

2019/20 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF SOCIAL CARE, HOUSING AND PUBLIC HEALTH POLICY OVERVIEW COMMITTEE

Committee name	Social Care, Housing and Public Health Policy Overview Committee
Officer reporting	Iain Watters, Financial Planning Manager Peter Malewicz, Finance Manager
Papers with report	None
Ward	All

HEADLINES

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 Social Care, Housing and Public Health Policy Overview Committee, along with indicative projections for the following four years. Following consideration by Cabinet on 13 December 2018, 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 14 February 2019, and the report will include comments received from Policy Overview Committees. At the meeting on 14 February 2019 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2019/20, who will meet to agree the budgets and Council Tax for 2019/20 on 21 February 2019.
3. The Committee needs to consider the budget proposals as they relate to the Social Care Group 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.

RECOMMENDATION

4. **That the Committee notes the budget projections contained in the report and comments as appropriate on the combined budget proposals put forward by the Social Care Group and to the relevant service areas within the Resident Services Group, within the context of the corporate budgetary position.**

INFORMATION

Background

5. 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. The draft budget presented to Cabinet in December 2018 quantified the financial challenge faced by the Council, and outlined an approach to meeting this challenge whilst continuing to 'Put Residents First'.
6. The report to Cabinet on development of the Council's 2019/20 budget, which is presented in the context of a challenging medium term outlook requiring total savings of £48,155k over the four years to 2022/23. Budget proposals for 2019/20 include a thirteenth successive Council Tax freeze for over 65s and a fourth year of avoiding implementation of the Social Care Precept, which can be delivered while maintaining frontline services through a £7,776k release from General Balances and a 2.4% increase in Council Tax. This uplift in Council Tax has been limited to 90% of the average 2018/19 increases for households in the neighbouring boroughs of Ealing, Harrow and Hounslow, and equates to £26.71 per annum or £0.51 pence per week for a Band D household.
7. Groups have been developing savings proposals 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 2017/18 outturn, particularly any on-going issues arising.
 - The current position in 2018/19 - both monitoring and savings delivery.
 - Existing and emerging pressures which need to be addressed in the 2019/20 budget and forecasts for future years.
 - Progress on the development of savings proposals for 2019/20 and beyond.
 - Identification of any potential growth or invest-to-save bids.
 - Capital programme requirements.

8. The consultation budget represents the combined outputs from these sessions, with £6,358k savings proposals alongside a £7,776k release from General Balances enabling delivery of a budget without recourse to reductions in service levels or levying the Social Care precept while freezing Council Tax for the over 65s for a thirteenth successive year in 2019/20.
9. The Council's budget was presented to Cabinet in the context of a challenging medium term outlook requiring total savings of £48,155k over the four years to 2022/23, this position includes an assumed increase of Government funding of £10,000k over the four year period, but there remains a level of uncertainty due to Brexit and the upcoming Fair Funding Review.
10. Funding strategy is offset by a proposed increase in Council Tax at 2.4% in 2019/20, and indicative inflationary uplifts of 2.99% on Council Tax from 2020/21 securing £13,766k additional income. In addition to this identified savings deliver a further £6,366k and planned use of general balances leave £27,973k of savings to be identified over the next three budget cycles.

Table 1: Draft Budget Strategy 2019/20 to 2022/23

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Underlying Savings Requirement	15,868	14,439	9,213	8,635	48,155
Proposed Council Tax Increase	(2,684)	(3,509)	(3,689)	(3,884)	(13,766)
Current Savings Proposals	(6,358)	13	(20)	(1)	(6,366)
Savings to be identified	0	(13,719)	(8,504)	(5,750)	(27,973)
Unwind call on General Balances	950	7,776	5,000	2,000	N/A
In-year Call on General Balances	(7,776)	(5,000)	(2,000)	(1,000)	(15,776)
Closing General Balances	(31,836)	(26,836)	(24,836)	(23,836)	N/A

The Budget and Policy Framework Rules

11. The consultation on the budget proposals commenced on 14 December 2018 following decisions taken by Cabinet on 13 December 2018.
12. There will be a further consideration by Cabinet of the budget proposals on 14 February 2019, including comments from Policy Overview Committees. These will be collated and reported back to Cabinet by the Corporate Services, Commerce and Communities Policy Overview Committee. Council will be requested to approve the Cabinet's proposals on 21 February 2019, and if approved without further amendment they will be effective immediately.

Corporate Summary

13. 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 2018/19 remains strong, with an underspend of £241k projected across revenue budgets as at September (Month 7) and £8,805k of the £10,655k savings programme either already banked or on track for delivery within the financial year. The remaining £2,213k remain on track to be delivered in full in future years.
14. The budget proposals included in this report represents the Cabinet's budget strategy for 2019/20. Revenue budget proposals have been developed to deliver a zero increase in Council Tax for 65s and over for 2019/20, 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 2019/20 and confirmation of a number of levies payable to other public authorities will not be confirmed until early 2019, however no material movements are expected and it is expected that variations will be managed through flexing the planned use of General Balances.
15. Recurrent funding available to support the budget requirement is projected to total £213,671k in 2019/20, inclusive of £2,684k additional income linked to the proposed 2.4% increase in Council Tax to protect front line services for residents. This recurrent funding is supplemented by £15,466k of one-off funding including £6,600k additional income from the London Business Rates Pilot Pool and a £7,776k release from General Balances to support the £229,137k projected cost of delivering services in 2019/20.
16. The Council's draft budget strategy is to align the profile of budget proposals to deliver a budget for 2019/20, while maintaining unallocated reserves between £15,000k and £32,000k. The development of £5,077k savings proposals and £1,281k initiatives to contain growth in demand-led Contingency budgets - primarily through contract renewals and securing additional contributions from health partners - are sufficient to reduce the budget gap to £7,776k, which it is proposed to cover through the drawdown from General Reserves, as detailed in Table 2 below.

Table 2: Budget Requirement

	Movement from 2018/19 £'000	2019/20 Budget Requirement £'000
Recurrent Funding	(2,296)	(213,671)
One-Off Funding (less use of General Balances)	1,271	(7,690)
Total Resources	(1,025)	(221,361)
Roll Forward Budget		220,336
Inflation	7,473	
Corporate Items	949	
Contingency (Service Pressures)	5,875	
Priority Growth	862	15,159
Gross Budget Requirement		235,495
Savings Requirement		14,134
Contingency (Management Action)	(1,281)	
Savings	(5,077)	(6,358)
Net Budget Requirement		229,137
Budget Gap		7,776
Planned Use of General Balances		7,776

17. This draft budget includes £862k new funding for Priority Growth items, which together with £20k of brought forward resources will support £632k specific initiatives and £250k unallocated growth available to meet emerging requirements. Specific growth proposals include £34k for a Freedom of Information and Subject Access Requests officer, £188k towards an enhanced CCTV / Community Safety offer, a £250k increase in Ruislip Lido budgets to maintain the current service offer, an increase in Voluntary Sector Grants of £100k and £60k for a new Domestic Violence post.

18. An update on the Council's capital programme is also presented in this report, with £448,812k of planned investment in local infrastructure over the period 2018/19 to 2023/24. This includes a new swimming pool in the Yiewsley / West Drayton area, a major programme of investment in the borough's highways and reprovision of the Hillingdon Outdoor Activity Centre in response to High Speed 2. Financing costs associated with implementation of this programme are the principal driver behind the £949k Corporate Items.

2019/20 GROUP BUDGET PROPOSALS

19. Budget proposals relating to services within the remit of Social Care, Housing and Public Health Policy Overview Committee are presented below, with headline operating budgets for the relevant services outlined in Table 3. 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 2019/20 expanded upon in the following sections of this report.

Table 3: Group Budgets within Social Care, Housing and Public Health Policy Overview Committee Remit

	Residents Services £'000	Social Care £'000	Total £'000
Operating Budget 2018/19	18,026	113,700	131,726
Inflation	107	3,145	3,252
Corporate Items	0	0	0
Contingency	(664)	4,420	3,756
Priority Growth	0	0	0
Savings	(48)	(1,583)	(1,631)
Operating Budget 2019/20	17,421	119,682	137,103

Development & Risk Contingency

20. The following Contingency Items relate to services within the remit of Social Care, Housing and Public Health Policy overview Committee, providing £3,756k additional funding to meet the costs of service delivery in 2019/20 over and above operating budgets. This sum captures the impact of £1,281k management action to mitigate increases in costs where possible.

Service Pressures – Demographic Growth Items

- a. Support for Looked after Children (£3,273k provision, £2,870k growth from 2018/19) – During 2018/19 there has been a significant increase in the number of Looked after Children being supported by the Council, with 252 placements in August 2018 representing an increase of 31 on August 2017. This level of growth is anticipated to continue over the remainder of this financial year, which together with higher residential placement costs results in a £2,870k uplift in the previous contingency requirement.
- b. Support for Children with Disabilities (£1,017k provision, £650k growth from 2018/19) – Alongside Looked after Children, Children with Disabilities

continues to see growth in placement numbers necessitating a £650k uplift in the contingency requirement for 2019/20.

- c. Adult Social Care Placements (£2,987k provision, £1,223k growth from 2018/19) – An uplift in the cost of care placements is projected for 2019/20, reflecting underlying growth of 1.9% in the over 65 population and 1.3% in the population with moderate to severe learning difficulties. This underlying growth in demand is expected to translate into an additional £1,223k net expenditure on care placements as new working age clients transition into the service, with effective management of the front door and service delivery models continuing to support independence and avoiding any uplift in the cost of Older People’s Care placements.

Service Pressures – Risk Items

- d. Social Worker Agency (£571k provision, £294k increase from 2018/19) – The recruitment and retention of professional Social Work staff remains a challenge across the sector, which necessitates a reliance on agency staff with associated cost premiums. For 2019/20 it is projected that 25% of hard to fill posts will require agency cover at an additional cost of £571k, this represents an uplift from 2018/19 which assumed this could reduce to 10%.

Management Action

- e. Homelessness Prevention (£664k management action, £664k increase from 2018/19) – The Council has been successful in minimising reliance upon more expensive Bed and Breakfast accommodation during 2018/19, which in addition to the service benefits contributes towards a substantial reduction in the net cost of homeless prevention. In addition, continuing use of incentives to secure sustainable tenancies contributes towards this expected saving which will continue to be closely monitored into 2019/20.
- f. Social Worker Agency (£294k management action, £294k increase from 2018/19) – The Council is investigating alternative procurement routes for Social Work agency staff with indications that a lower premium could be secured through an alternative provider. Should this initiative prove successful, a reduction in cost of £294k is anticipated.
- g. Adult Social Care Placements (£1,049k management action, £323k increase from 2018/19) – Savings of £886k are expected to be delivered from the opening of the Council’s two new Extra Care sites at Grassy Meadows Court and Parkview, with £606k of this sum included in the 2018/19 budget and £260k full year effect in 2019/20. In addition to these savings from reduced reliance upon residential care packages, an additional £183k income is expected to be secured by aligning client contribution rates

for self-funders to the actual cost of care which was agreed by Cabinet in October 2018.

Savings

21. Savings proposals are focused on increased efficiency and effectiveness, rather than reduction in service provision, and fall into four broad themes; Service Transformation, 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. 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.
- c. 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 2017/18 and similar exercises being undertaken by Finance.

22. The accompanying appendix to this report provides a full schedule of savings proposals within the Social Care, Housing and Public Health Policy Overview Committee remit, with proposals totalling £1,631k across the relevant service areas. An overview of this programme within each Group is outlined in the following paragraphs.

Residents Services

23. Savings proposals totalling £48k are presented for Residents Services in 2019/20, made up entirely from Zero Based Reviews.

Social Care

24. Across Social Care, savings proposals totalling £1,583k have been identified for 2019/20. Proposals include £430k service transformation savings, £1,198k income generation proposals linked to joint funding of packages by local health partners and a net £46k adverse movement from zero based budgeting as the benefits of the Troubled Families scheme decline.

Cross Cutting

25. Cross Cutting initiatives include a net £600k contribution from BID Reviews and Service Transformation activity to be undertaken during 2018/19 and 2019/20, including the initial outputs from a refreshed BID Programme. Alongside these reviews, the recently completed review of long-term vacant posts has identified £804k of zero based budgeting savings where posts can be deleted without impacting on service standards, £185k of which is within the remit of the Social Care, Housing and Public Health Policy Overview Committee. Net savings of £400k have been identified through Zero Based Budgeting activity across the Council.

Housing Revenue Account

26. Budget proposals for 2019/20 are based on the eighth full year of self-financing for the Housing Revenue Account. Under self-financing, the regulations maintain a ring-fence around the Council's provision of housing, the cost of which is fully supported by rental income.

27. This budget includes the 1% per annum reduction in rents up to 2019/20 and thereafter an increase of CPI+1% to reflect latest Government policy, whilst providing for substantial investment in new General Needs and Supported Living units. There is also no change to the HRA rent policy. The estimated impact of the High Value Voids levy proposal has been removed from the budget assumptions as the Government recently confirmed this would no longer be implemented.

28. The movement from the 2018/19 baseline to the 2019/20 budget requirement is summarised below, with rental income projections and budget requirement levels updated and refreshed. The budget includes a contribution to support in-year capital investment of £18,759k and £963k use of HRA General Balances. This planned use of balances reflects increased investment in new housing stock, and the underlying financial position of the HRA remains robust.

Table 12: HRA Budget Requirement

	£'000
<u>Funding Sources</u>	
Rental Income	56,132
Total Resources	56,132
Budget Requirement 2018/19	38,366
Inflation	313
Corporate Items	552
Development and Risk Contingency	(480)
Savings	(415)
Budget Requirement 2019/20	38,336
Contribution to Finance Capital Programme	18,759

Surplus / (Deficit)	(963)
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Rental & Other Income

29. Rental income projections have been fully refreshed to take account of revised estimates for the movement in the numbers of properties due to new builds, properties being sold under the RTB scheme and the Government's proposal to not implement the High Value Voids Levy, which may have necessitated sales to offset the Levy. This budget has been prepared on the assumption that the RTB sales remain at 60 per annum from 2019/20 to 2022/23.

Inflation

30. A net inflation provision of £313k is included in the 2019/20 budget. This relates to inflation of £464k on salary and operating costs and £151k inflation on charges to tenants and leaseholders.

Corporate Items

31. Movements contained within Corporate Items include changes in provision for capital financing costs, changes in balances and other presentational changes. The total movement of £552k shown in Appendix 10b consists of £538k realignment of budgets relating extra care housing management provision, council tax and NNDR on void properties; repairs and planned maintenance; and ICT, and the remaining £14k relates to a reduction in interest earned on reduced balances.

Development & Risk Contingency

32. The HRA budget includes contingency budgets totalling £1,260k to meet emerging risks and pressures during 2019/20. This budget has reduced by £480k from £1,740k to £1,260k. The budget has a notional future development provision of £180k; General Contingency £680k which includes housing zone costs of £500k; and £400k contingency for exceptional items over and above the £1,700k provision for doubtful debts. The latter has been reduced by £480k reflecting a review of the anticipated requirements and previous drawdowns.

Savings

33. A number of savings totalling £794k have been identified and built into the proposed budget, these include the saving from the outsourcing of the Telecare service, the majority of which is funded by the HRA of £327k per annum, a saving of £157k for a housing service efficiency review and £310k saving resulting from

the zero based budget review of the repairs and planned maintenance programmes.

2019/20 - 2023/24 CAPITAL PROGRAMME

34. The HRA Capital programme budget includes £65,421k for the other HRA programmes of work including provision for investment in existing housing stock of £55,565k, £9,515k of funding for major adaptations to properties, £260k for communal scooter stores and £81k for HRA technology and innovation. This level of provision reflects the latest programme of works proposals including inflation aligned to BCIS indices.

35. The capital programme contains provision of £159,729k to fund delivery of 428 new homes within the HRA over the period to 2023/24. These new build units will be financed from a combination of Capital Receipts from Right-to-Buy property sales retained under the 1:1 Replacement Agreement and non Right-to Buy receipts, direct revenue contributions from the HRA, GLA grant and borrowing.

Implications on related Council policies

Comments from the Committee will feed into the annual budget decision-making process to Cabinet and Council.

How this report benefits Hillingdon residents

None at this stage, pending any comments considered by Cabinet.

Financial Implications

This report has been prepared by Corporate Finance and financial implications are addressed throughout the report.

Legal Implications

None.

BACKGROUND PAPERS

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FOECAST 2019/20 - 2023/24, presented to 13 December 2018 Cabinet Meeting