

2018/19 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF CORPORATE SERVICES & PARTNERSHIPS POLICY OVERVIEW COMMITTEE

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REASON FOR ITEM

1. To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund and Housing Revenue Account budgets, alongside the Council's Capital Programme, this report sets out the draft revenue budget and Capital Programme 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 14 December 2017, these proposals are now under consultation, and the proposals for each Group are being discussed at the January cycle of Policy Overview Committees.
2. Cabinet will next consider the budget proposals on 15 February 2017, and the report will include comments received from Policy Overview Committees. At the meeting on 15 February 2018, Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2018/19, who will meet to agree the budgets and Council Tax for 2018/19 on 22 February 2018.
3. The Committee needs to consider the budget proposals as they relate to the Chief Executive's Office and Finance Groups and to the relevant service areas within the Residents 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 Chief Executive's Office and Finance Groups and to the relevant service areas within the Residents Services Group, within the context of the corporate budgetary position.

INFORMATION

Background

4. 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 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. This first report to Cabinet on the budget for 2018/19 quantifies the financial challenge faced by the Council, and outlines an approach to meeting this challenge whilst continuing to 'Put Residents First'.
5. This is the first report to Cabinet on the budget for 2018/19, building upon the position outlined in the 2017/18 budget report to Council in February 2017. In February, the savings requirement for 2018/19 was estimated to be £16,117k, which has been revised downwards following the announcement in March 2017 of £2,947k Improved Better Care Fund monies to support Adult Social Care and £2,602k Collection Fund surpluses amongst a number of

minor revisions to projections. The resulting budget gap for 2018/19 therefore stands at £10,197k, marginally lower than the £11,600k estimate from July 2017, rising to £56,107k over the five year MTFF period.

6. Groups have been developing savings proposals sufficient to meet this 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 2016/17 outturn, particularly any on-going issues;
 - The current position in 2017/18 - both monitoring and savings delivery;
 - Existing and emerging pressures which need to be addressed in the 2018/19 budget and forecasts for future years;
 - Progress on the development of savings proposals for 2018/19 and beyond;
 - Identification of any potential growth or invest-to-save bids; and
 - Capital programme requirements.
7. The consultation budget represents the combined outputs from these sessions, with sufficient savings proposals having been developed to bridge the 2018/19 budget gap. The proposed budget has been balanced without recourse to reductions in service levels or levying the Social Care precept while freezing Council Tax for all residents for a tenth successive year and funding the freeze for older persons into a twelfth year in 2018/19.

The Budget and Policy Framework Rules

8. The consultation on the budget proposals commenced on 15 December 2017 following decisions taken by Cabinet on 14 December 2017.
9. There will be a further consideration by Cabinet of the budget proposals on 15 February 2018, 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 22 February 2017, 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. The Council's financial performance during 2017/18 remains strong, with an underspend of £980k projected across revenue budgets as at September (Month 7) and £14,460k of the £15,508k savings programme either already banked or on track for delivery within the financial year. The balance of £1,048k remains on track to be delivered in full in future years.
11. The budget proposals included in this report represents the Cabinet's budget strategy for 2018/19. Revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2018/19, avoid implementation of the Social Care Precept, maintain balances and reserves at well above the minimum recommended level and continue to protect frontline services. The final funding settlement for 2018/19 and confirmation of a

number of levies payable to other public authorities will not be available until the new year and so the budget has therefore been drafted on the latest estimated position.

12. Locally raised income from Council Tax and Business Rates is expected to grow by £4,905k as a result of strong growth in taxbases, although this is off-set by a £7,172k anticipated reduction in government funding, necessitating the identification of savings to deliver a balanced budget. The two year 100% Business Rates Retention Pilot Pool for London is projected to deliver an additional £5,400k income to support local services in 2018/19, which enables the planned Use of General Balances to be reduced from £5,000k in 2017/18 to £950k in 2018/19.
13. The principal challenge in delivering a balanced budget for 2018/19 is in developing a programme of savings to meet the combined challenge of falling levels of government funding alongside inflationary pressures and the costs of increasing demand for services. Development of £7,145k savings proposals and £3,052k initiatives to contain growth in demand-led Contingency budgets - primarily through contract renewals and securing additional contributions from health partners - are sufficient to manage a potential budget gap of £10,197k as detailed in Table 1 below:

Table 1: Budget Requirement

	Movement from 2017/18 £'000	2018/19 Budget Requirement £'000
Council Tax Revenues	(4,230)	(112,929)
Business Rates Revenues	(675)	(52,989)
100% Retention Pilot Pool	(5,400)	(5,400)
Revenue Support Grant	6,389	(13,124)
Other Central Government Funding	783	(34,386)
Planned Use of General Balances	4,050	(950)
Total Resources 2018/19	917	(219,778)
<u>Budget Requirement</u>		
Roll Forward Budget		220,695
Inflation	4,577	
Corporate Items	(613)	
Contingency (Growth)	3,421	
Contingency(Management Action)	(3,052)	
New Priority Growth	1,895	
Savings Programme	(7,145)	
Budget Requirement 2018/19	(917)	219,778
Budget Surplus	0	0

14. This draft budget includes £2,699k revenue provision for Priority Growth, funded from a combination of £554k brought forward funding, £250k Earmarked Reserves and £1,895k additional resources included in the 2018/19 budget. £250k of this sum remains uncommitted at this stage, with the remainder consisting of:
 - a. £1,000k resources committed to meeting capital financing costs associated with the Council's flagship School Expansions Programme;

- b. £576k provision to support operation of a new Waste and Recycling Centre in the south of the borough, complementing the existing offer at New Years Green Lane;
 - c. £84k investment in a Bulky Waste Collection service for residents;
 - d. £250k per annum funding for the Metropolitan Police to 2022/23 in order to support the continued operation of Uxbridge Police Station, alongside further investment outlined in the capital section of this report;
 - e. £200k support for an expanded youth offer from the Council, including provision for a grant programme to support independent youth groups;
 - f. £200k additional funding for Counter Fraud Activity to ensure the Council protects its finances; and,
 - g. £139k further growth for the expanded Museums and Archives Service in addition to the £140k allocated in 2017/18.
15. The Council's capital programme has also been refreshed, with £386,370k of planned investment in local infrastructure over the period to 2022/23 including: continued delivery of school places to meet the needs of a growing population, provision for a new swimming pool in the Yiewsley / West Drayton area, further investment in the borough's highways, continued investment in bowls clubs, reprovision of the Hillingdon Outdoor Activity Centre in response to High Speed 2 and commencement of a rolling borough-wide programme of library and leisure centre refurbishment.
16. Alongside General Fund budgets, the Council's Housing Revenue Account budgets have been prepared to deliver a 1% reduction in rents for existing tenants in 2018/19, alongside a programme of investment in existing and new housing stock - including for 545 new affordable homes for residents by 2022/23, partly financed through the reinvestment of Right to Buy sale proceeds.

2018/19 GROUP BUDGET PROPOSALS

17. Budget proposals relating to services within the remit of Corporate Services & Partnerships Policy Overview Committee are presented below, with headline operating budgets for the relevant services outlined in Table 2. In addition to these base budgets to support services, more volatile or demand-led areas of activity are managed through Development and Risk Contingency - with latest projections for 2018/19 expanded upon in the following sections of this report.

Table 2: Group Budgets within Corporate Services & Partnerships Policy Overview Committee Remit

	Chief Executive's Office	Finance	Residents Services	Total
	£'000	£'000	£'000	£'000
Operating Budget 2017/18	6,320	14,166	21,890	42,376
Inflation	108	234	471	812
Priority Growth	0	200	0	200
Savings	(58)	(728)	(300)	(1,086)
Operating Budget 2018/19	6,369	13,871	22,061	42,301

Development & Risk Contingency

18. The following Contingency Items relate to services within the remit of Corporate Services & Partnerships Policy Overview Committee, providing £272k additional funding to meet the costs of service delivery in 2018/19.

- a. **Uninsured Claims (£291k provision)** - The level of contingency funding for insurance claims below current excess limits of £100k for Property and £250k for other classes is maintained at £291k for 2018/19. In addition to this contingency provision and £359k base budget, a dedicated Earmarked Reserve for general insurance claims held a further £2,523k at 1 April 2017.
- b. **Apprenticeship Levy (£381k provision)** - Latest projections for the Council's 2018/19 Apprenticeship Levy total £381k, which is provided for within Development & Risk Contingency.
- c. **Additional Investment Income (£400k contingent income)** - Greater use of strategic and long dated pooled funds is proposed for those cash balances backed by the Council's General Reserves, rather than working capital. This approach would enable returns in excess of 3% per annum to be secured on an element of the Council's cash holdings, outperforming the 0.42% rate of return seen over recent months. Taking the £15,000k minimum level of General Fund Reserves as a proxy for a cash sum which could be earmarked for longer term investments, this is expected secure £400k per annum additional income.

Priority Growth

19. As noted above, this draft budget includes £2,699k of growth proposals, including the following items relating to services within the remit of Corporate Services & Partnerships Policy Overview Committee.

- a. £200k additional funding for Counter Fraud Activity to ensure the Council protects its finances.

Savings

20. Savings proposals are focused on increased efficiency and effectiveness, rather than reduction in service provision, and fall into four broad themes; Service Transformation, Effective Procurement, Income Generation & Commercialisation and Zero Based Reviews.
- a. Service Transformation represents the majority of proposed savings, with items presented in this category ranging from the full year effect of previously implemented proposals, the implementation of agreed BID Reviews and the expected benefits arising from potential new BID Reviews.
 - b. Effective Procurement savings are similarly made up of full year effect items and proposed reviews of delivery models in a number of areas.
 - c. Income Generation & Commercialisation proposals include brought forward items for which plans are already in place, and proposed amendments to Fees and Charges discussed in the dedicated section below.
 - d. Savings proposals from Zero Based Reviews represent budgets which have been identified as being surplus to requirements through the line-by-line review of outturn 2016/17 and similar exercises being undertaken by Finance.
21. The accompanying appendix to this report provides a full schedule of savings proposals within the Corporate Services & Partnerships Policy Overview Committee remit, with proposals totalling £1,086k across the relevant service areas. An overview of this programme within each Group is outlined in the following paragraphs.
- a. **Chief Executive's Office** - A total of £58k savings have been developed across the Chief Executive's Office, with £27k expected to be secured from a review of staffing structures within Learning and Development alongside £31k from Zero Based Reviews of budgets.
 - b. **Finance** - Within Finance, £728k proposals are included within this draft budget, including £526k Service Transformation savings and £202k from Zero Based Reviews. Service Transformation proposals include £375k from a BID Review of the Finance function, £95k from Revenues & Benefits linked to digital strategy and £56k from a review of Health and Safety within Business Assurance. Zero Based Review proposals include £120k from Added Years Pension Costs, £25k from External Audit Fees and £57k from a range of other minor items across the Group.
 - c. **Residents Services** - The £300k savings within the Residents Services savings programme within the remit of Corporate Services & Partnerships Policy Overview Committee are to be delivered through the renewal of various Facilities Management contracts.
22. In addition to these service specific proposals, there are a further £628k Cross-Cutting Savings proposals relating to the remit of the Corporate Services & Partnerships POC. Throughout the remainder of the budget setting process and into the new financial year, it is anticipated that an element of these savings will be transferred into Directorate budgets as specific proposals are further developed. This total includes £250k from a broader review of the Council's Digital Strategy intended to streamline customer contact in relation to more straight forward issues, a target of £278k is retained for the further benefits of Effective

Procurement impacting on 2018/19 and a new £100k saving to reflect the planned roll out of a Supplier Early Payment Programme.

Capital Programme

23. The Council's current capital programme, as approved by Cabinet and Council in February 2017, continues to be focused on the provision of sufficient school places to meet rising demand across the borough. This programme has been reviewed and expanded to reflect a number of new initiatives as outlined above. The following key items within the 2018/19 Capital Programme fall within the remit of Corporate Services & Partnerships Policy Overview Committee:

- a. Civic Centre Works Programme (£500k budget in 2018/19)
- b. Corporate Technology & Innovation Programme (£1,064k budget in 2018/19)
- c. Property Works Programme (£480k budget in 2018/19)

BACKGROUND PAPERS

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FORECAST 2018/19 - 2022/23, presented to 14 December 2017 Cabinet Meeting