

2019 / 20 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF CORPORATE SERVICES, COMMERCE AND COMMUNITIES POLICY OVERVIEW COMMITTEE

Committee name	Corporate Services, Commerce and Communities Policy Overview Committee
Officer reporting	Gemma McNamara / Andy Goodwin, Finance
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 Corporate Services, Commerce and Communities Policy Overview Committee, along with indicative projections for the following three years. Following consideration by Cabinet on 17 December 2019, 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 13 February 2020, and the report will include comments received from Policy Overview Committees. At the meeting on 13 February 2020, Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2020/21, who will meet to agree the budgets and Council Tax for 2020/21 on 20 February 2019.
3. The Committee needs to consider the budget proposals as they relate to the Chief Executive's Office and Finance and to the relevant service areas within Residents Services, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

RECOMMENDATION:

That the Committee note the budget projections contained 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.

SUPPORTING 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

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Corporate Services, Commerce & Communities Policy Overview Committee – 14 January 2020

2010/11, with 2020/21 being the first year with an improved funding settlement this decade, albeit with increases in expenditure outstripping additional funding. Alongside the reduction in funding since 2010/11, 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 2019 quantified the financial challenge faced by the Council, and outlined an approach to meeting this challenge whilst continuing to 'Put Residents First'.

5. The report to Cabinet on development of the Council's 2020/21 budget, which is presented in the context of a challenging medium term outlook requiring total savings of £41,733k over the three years to 2022/23. Budget proposals for 2020/21 include a fourteenth successive year for supporting over 65s meet their Council Tax liability and includes a number of new investments including a new Leisure Centre in West Drayton, a major programme of investment in the borough's highways, a programme of sports club rebuild / refurbishments, a libraries refurbishment programme, provision for investment in Youth infrastructure and the potential purchase of Uxbridge police station.
6. In order to protect frontline services and continue to provide services that residents value, the 2020/21 budget proposals include a drawdown from General Balances of £6,386k alongside a 3.8% increase in the headline rate of Council Tax, increasing available funding by £4,422k per annum. This comprises a core Council Tax increase of 1.8% based on 90% of the 2% anticipated increase across London, alongside a 2% increase relating to an Adult Social Care Precept to fund ongoing pressures within Adult Social Care, which equates to £43.31 per annum or £0.83 pence per week for a Band D household.
7. 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 2018/19 outturn, particularly any ongoing issues arising.
 - The current position in 2019/20 - both monitoring and savings delivery.
 - Existing and emerging pressures that need to be addressed in the 2020/21 budget and forecasts for future years.
 - Progress on the development of savings proposals for 2020/21 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 £6,713k savings proposals alongside a £6,386k release from General Balances in 2020/21 enabling delivery of a budget without recourse to reductions in service levels.

9. The Council's budget was presented to Cabinet in the context of a challenging medium term outlook with a budget gap of £41,733k to be managed through a combination of savings and Council Tax uplifts over the three years to 2022/23. This position takes into account the favourable outcome of Spending Review 2019, which broadly secures the previously anticipated £10m uplift in funding over the medium term with significant front-loading of new social care grants in 2020/21, but there remains a level of uncertainty due to Brexit and the upcoming Fair Funding Review.
10. The funding strategy is offset by a proposed increase in Council Tax at 3.8% in 2020/21, and indicative inflationary uplifts of 3.8% on Council Tax from 2021/22 securing £14,100k additional income. In addition to this, identified savings deliver a further £7,676k over the three year period, alongside the planned use of general balances leaves £19,957k of savings to be identified over the remaining two budget cycles.

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

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2020/21 - 23 £'000
Underlying Savings Requirement	16,119	9,745	12,684	11,528	33,957
Unwind Prior Use of Balances	950	7,776	6,386	3,000	7,776
Total Savings Requirement	17,069	17,521	19,070	14,528	41,733
Current Savings Proposals	(6,609)	(6,713)	(760)	(203)	(7,676)
Proposed 3.8% Council Tax Increase	(2,684)	(4,422)	(4,695)	(4,983)	(14,100)
In-year Call on General Balances	(7,776)	(6,386)	(3,000)	0	N/A
Savings to be identified	0	0	10,615	9,342	19,957
Closing General Balances	(33,178)	(26,792)	(23,792)	(23,792)	N/A

11. The above strategy continues to include the planned release of General Balances while maintaining unallocated reserves within the recommended range for Hillingdon of £15,000k to £32,000k. While a review of the range of risks facing the Council does not indicate a change to this range will be necessary at the moment, there remains a level of uncertainty around treatment of historic retained DSG deficits.
12. As at Month 7, an in-year pressure of £5,092k is reported against the DSG, resulting in a cumulative deficit of £13,584k by 31 March 2020. While the Department for Education are clear that they do not expect any such deficit to be financed from General Reserves, local authorities are awaiting further detailed guidance from CIPFA and the Government on how this expectation can be delivered in practice. In the meantime, the Council will continue to comply with directions from the Government and await clarification on how the DSG deficit will be dealt with going forward.

The Budget and Policy Framework Rules

13. The public consultation on the budget proposals commenced on 18 December 2019 following decisions taken by Cabinet on 17 December 2019.
14. There will be a further consideration by Cabinet of the budget proposals on 13 February 2019, including comments from Policy Overview Committees and the public consultation. 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 20 February 2020, and if approved without further amendment they will be effective immediately.

Corporate Summary

15. 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 2019/20 remains strong, with an underspend of £610k projected across revenue budgets as at September (Month 7) and £7,271k of the £8,141k savings programme either already banked or on track for delivery within the financial year. The remaining £870k remain on track to be delivered in full in future years.
16. The budget proposals included in this report represents the Cabinet's budget strategy for 2020/21. Revenue budget proposals have been developed to continue to support the over 65s meet their Council Tax liability by continuing the older people discount, increasing the benefit to cover the 1.8% increase in Council Tax before the Social Care Precept and maintaining balances and reserves at well above the minimum recommended level and continue to protect frontline services. The final funding settlement for 2020/21 and confirmation of a number of levies payable to other public authorities will not be confirmed until early 2020.
17. Recurrent funding available to support the budget requirement is projected to total £226,500k in 2020/21, inclusive of £4,422k additional income linked to the proposed 3.8% increase in Council Tax to protect front line services for residents. This recurrent funding is supplemented by £7,754k of one-off funding including £825k additional income from the London Business Rates Pool and a £6,386k release from General Balances to support the £234,254k projected cost of delivering services in 2020/21.
18. The Council's draft budget strategy is to align the profile of budget proposals to deliver a budget for 2020/21, while maintaining unallocated reserves between £15,000k and £32,000k. The development of £6,036k savings proposals and £677k initiatives to contain growth in demand-led Contingency budgets - primarily through contract renewals and demand management - are sufficient to reduce the budget gap to £6,386k, which it is proposed to cover through the drawdown from General Reserves, as detailed in Table 2 below:

Table 2: Budget Requirement

	Movement from 2019/20 £'000	2020/21 Budget Requirement £'000
Recurrent Funding	(7,562)	(222,078)
Council Tax Increase (3.8%)		(4,422)
One-Off Funding	6,268	(1,368)
Planned Use of General Balances		(6,386)
Total Resources	(1,294)	(234,254)
Roll Forward Budget		229,928
Inflation	6,222	
Corporate Items	664	
Contingency (Service Pressures)	4,260	
Priority Growth	(107)	11,039
Budget Requirement		240,967
Gross Savings Requirement		6,713
Contingency (Management Action)	(677)	
Savings	(6,036)	(6,713)
Net Budget Gap		0

19. This draft budget includes £543k new funding for Priority Growth items, with specific growth proposals including additional staffing in the Anti-Social Behaviour and Environment Team, a new Planning lawyer, support for additional duties from the Environment Bill, Patrol Officers at Little Britain Lake, a Military Curator at the Battle of Britain Bunker, additional resources in the Licensing Team and additional support for Domestic Violence.
20. An update of the Council's capital programme is also presented in this report, with £444,858k of planned investment in local infrastructure over the period 2019/20 to 2024/25. This includes a new Leisure centre in West Drayton, a major programme of investment in the Borough's highways, a programme of sports club rebuild/refurbishments, a libraries refurbishment programme, provision for investment in Youth infrastructure and the potential purchase of Uxbridge police station. The programme is supported by £120,931k of external funding, £77,883k of capital receipts from the disposal of surplus assets and Community Infrastructure levy alongside £246,044k of Prudential Borrowing. Financing costs associated with implementation of this programme are the principal driver behind the £664k Corporate Items and are forecast to grow to £12,445k by 2024/25.

2019/20 GROUP BUDGET PROPOSALS

21. Budget proposals relating to services within the remit of Corporate Services, Commerce and Communities 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 2020/21 expanded upon in the following sections of this report.

Table 3: Group Budgets within Corporate Services, Commerce and Communities Policy Overview Committee Remit

	Chief Executive's Office £'000	Finance £'000	Residents Services £'000	Total £'000
Operating Budget 2019/20	2,537	4,953	2,736	10,226
Inflation	138	209	490	837
Corporate Items	0	0	0	0
Contingency (Service Pressures)	0	0	0	0
Priority Growth	163	0	0	163
Savings (including Management Action)	(31)	(228)	(200)	(459)
Operating Budget 2020/21	2,807	4,934	3,026	10,767

Priority Growth

22. This draft budget includes £163k of funding for Priority Growth items based on new growth proposals identified, with funding held in Earmarked Reserves being available for any new and emerging Priority Growth proposals during the year, proposals incorporated in the budget at this time are:

- i. £113k for a Planning Lawyer.
- ii. £50k to strengthen the Council's Domestic Violence support.

Savings

23. The following paragraphs provide an overview of savings proposals included in this draft budget. These include efficiency savings and other measures reducing the cost of service delivery without impacting upon service. As in previous years, savings measures fall into four broad themes:

- 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 recently 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; and,

- 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 2018/19 and similar exercises being undertaken by Finance.

Pump Priming Savings and Flexible Use of Capital Receipts

24. The Council is currently permitted to finance the costs associated with service transformation from Capital Receipts, with both one-off implementation costs and the support for service transformation, including the BID team, being funded from this resource. This draft budget has been prepared on the basis that such implementation costs for the 2020/21 savings programme, estimated at £3,750k, will be financed from a combination of Capital Receipts and Earmarked Reserves as appropriate.

Chief Executive's Office

25. A total of £31k service transformation savings proposals have been presented in relation to the Chief Executive's Office for 2020/21 from a remodelling of Human Resources. Full year effects from the proposal are expected to increase these savings in future years to deliver £49k by 2021/22.

Finance

26. Within Finance, £228k of proposals are presented for 2020/21 through service transformation from the Exchequer and Business Assurances Services service review. A further £190k full year effect is expected from the Exchequer and Business Assurances Services service review, taking the total full year effect saving for Finance to £418k.

Residents Services

27. Savings proposals totalling £200k are presented for Residents Services in 2020/21, all of which is coming from procurement efficiencies.
28. A £200k proposal has been built into the position from the transitioning from running dual applications across Microsoft Office and Google as the Council transitions to a single product, Microsoft Office 365.

Capital Programme

29. The Council's current capital programme, as approved by Cabinet and Council in February 2019, 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 amendments items within the Capital Programme fall within the remit of Corporate Services, Commerce and Communities Policy Overview Committee.

- i. Uxbridge Police Station – Purchase of the Uxbridge Police Station at a cost of £5,000k.

- ii. Property Works Programme – Additional investment required of £4,848k for the upkeep of various Council properties across the borough over the next five years.
- iii. Civic Centre Programme – Increased investment required for continuing upkeep of Civic Centre based on identified works over next five years adds £2,442k.
- iv. Corporate Technology & Innovation – A £2,284k additional ICT investment is required to fund a desktop and laptop refresh project, associated Windows 10 licenses and Cloud migration costs.
- v. Uxbridge Mortuary Extension – It is planned to extend the building, increasing space for training, post mortems, body reception and fridges at a cost of £1,231k, with a 50% contribution being sought from the London Borough of Ealing generating £615k towards the project as the mortuary covers both authorities' populations.
- vi. CCTV – The existing programme has been increased by £342k to support the ongoing CCTV programme across the Borough.
- vii. Equipment Capitalisation – Increase in equipment capitalisation budget required as forecast demand for the supply of bulk waste and recycling bins to customers of the Business Waste Service is expected to increase in 2020/21 adding £260k.
- viii. Woodside Surgery – Following feedback from Hillingdon Clinical Commissioning Group, it is being proposed that the Woodside Surgery is removed from the Capital Programme, reducing the overall spend by £1,939k, with evidence suggesting that there is sufficient level of supply in the area.
- ix. Yiewsley Development – The approved budget is based on original plans for 72 discounted market sale units (General Fund) and 12 supported housing units (HRA) at two development sites, Falling Lane and Otterfield Road. Further investigation of options for these two developments has identified scope to intensify the development to include 107 units and potentially deliver an element through a development partner, resulting in a net £797k increase in the projected surplus on the project.

BACKGROUND PAPERS

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FOECAST 2020/21 - 2024/25, presented to 17 December 2019 Cabinet Meeting