

2021/22 BUDGET PROPOSALS FOR SERVICES WITHIN THE REMIT OF CORPORATE SERVICES, COMMERCE & COMMUNITIES POLICY OVERVIEW COMMITTEE

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REASONS 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, Commerce & Communities Policy Overview Committee. Following consideration by Cabinet on 10 December 2020, 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 18 February 2021, and the report will include comments received from Policy Overview Committees. At the meeting on 18 February 2021 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2021/22, who will meet to agree the budgets and Council Tax for 2021/22 on 25 February 2021.
3. The Committee needs to consider the budget proposals as they relate to the relevant service areas within the Finance, Social Care, Environment, Education & Community Services, Building Services, Transport & Business Improvement and Corporate Resources & Services Groups, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

RECOMMENDATIONS

4. It is recommended that the Committee notes the budget projections contained in the report and comments as appropriate on the combined budget proposals affecting the relevant service areas within the Finance, Social Care, Environment, Education & Community Services, Building Services, Transport & Business Improvement and Corporate Resources & Services Groups, within the context of the corporate budgetary position.

BACKGROUND

5. The Council continues to operate within a reduced funding envelope following marked reductions in central government funding over the period since 2010/11, and although funding levels have stabilised since 2019/20 there remains an element of the legacy grant cuts being financed through releases from General Balances. Alongside the funding challenge, continuing demographic and demand pressures and a return to an inflationary environment over the medium term will necessitate delivery of further substantial savings. This report to Cabinet on the budget for 2021/22 quantifies the financial challenge faced by the Council over the medium term and outlines an approach to meeting this challenge whilst continuing to 'Put Residents First'.

6. This report to Cabinet on the budget for 2021/22, building upon the position outlined in the 2020/21 budget report to Council in February 2020, the outturn position for the 2019/20 financial year and experience to date during 2020/21 alongside latest projections and an assessment of the financial impact of the proposed savings programme. This background to development of the 2021/22 budget is outlined below, with the following sections of this report setting out the resulting budget proposals for the new financial year.

2020/21 Budget

7. At the time of Council Tax setting for the current year in February 2020, it was anticipated that this combination of inflationary pressures, growing demand for services and increased capital financing costs would generate an underlying savings requirement of £34,954k over the period 2021/22 to 2023/24. In addition, it was planned to step down use of General Balances from £6,334k in 2020/21 to zero over two years which would increase the total savings requirement to £41,288k.
8. The budget strategy presented to Cabinet and Council assumed that use of the Social Care Precept and inflationary growth in Council Tax (pegged at 90% of the maximum permissible level) would generate £14,959k, with £1,113k full year effects from approved savings proposals reducing the residual budget gap to £25,216k for 2021/22 to 2023/24 as set out below.

Table 1: February 2020 Budget Strategy

	2020/21	2021/22	2022/23	2023/24	Current MTF
	£'000	£'000	£'000	£'000	£'000
Underlying Savings Requirement	9,792	12,765	11,529	10,660	34,954
Unwind Prior Use of Balances	7,776	6,334	3,000	0	6,334
Total Savings Requirement	17,568	19,099	14,529	10,660	41,288
Proposed Council Tax Increase	(4,421)	(4,695)	(4,983)	(5,281)	(14,959)
In-year Call on General Balances	(6,334)	(3,000)	0	0	0
Current Savings Proposals	(6,813)	(760)	(203)	(150)	(1,113)
Savings to be identified	0	10,644	9,343	5,229	25,216
Closing General Balances	(27,905)	(24,905)	(24,905)	(24,905)	N/A

9. This approach was expected to reduce unallocated General Balances to £24,905k, providing a level of headroom against the £15,000k minimum level of balances required to manage risks in an authority such as Hillingdon. To avoid further depletion of balances, this strategy necessitated the delivery of approximately £10,000k savings over the two budget setting cycles in 2021/22 and 2022/23. Beyond this timeframe, projections were for an annual savings requirement of circa £5,000k per annum – driven by growing demand for services and cost inflation being partially offset by a growing tax base and inflationary uplifts on income.

2019/20 Outturn

10. At the time of budget setting in February 2020, General Balances had been projected to total £34,239k at 31 March 2020. An improvement of £1,019k was reported in the final months of the year as unallocated growth and contingency sums were released alongside minor improvements across a range of services, which together with the decision to capitalise £2,274k of Highways expenditure previously planned to be funded from Earmarked Reserves increased this underspend to £3,293k.
11. This improvement of £3,293k was set aside in Earmarked Reserves to provide funding for COVID-19 pressures not covered by grant monies, and supplemented by redirecting other previously earmarked sums to create a £9,126k reserve for COVID-19 costs, while General Balances remained at the budgeted level of £34,239k.

2020/21 Budget Monitoring Position

12. The consultation budget was finalised in the context of the Month 7 monitoring position, with pressures totalling £29,428k being projected in relation to the various impacts of the COVID-19 pandemic on General Fund operations during 2020/21. Significant additional funding has been awarded to manage these pressures, with four separate tranches of grants totalling £25,133k having been awarded to Hillingdon and a further £7,700k expected through the Government's commitment to finance 75% of Fees & Charges losses above a 5% threshold. While funding due from government therefore currently exceeds identified pressures, it is likely that the ongoing management of the pandemic and its local impacts will result in further costs emerging over the remainder of this year and into 2021/22. In the event that in-year costs exceed available grants, the COVID-19 reserve is available to isolate any impacts from General Balances.
13. With COVID-19 related pressures being managed in this way, an underspend of £3,279k is reported across the Council's normal General Fund operations. Within this position it is expected that a number of one-off or temporary underspends will be sufficient to contain a pressure of circa £1,000k arising from a higher than budgeted pay award being agreed nationally (2.75% rather than 2.00%). The reported underspend includes a £764k underspend on corporate budgets primarily relating to savings on short term borrowing and reduced spend on debt financing budgets due to the timing of capital expenditure impacted by COVID-19, alongside £2,299k underspends from across service budgets. This Month 7 monitoring position would deliver General Balances of £31,184k at outturn, with no material movements in this position in the recently completed Month 8 monitoring report.

2021/22 Budget Development

14. Services have been developing savings proposals with a view to bridging the future budget gap and the growing cost of providing valued services to residents. 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 autumn, a series of challenge sessions were held to affirm the budget position. Each session followed a similar format reviewing:
 - The current position in 2020/21 - both monitoring and savings delivery.
 - Existing and emerging pressures that need to be addressed in the 2021/22 budget and forecasts for future years.

- Progress on the development of savings proposals for 2021/22 and beyond.
- Identification of any potential growth or invest-to-save bids.
- Capital programme requirements.

15. The consultation budget represents the combined outputs from these sessions, with a savings programme and planned use of General Balances being delivered to produce a balanced budget, after securing additional revenue from a 4.8% proposed Council Tax increase for 2021/22, enabling delivery of a budget without recourse to reductions in frontline services.

BUDGET PROPOSALS

16. The Council's budget was presented to Cabinet in the context of a challenging medium term outlook with a budget gap of £33,263k to be managed through a combination of savings and Council Tax uplifts over the three years to 2023/24. This position takes into account the favourable outcome of Spending Review 2020, which broadly secures a £1m uplift in funding alongside an additional benefit of £2m driven by a lower pay award than previously forecast, but there remains a level of uncertainty due to Brexit and the upcoming Fair Funding Review, which has been delayed by a further year.

17. The funding strategy is presented in the context of a proposed increase in Council Tax at 4.8% in 2021/22, and indicative inflationary uplifts of 3.8% on Council Tax from 2022/23 onwards securing £16,141k additional income. In addition to this, identified savings deliver a further £2,797k over the three year period, alongside the planned use of general balances leaves £12,605k of savings to be identified over the remaining two budget cycles.

Table 2: Budget Strategy 2021/22 to 2023/24

	2020/21	2021/22	2022/23	2023/24	Current MTFF
	£'000	£'000	£'000	£'000	£'000
Underlying Savings Requirement	9,792	10,003	10,223	13,037	33,263
Unwind Prior Use of Balances	7,776	6,334	2,421	1,000	6,334
Total Savings Requirement	17,568	16,337	12,644	14,037	39,597
Proposed Council Tax Increase	(4,421)	(5,862)	(4,989)	(5,290)	(16,141)
In-year Call on General Balances	(6,334)	(2,421)	(1,000)	0	N/A
Current Savings Proposals	(6,813)	(8,054)	(2,797)	0	(10,851)
Savings to be identified	0	0	3,858	8,747	12,605
Closing General Balances	(31,184)	(28,763)	(27,763)	(27,763)	N/A

18. 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.

Classification: Public

Corporate Services, Commerce & Communities Policy Overview Committee – 12 January 2021

The Budget and Policy Framework Rules

19. The public consultation on the budget proposals commenced on 11 December 2020 following decisions taken by Cabinet on 10 December 2020.
20. There will be a further consideration by Cabinet of the budget proposals on 18 February 2021, 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 25 February 2021, and if approved without further amendment they will be effective immediately.

Corporate Summary

21. 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 2020/21 is being significantly impacted by the pandemic, with pressures of £29,428k being reported against the General Fund with significant additional funding having been awarded to manage these pressures.
22. With COVID-19 related pressures being managed in this way, an underspend of £3,279k is reported across the Council's normal General Fund operations. Within this position it is expected that a number of one-off or temporary underspends will be sufficient to contain a pressure of circa £1,000k arising from a higher than budgeted pay award being agreed nationally (2.75% rather than 2.00%). Within this position, £3,577k of the £6,386k savings planned for 2020/21 are banked or on track for delivery in full by 31 March 2021, with £2,809k being tracked as being at an earlier stage of implementation or at risk as a result of the COVID-19 pandemic.
23. The budget proposals included in this report represents the Cabinet's budget strategy for 2021/22. Revenue budget proposals have been developed to continue to support the over 65s meet their Council Tax liability by continuing the cash discounts awarded through the older people discount for those currently in receipt of the benefit, but closing the scheme to new entrants. 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 2021, although budgeted sums are broadly in line with national spending figures outlined in the Spending Review 2020.
24. Recurrent funding available to support the budget requirement is projected to total £232,837k in 2021/22, inclusive of £5,862k additional income linked to the proposed 4.8% increase in Council Tax to protect frontline services for residents. This recurrent funding is supplemented by £3,500k of one-off funding including £834k from local COVID-19 reserves and a £2,421k release from General Balances to support the £244,391k projected cost of delivering services in 2020/21.

25. The Council's draft budget strategy is to align the profile of budget proposals to deliver a budget for 2021/22, while maintaining unallocated reserves between £15,000k and £32,000k. The development of £8,054k savings proposals are sufficient to reduce the budget gap to £2,421k, which it is proposed to cover through the drawdown from General Reserves, as detailed in Table 2 below.

Table 3: Budget Requirement

	Movement from 2019/20 £'000	2020/21 Budget Requirement £'000
Recurrent Funding	(349)	(226,975)
Council Tax Increase (3.8%)		(5,862)
One-Off Funding	2,451	(1,079)
Planned Use of General Balances		(2,421)
Total Resources	2,102	(236,337)
Roll Forward Budget		234,284
Inflation	4,700	
Corporate Items	1,901	
Contingency (Service Pressures)	3,456	
Priority Growth	50	10,107
Budget Requirement		244,391
Gross Savings Requirement		8,054
Savings	(8,054)	(8,054)
Net Budget Gap		0

26. This draft budget includes £50k new funding for Domestic Abuse Initiatives to further support this service area in light of increases in need. In addition, the Council has £1,038k of Priority Growth Earmarked Reserves that can fund any new and emerging issues going into 2021/22, with further Earmarked Reserves being available for specific areas of spend, including Environment and Recreational initiatives (£450k) and the All-Age Sport and Activity Fund (£308k).
27. An update of the Council's capital programme is also presented in this report, with £344,775k of planned investment in local infrastructure over the period 2020/21 to 2025/26. This includes a new Leisure centre in Yiewsley, a major programme of investment in the borough's highways, a programme of sports club rebuild/refurbishments, a libraries refurbishment programme and provision for investment in Youth infrastructure. The programme is supported by £97,230k of external funding, £60,466k of capital receipts from the disposal of surplus assets and Community Infrastructure levy alongside £167,079k of Prudential Borrowing. Financing costs associated with implementation of this programme are the principal driver behind the £1,901k Corporate Items and are forecast to grow to £7,729k by 2025/26.

2020/21 GROUP BUDGET PROPOSALS

28. Budget proposals relating to services within the remit of Corporate Services, Commerce & 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 2021/22 expanded upon in the following sections of this report.

Table 4: Group Budgets within Corporate Services, Commerce and Communities Policy Overview Committee Remit

	Finance Directorate	Social Care	Environment, Education & Community Services	Building Services, Transport & Business Improvement	Corporate Resources & Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Operating Budget 2020/21	15,450	2,206	1,784	14,261	18,067	51,767
Inflation	124	0	11	632	190	956
Corporate Items	0	0	0	0	0	0
Contingency	0	0	0	0	0	0
Priority Growth	0	0	0	0	0	0
Savings	(610)	0	(5)	(410)	(988)	(2,013)
Operating Budget 2021/22	14,963	2,206	1,790	14,483	(17,269)	50,713

Priority Growth

29. This consultation budget includes one specific Priority Growth item of £50k to support Domestic Abuse Initiatives in the borough. In addition, the Council has £1,038k of Priority Growth Earmarked Reserves that can fund any new and emerging issues going into the new financial year and beyond, with further Earmarked Reserves being available for specific areas of spend, including Environment and Recreational initiatives (£450k) and the All-Age Sport and Activity Fund (£308k).

Savings

30. 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. Savings measures fall into six broad themes, with the first five representing efficiency savings and charging proposals that do not directly impact upon the service offer to residents:

- i. 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.

- ii. Effective Procurement savings reflect efficiencies gained through the commissioning of services from third parties, including the insourcing of functions where this represents better value for money than previously externalised services.
- iii. Managing Demand items relate to measures intended to maintain or improve services to residents – particularly in relation to social care and other direct support for clients – through investment in early intervention, identification of alternative support models and other initiatives.
- iv. Income Generation & Commercialisation proposals include the regular annual review of Fees and Charges against those of neighbouring authorities, alongside savings arising from reviews of services with scope to operate with a reduced level of subsidy from the Council Taxpayer.
- v. Savings proposals from Zero Based Reviews represent budgets, which have been identified as being surplus to requirements through the line-by-line review of the 2019/20 outturn position and similar exercises being undertaken by Finance.
- vi. Policy Decisions represents a step change in the Council’s service offer rather than efficiency gains, with a single proposal relating to the cessation of the local First Time Buyer’s Scheme falling in this category.

Pump Priming Savings and Flexible Use of Capital Receipts

- 31. 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.

Finance

- 32. Two savings are proposed for Revenues and Benefits Service within the Finance Directorate including the use of robotics and automation to streamline processes (£162k) and a BID review of the structures and ways of working within the team expected to deliver a further £138k in 2021/22, increasing to £338k by 2022/23.
- 33. In addition, two savings are presented for Fleet Services centred around a review of the Repairs and Maintenance contract (£120k) and a zero based review of the budgets in this area, including fuel and vehicle damage (£190k).

Building Services, Transport & Business Improvement

- 34. Service Transformation savings of £100k are included from the BID Review of Printing, Postage and Mail securing efficiencies in this area. A series of further zero based reviews are planned for this area, including energy budgets, lease income and Business Rates payments that the authority makes, which in total are expected to deliver savings of £360k in 2021/22.

Classification: Public

Corporate Services, Commerce & Communities Policy Overview Committee – 12 January 2021

Corporate Resources & Services

35. Service Transformation in this area is expected to deliver £988k from a review of Business Support and other back office functions within the Council, including the streamlining of processes, including a review of financial processes, human resources and admin support within the Council, with a further £138k to come from a similar review of the Council's contact centre, all without impacting on front line services. These savings are expected to increase by an additional £750k in 2022/23, taking the total saving in this area to £1,738k.

Cross-Cutting Initiatives

36. The Council continues to review recruitment and retention requirements of Council run services, with a review of vacant posts expected to deliver a £100k saving for 2021/22.

FEES & CHARGES

37. 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.
38. The Council continues to benchmark Fees and Charges against those of neighbouring authorities and other service providers, with charges being set at a maximum of 90% of the relevant benchmark for residents, and at benchmark for non-residents where applicable. This realignment of charges incorporates £5k additional income within this Policy and Overview Committee's remit.
39. Uplifts to Fees & Charges that were agreed at February 2020 Cabinet contributing towards the Income Generation & Commercialisation savings total include:
 - i. CCTV Requests - The CCTV service currently provides video evidence to external insurance companies to support insurance claims where available. A number of Local Authorities are charging for this service, and it is proposed to introduce a new production fee of £120 for supplying video evidence. Alongside this charge, it is proposed to introduce a fee to recover Officer time spent searching through CCTV footage, as the level of resource required for each CCTV request is different, and does not always result in the production of footage to support a claim. Therefore, it is proposed to introduce a fee based on the search time spent of the hourly rate of a CCTV operative with this proposal forecast to yield an additional £5k for 2021/22.

Capital Programme

40. The Council's current capital programme, as approved by Cabinet and Council in February 2020, continues to be focused on the provision of sufficient school places to meet rising demand across the borough. This programme has been reviewed and amended to reflect the ongoing priorities of the Council. The following key amendment items within the Capital Programme fall within the remit of Corporate Services, Commerce and Communities Policy Overview Committee.
41. The recently approved proposal to transfer Age UK to the Woodside Day Centre alongside decanting the Nestles Avenue Children's and Early Years Centres to the former ASHA has been included – with £2,819k on enabling project spend (including appropriation from the HRA) releasing £5,900k capital receipts from asset sales and therefore reducing borrowing by a further £3,081k.
42. Following a review of the Capital Programme Housing Projects, it is proposed that £4,605k planned expenditure is removed from the programme and replaced with a £3,090k capital receipt from the sale of the former Belmore Allotments site following a review of the Council's assets and a £10k uplift in the previous estimate for sale of Bartram Close are used to reduce borrowing by £3,100k.
43. CCTV coverage has been significantly expanded in recent years, with investment totalling £3,100k over the last three years across the borough. The existing programme is coming to an end and further planned upgrades or new installations amounting to £483k are identified for 2021/22. These include introducing cameras and automatic number plate recognition on arterial routes across the borough and improving connectivity of CCTV imagery at corporate sites to the Control Room in the Civic Centre, and additional cameras in various locations will also support reducing anti social behaviour and fly tipping. It is also proposed to include £250k per annum for the following two years (2022/23-2023/24) to cover requirements that may emerge from Members, residents, and the police in the future. The planned programme for 2021/22 has an annual revenue impact of £17k from 2022/23 onwards for annual servicing and licensing, however this is offset by savings of £16k arising from replacing 25 mobile cameras under a former WCCTV contract with upgraded cameras via the Council's CCTV term contractor.
44. Following confirmation of the final funding streams for the Cranford Park project, it is necessary to adjust project costs marginally by £69k funded through a combination of third party funding and borrowing.

BACKGROUND PAPERS

THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FORECAST 2021/22 - 2025/26, presented to 10 December 2020 Cabinet Meeting