(1,266)	
Contingency	3,462	
New Priority Growth	(200)	
Savings Proposals	(14,388)	
Budget Requirement 2017/18	(6,162)	221,926
Surplus / (Deficit)	0	0

11. The development of savings proposals has continued to concentrate on more efficient service delivery methods, 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 £12,152k of the £13,309k 2016/17 savings being either already banked or on track in Month 7 monitoring.
12. The draft General Fund Capital Programme for the period 2017/18 - 2021/22 proposes significant capital investment of £253,312k - containing funding to deliver a new theatre, museum and bunker visitor centre in Uxbridge, funding for a new playground renewal programme as well as bolstering investment in existing local infrastructure - including £3,000k for investment in local Highways during 2017/18.

FINANCE AND ADMINISTRATION GROUPS BUDGET PROPOSALS

Summary of Key Financial Issues

13. The Administration and Finance Groups have proposed savings totalling £1,025k for 2017/18. The savings are a combination of reviews of staffing structures, service efficiencies and zero based budgeting, and are based on maintaining current service levels. Of the total savings proposals, £162k relate to the full year effect of savings made in 2016/17.
14. The Administration and Finance directorates largely provide support functions and as such the demand on these services is driven by the Council's front line services. There is therefore a limit to the extent to which these support services can be reduced whilst continuing to respond to the same level of service demand. This has been achieved to date through business process reengineering in order to improve productivity and through prioritising activity on our core business. It is anticipated that this approach will continue to facilitate savings in future years, in conjunction with developments in ICT and efficiency gains in the services being supported through the Council's Business Improvement Delivery (BID) programme.

Group Revenue Budget 2017/18

15. The movement between the current year's budget and the draft budget for 2017/18 is summarised in Table 2 below.

Table 2: Group Revenue Budget 2017/18

	Administration £'000	Finance £'000
Operating Budget 2016/17	9,197	13,465
Inflation	74	132
Corporate Items	0	0
Contingency	0	(50)
Priority Growth	0	0
Savings	(195)	(830)
Operating Budget 2017/18	9,076	12,717

Development and Risk Contingency

16. 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.
17. The current draft Development and Risk Contingency includes one item, relating to uninsured claims of £291k for 2017/18 for the Finance Group. This contingency has been reduced by £50k from the provision provided in the 2016/17 budget. The proposed provision of £291k for uninsured claims, when combined with base budget funding would be sufficient to contain

£650k of claims annually. There is scope to finance any exceptional or high value claims over this amount from the dedicated Insurance earmarked reserve, which currently totals £2,415k.

18. In addition, from 1 April 2017, the Government will introduce an Apprenticeship Levy at 0.5% on all employers with a payroll in excess of £3,000k per annum, the cost of which is estimated at £559k and provided for within Development and Risk Contingency as a corporate item. This levy forms part of the broader agenda to encourage apprenticeships and the proceeds are to be made available to support training costs in those organisations making greater use of apprentices. A cross-cutting BID Review is being undertaken to develop sufficient off-setting efficiencies to mitigate this pressure. This review will look at the scope for changing some of our existing posts to apprentice posts and to register some of our existing training as apprenticeship training so it can be offset against the new levy. The aim is to try and make the proposed changes cost neutral for the Council.

Savings

19. 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 2016/17 proposals so the Council does not carry forward undeliverable savings in the refreshed MTFF. These proposals fall into five broad themes: Zero Based Reviews; Preventing Demand; Service Transformation; Effective Procurement; and Maximising Income.
20. Savings proposals currently developed total £14,388k across the Council for 2017/18 including £1,669k of full year effects of prior year savings. The total savings included in the draft budget for the Finance Group total £830k and for the Administration Group total £195k. In addition, there is a cross-cutting savings proposal being developed to off-set the £559k Apprenticeship Levy through reviewing the Council's approach to training and use of apprentices.
21. A total of £133k new Service Transformation savings proposals have been presented by Administration, relating to implementing the HR BID Review. In addition, £37k savings relating to a previous restructure in HR and £25k Zero Based Review relating to the small grants budget bring the total 2017/18 proposals for the Group to £195k. Detail on Administration proposals is set out in Appendix A.
22. Savings proposals from Finance total £830k for 2017/18, with new items consisting of £470k Service Transformation proposals and £260k output from Zero Based Reviews. An additional £100k full-year effect savings relating to a previous restructure in Operational Finance bring the total 2017/18 proposals for the Group to £830k. Further detail on all proposals is included in Appendix B.
23. Service Transformation proposals include £100k full-year effect items relating to a previous restructure in Operational Finance and £72k linked to the implementation of the BID Review consolidating financial support within the organisation. The remaining £398k new Service Transformation proposals are at an earlier stage of development proposals and include £298k from capturing the benefits of the new budget management system, £70k from the realignment of transactional functions across Accounting and Revenues & Benefits, £20k from a review of Business Assurance and £10k from the introduction a new digital strategy

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within Revenues & Benefits where new self service modules for Council Tax, NNDR and Benefits are being introduced.

24. Zero Based Review proposals totalling £260k include £180k from Compensatory Added Years budgets, £80k from External Audit Fees and other service budgets.

RESIDENTS SERVICES BUDGET PROPOSALS - Asset Management; ICT, Digital Strategy & Communications; Estates and Tenancy Management, Business and Technical Support

Summary of Key Financial Issues

25. 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 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 flexibility to capitalise transformation costs will continue to be available in 2017/18 given the approval of the Councils Efficiency Strategy, reducing the revenue impact of implementing change across the Council.
26. A number of work streams 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.
27. The budget proposals include a five-year capital programme with significant investment in the Borough's infrastructure and a number of proposed new projects.

Services Revenue Budget 2017/18

28. The movement between the current year's budget and the draft budget for 2017/18 is summarised in Table 3 below.

Table 3: Services Revenue Budget 2017/18

	Residents Services - Corporate POC £'000
Operating Budget 2016/17	18,146
Inflation	101
Corporate Items	(386)
Contingency	0
Priority Growth	40
Savings	(1,993)
Other Virements	0
Operating Budget 2017/18	16,310

Development and Risk Contingency

29. This draft budget includes provision of £3,462k of Development and Risk Contingency in 2017/18, with none provided within the Residents Services - Corporate POC group.

Priority Growth

30. This draft budget includes provision of £534k of Priority Growth in 2017/18, including £40k within the group to meet the full year cost of a Members Enquiry Monitoring Officer.

Savings

31. Savings proposals currently developed a total of £14,388k across the Council for 2017/18, including £1,669k of full year effects of prior year savings. The total savings included in the draft budget for Asset Management; ICT, Digital Strategy & Communications; Estates and Tenancy Management Services total £1,993k and are included in Appendix C.
32. The Council continues to review and challenge its existing business process through the BID Programme, with £7,222k savings to be delivered council-wide in 2017/18 through implementation of new and more efficient ways of working. BID reviews are underway across relevant Residents Services - Corporate services, with savings of £1,104k expected to be delivered through Service Transformation in 2017/18.
33. Within Business and Technical Support a BID review delivering £354k is underway, including a range of staffing efficiencies relating to the merging of the Local Land Charges and Application Processing Teams.
34. ICT savings of £750k included as Phase 2 of the review of the service are being delivered through BID. This restructure sees the reduction of 19.4 posts and a saving of £394k net of MVF. The remainder of the MTF target is planned to be delivered through a further review of non-staffing budgets. The recent centralisation of all ICT budgets should provide significant opportunities to identify non staffing savings
35. Proposals in relation to Effective Procurement include £100k of 2016/17 proposals for Facilities Management savings, with a further £332k new proposals through review of contract arrangements in this area - including use of existing in-house resources where appropriate.
36. Savings totalling £205k are being released through Zero Based Reviews in Residents Services - Corporate areas, 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 and ensure budgets are aligned to current needs and demands of the service.
37. As referred to above, legislation continues to allow local authorities to fund the revenue cost of reform projects from fixed asset receipts, supporting the delivery of more efficient and

sustainable services. Savings proposals of £252k from the capitalisation of the BID transformation team will be delivered in 2017/18.

Capital Programme

38. The capital programme for 2017/18 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.
39. 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.
40. 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 applicable to this Committee's portfolio is shown in Appendix D. Key items within the draft capital programme are:
 - Civic Centre works programme - additional funding of £500k is included to support investment in the Uxbridge Civic Centre.
 - Corporate Technology and Innovation programme - it is proposed that the former annual ICT Single Development Plan and one-off major ICT investment projects are amalgamated under one new heading. The major increase proposed relates to Microsoft ending support for Windows 7 in January 2020, by which time the Council will need to have moved to Windows 10. Additionally, with the recent improvements to wireless based communication, it is proposed to remove all staff desktops and replace with laptops. The estimated cost of this exercise is £1,508k on the general fund and £162k on the HRA.
 - Property Works programme - It is assumed that existing Programmes of Works budgets will continue at similar levels for the new MTF financial year 2021/22.

SUGGESTED COMMITTEE ACTIVITY

To be written by the O&S Team.

BACKGROUND PAPERS

Medium Term Financial Forecast 2017/18 - 2021/22 – report to Cabinet 15 December 2016