

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

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

HEADLINES

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 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.

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.

The Committee needs to consider the budget proposals as they relate to Social Care 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.

RECOMMENDATIONS

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 Residents Services Group, within the context of the corporate budgetary position.

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SUPPORTING INFORMATION

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, 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'.
2. 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.
3. 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.
4. 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.

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- 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.
5. 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.
 6. 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.
 7. 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	2020/21	2021/22	2022/23	2020/21 - 23
	£'000	£'000	£'000	£'000	£'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

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.

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

The public consultation on the budget proposals commenced on 18 December 2019 following decisions taken by Cabinet on 17 December 2019.

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

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.

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.

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.

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

8. 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.
9. 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.

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2019/20 GROUP BUDGET PROPOSALS

10. 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 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

	Residents Services	Social Care	Total
	£'000	£'000	£'000
Operating Budget 2019/20	17,418	117,876	135,294
Inflation	72	2,675	2,747
Corporate Items	0	0	0
Contingency (Service Pressures)	0	1,607	1,607
Priority Growth	0	0	0
Savings (including Management Action)	(378)	(2,972)	(3,350)
Operating Budget 2020/21	17,112	119,186	136,298

Savings

11. 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.

- 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

12. 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.

Residents Services

13. Savings proposals totalling £350k are presented for Residents Services in 2020/21, all of which relate to service transformation items. Two proposals have been included, with one proposal for £100k being to introduce a Selective Landlord Licensing Scheme to be applied to designated areas of the Borough to promote improved standards in the private rented sector.
14. The remaining £250k balance of the £350k Transformation savings comes from Management Action against the Homelessness Contingency.
15. 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.

Social Care

16. Across Social Care, savings proposals totalling £2,772k have been put forward, with £1,146k of these proposals relating to Service Transformation, with a further £1,009k coming from Effective Procurement and the remaining £617k being delivered by Zero Based Reviews. In addition to the £2,772k of proposals in 2020/21, a further £100k of full year effect saving is included for 2021/22.
17. Within Service Transformation, 2 BID reviews are proposed for consideration including a review of Children and Family Development Services (£213k) to come

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from reshaping service delivery, with a full year effect of £313k achieved by 2021/22 and a review of the Occupational Therapy service delivery model (£269k) indicating efficiencies from moving to a mixed service delivery with a part outsourced, part in-house service model.

18. Two further savings are proposed within Service Transformation including a SEND review targeting early intervention and support (£161k) with a transfer of posts from the General Fund to the Dedicated Schools Grant (DSG), with efficiencies within the DSG expected to absorb the additional cost and a transfer of the Mental Health Service's team to be managed in-house (£123k) with £110k relating to the impact of withdrawing from the Section 75 Agreement and a minor £13k relating to staffing costs.
19. The final element within the Service Transformation total is a £380k saving expected to come from a BID review of the Social Care support function, which has been broken down into 4 workstreams covering:
 - i. the Early Intervention and Prevention Service;
 - ii. Brokerage;
 - iii. the impact of the roll out of the new Liquid Logic system (with the main focus starting on the SEND service);
 - iv. Continuous review of Social Care structures to be considered as part of the Social Care Programme Board workload.
20. Within the Effective Procurement saving, £732k centres around the review of the Children's semi-independent living provision and contracts, with the rationalisation of existing contracts including the decommissioning of Olympic House (£424k), more effective use of existing provision, releasing Ventura House to be fully utilised by Housing (£295k) and maximising the use of block contracts, thereby producing an efficiency against spot purchases (£13k).
21. In addition to this, £277k has taken out through Management Action against the Social Worker Agency Contract with contracting arrangements for the provision of interim Social Workers and other professionally qualified workers having resulted in a significant drop in the premium paid per worker. In addition to this, the department's outturn position for 2018/19 suggests that staffing budgets are sufficient in this area to cover the cost of agency staff, with budget monitoring in 2019/20 supporting this view, it is therefore being proposed that this item is no longer required.

22. Zero Based Review savings reflect £617k spend on client equipment that will be funded from capital grant within the broader Better Care Fund, producing a net benefit for the department's revenue position.

Cross Cutting

23. Cross cutting initiatives include the recently completed review of the Managed Vacancy Factor that has identified £228k of zero based budgeting savings where high turnover in certain areas of the Council mean that the Managed Vacancy Factor can be increased without impacting on service standards. Where £28k of this relates to Resident's Services and £200k relates to Social Care.

Capital Programme

24. 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 the Social Care, Housing and Public Health Policy Overview Committee.
- i. Social Care Equipment – This proposal is centred around making more effective use of the Better Care Fund (BCF) and Disabled Facilities Grant (DFG) by switching this capital resource for revenue monies currently managed by the CCG. This approach sees £4,448k additional expenditure routed through the Council's capital programme, ensuring that the grant is fully deployed and delivering a £617k saving to the General Fund on top of banking the £570k at risk element of the 2018/19 saving for maximising CCG income.
 - ii. With agreement from the CCG in place, this proposal has been made to add £4,448k to Capital budgets, and will also ensure the Council maximise its use of the DFG, reducing the net increase in the Capital Programme by £1,324k.

Housing Revenue Account

25. The budget proposals for 2020/21 are based on the ninth 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.
26. This budget includes rent increases of CPI+1% per annum from 2020/21 to 2024/25 to reflect Government policy, whilst providing for substantial investment

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in new General Needs and Supported Living units. There is also no change to the HRA rent policy.

Table 4: HRA Budget Requirement

	£'000	£'000
<u>Funding Sources</u>		
Rental Income	57,872	
Total Resources		57,872
Budget Requirement 2019/20	38,611	
Inflation	482	
Corporate Items	430	
Savings	(384)	
Budget Requirement 2020/21		39,139
Contribution to Finance Capital Programme		18,733
Contribution to Earmarked Reserves		2,041
Surplus / (Deficit)		(2,041)

Rental Income

27. 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. This budget has been prepared on the assumption that the RTB sales are 50 per annum from 2020/21 to 2023/24 and 40 for 2024/25.

28. Rental increases revert to CPI+1% in 2020/21 in line with the MHCLG confirmation in October 2018 of a 5 year rent settlement whereby the social housing rent increase will be limited to CPI+1% per annum between 2020/21 to 2024/25. At this stage it is assumed that the 1% provision for income losses arising from void properties will remain at this level, resulting in net dwelling rents of £57,872k in 2020/21.

Inflation

29. A net inflation provision of £482k is included in the 2020/21 budget. This relates to inflation of £373k on salary and operating costs of which £150k is for agency worker regulations, £299k on repairs and planned maintenance and £190k inflation on charges to tenants and leaseholders.

Corporate Items

30. Movements contained within Corporate Items total £430k in 2020/21 as shown in Table 4. This consists of realignment of budgets relating to building safety £131k, caretaking provision of £129k, tenancy services provision of £91k, HRA waste recycling costs of £44k and extra care sites cleaning contracts of £35k.

Development & Risk Contingency

31. The HRA budget includes contingency budgets totalling £1,260k to meet emerging risks and pressures during 2020/21. This budget remains unchanged and is for future development provision of £180k; General Contingency of £680k which includes £500k for housing regeneration costs; and bad debts provision of £400k.

Savings

32. The 2020/21 proposed savings totalling £384k are shown in Table 4 and relate to housing service efficiency reviews £196k; zero based reviews £140k and the full year effect of prior year BID review savings £48k.

2020/21 - 2024/25 CAPITAL PROGRAMME

33. The HRA Capital programme budget includes £63,457k for the other HRA programmes of work including provision for investment in existing housing stock of £53,699k and £9,758k of funding for major adaptations to properties. This level of provision reflects the latest programme of works proposals including inflation aligned to BCIS indices.

34. The capital programme contains provision of £137,739k to fund delivery of 495 new homes within the HRA over the period to 2024/25. 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 findings approved 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 2020/21 - 2024/25, presented to 17 December 2019 Cabinet Meeting