

Budget Proposals Report for Residents Services 2017/18

Contact Officer: Gregory Pike
Telephone: 01895 250562

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 Residents 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 full 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 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 Group, 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 sweeping reduction in central government funding since 2010/11, which 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.

Residents' & Environmental Services POC 24 January 2017

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 £6,676k. 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.

RESIDENTS SERVICES BUDGET PROPOSALS

Summary of Key Financial Issues

13. 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

Residents' & Environmental Services POC 24 January 2017

maximising funding opportunities and income streams which do not impact on frontline service provision. In the current financial year (2016/17) Residents Services (excluding Housing & Education and ICT & Business Support) are on track to deliver budget savings of £3.83 million.

14. 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.
15. 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.
16. In addition to preferential rates for residents the Council froze almost all Fees and Charges for residents during 2015/16, with modest increases for a small number of charges in 2016/17. 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.
17. 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 2017/18

18. The movement between the current year's budget and the draft budget for 2017/18 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 2017/18

	Residents Services £'000
Operating Budget 2016/17	56,189
Inflation	362
Corporate Items	0
Contingency	731
Priority Growth	140
Savings	(4,094)
Other Virements	0
Operating Budget 2017/18	53,328

Residents' & Environmental Services POC

24 January 2017

Development and Risk Contingency

19. 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 £3,859k for 2017/18 for the Residents Group.
20. **Waste Disposal Levy & Associated Contracts £3,559k (£831k increase from 2016/17)** - Underlying waste tonnages continue to grow in line with population growth and increasing economic activity is projected to drive on-going increases in the cost of waste disposal, with the latest modelling producing a £831k uplift in the contingency requirement for 2017/18. This movement is driven by projected growth in the West London Waste Authority Levy to reflect both population growth and the RPI up-rating of Landfill Tax, although final levy costs will remain subject to confirmation throughout 2017/18. Alongside the levy, there remains a level of risk around the Council's own waste disposal contracts which are expected to remain less expensive than WLWA provision but may vary according to prevailing market conditions.
21. **High Speed 2 & Heathrow Expansion Challenge Funds £300k (£100k reduction from 2016/17)** - This draft budget includes £200k to meet costs associated with the Council's on-going opposition to the expansion of Heathrow Airport, with a further £100k included to meet costs relating to High Speed 2.

Priority Growth

22. The draft budget includes provision of £534k of Priority Growth in 2017/18, with £140k of this figure expected to be required to support the new Museum service from autumn 2017, with the full year growth of £279k provided for from 2018/19.

Savings

23. 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 MTF. These proposals fall into five broad themes: Zero Based Reviews; Preventing Demand; Service Transformation; Effective Procurement; and Maximising Income.
24. 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 Residents Services/Group total £4,094k and are included in Appendix A.

25. A broad range of BID reviews are underway across Residents Services are expected to be delivered through Service Transformation in 2017/18.
26. Specific initiatives include the Highways and Street Lighting programme (£1,346k); restructuring of Senior Management across the group (£250k); a review to secure efficiencies from synergies in the Grounds Maintenance and Street Cleansing operations (£250k); reviews of Planning & Transportation (£212k); Parking Management (£115k), Pollution Control & Food Hygiene (£112k), Environmental Health, ASBIT & Environmental functions (£74k), Bereavement & Culture services (£52k) and a review of standby arrangements for Emergency Response Officers (£10k).
27. These proposals off-set the depletion of £424k per annum time limited DCLG funding for Weekly Collections, delivering a net £1,997k towards the broader savings requirement.
28. Savings totalling £1,615k 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.
29. Income Generation & Commercialisation proposals are expected to deliver £387k savings, including £192k from proposed Fees & Charges changes outlined below and BID reviews to identify options for commercialisation of Trade Waste (£120k) and Building Control (£75k).
30. Finally, savings of £95k are being expected to be released from the recently let Blue Collar agency contract.

Fees and Charges

31. 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.
32. Schedules detailing the proposals relating to fees and charges for 2017/18 for the Residents Services/Group are attached at Appendix B.
33. The Council continues to benchmark Fees & Charges against those of neighbouring authorities and other service providers, with charges being set at a maximum of 90% of the relevant benchmark. Amendments are proposed in the following areas:

- Highways Crossovers & Skip Licensing - It is proposed to increase both application fees for Crossover works and charges for Crossovers and Skip Licensing, while remaining under the 90% benchmark of neighbouring authorities;
- Golf Courses - A range of modest increases are proposed, while remaining under the 90% benchmark for advertised prices at local courses;
- Bereavement Services - Increasing charges across Breakspear Crematorium and the Council's Cemeteries, while remaining below the 90% benchmark;
- Riding Establishments - Increases to fees for larger establishments (more than 6 animals) to move towards 90% of neighbouring authorities over a two year period;

Capital Programme

34. 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.
35. 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.
36. 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 C. New and updated items within the draft capital programme are:
 37. Highways Structural Works - an additional £2,000k growth is included within this draft capital programme to support up to £3,000k investment in local highways infrastructure during 2017/18, with a further £1,000k per annum thereafter.
 38. Battle of Britain Heritage Project - The budget reflects the latest total project cost, which including prior years will be £5,987k.
 39. Bessingby Football and Boxing Clubhouse - latest cost estimates for the planned development have resulting in project funding being increased by £420k to £1,370k which includes prior years in this draft capital programme.
 40. Environmental & Cultural Projects - growth of £600k is included to replenish the £1,000k fund for investment in a range of Environmental & Cultural projects within the borough during 2017/18.

41. Ruislip Lido Railway Society Workshop - Replacement of the Society's workshop as the existing one has deteriorated, a new building will also be able to house a greater number of locomotives. Works have been costed at around £360k.
42. Uniter Building - This facility is located on the former site of RAF Uxbridge adjacent to the Battle of Britain Bunker and it is proposed to develop a stable and secure storage facility for the Borough's various collections of historical artifacts here. Refurbishment and the addition of services and shelving storage have been estimated at £400k.
43. Harlington Road Depot Resurfacing - it is proposed to resurface the waste yard at Harlington Road Depot at an estimated cost of £200k.

SUGGESTED COMMITTEE ACTIVITY

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

BACKGROUND PAPERS

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

Residents' & Environmental Services POC 24 January 2017

PART I – MEMBERS, PUBLIC & PRESS