

<p>London Borough of Hammersmith & Fulham</p> <p>COMMUNITY SAFETY, ENVIRONMENT & RESIDENTS SERVICES POLICY AND ACCOUNTABILITY COMMITTEE</p> <p>18th JANUARY 2016</p>		
<p>2016 MEDIUM TERM FINANCIAL STRATEGY (MTFS)</p>		
<p>Report of the Cabinet Member for Finance</p>		
<p>Report Status: Open</p>		
<p>Classification: For review and comment.</p>		
<p>Key Decision: No</p>		
<p>Wards Affected: All</p>		
<p>Accountable Officer: Nigel Pallace, Chief Executive</p>		
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1. EXECUTIVE SUMMARY

- 1.1. The Council is obliged to set a balanced budget and council tax charge in accordance with the Local Government Finance Act 1992. Cabinet will present their revenue budget and council tax proposals to Budget Council on 24th February 2016.
- 1.2. This report sets out the budget proposals for the services covered by this Policy and Accountability Committee (PAC). An update is also provided on any changes in fees and charges.

2. RECOMMENDATIONS

- 2.1. That the PAC considers the budget proposals and makes recommendations to Cabinet as appropriate.
- 2.2. That the PAC considers the non-standard increases in fees and charges and makes recommendations as appropriate.

3. INTRODUCTION AND BACKGROUND

- 3.1. The current Medium Term Financial Strategy (MTFS) forecast is set out in Table 1. The 2016/17 budget gap, before savings, is £15.4m, rising to £55.8m by 2019/20.

Table 1 – Budget Gap Before Savings

	£'m	£'m	£'m	£'m
	2016/17	2017/18	2018/19	2019/20
Base Budget	167.4	167.5	167.5	167.6
Add:				
- Inflation	2.3	4.8	7.3	9.8
- Contingency (includes pay)	2.0	4.0	6.1	8.1
- Growth	6.2	10.2	10.4	10.7
- New burden – Independent Living Fund	0.9	0.9	0.9	0.9
- Investment in efficiency projects to realise savings in future years	4.0	0	0	0
Budgeted Expenditure	182.8	187.4	192.2	197.1
Less:				
- Government Resources	(50.3)	(40.2)	(30.8)	(24.0)
- LBHF Resources	(115.1)	(113.9)	(114.5)	(115.3)
- Use of Developer Contributions	(2.0)	(2.0)	(2.0)	(2.0)
Budgeted Resources	(167.4)	(156.1)	(147.3)	(141.3)
Cumulative Budget Gap Before Savings	15.4	31.3	44.9	55.8
Risks	10.2	18.0	22.7	25.5

- 3.2. Money received by Hammersmith and Fulham Council from central government is reducing significantly every year. Funding reduced by £18m in 2015/16 (to £57.6m) and is forecast to further reduce by £33.6m from 2015/16 to 2019/20. Based on the Provisional Local Government Finance Settlement the 2016/17 grant reduction¹ is £8.2m. In addition, Government has imposed £2.885m of new responsibilities on LBHF without providing any funding.
- 3.3. As part of the Provisional Local Government Finance Settlement the government announced that authorities can charge a 2% social care

¹ On a like for like basis 2015./16 grant was £57.6m and will reduce by £8.2m to £49.4m in 2016/17. In addition grant of £0.9m will be receivable in 2016/17 for the new burden associated with the Independent Living Fund. Total 2016/17 grant is £50.3m.

precept. This would raise £1.1m for Hammersmith and Fulham and is included in Government projections of LBHF's spending power². The Council administration does not wish to apply this tax to residents, so it does not form part of the 2016/17 budget proposals.

- 3.4. Locally generated LBHF resources are council tax and the local share of business rates. The 2016/17 business rates taxbase will be confirmed in February. In future years business rates are projected to increase in line with inflation.
- 3.5. Property developments have placed increased pressure on council services in recent years. The budget strategy provides for use of £2m of developer contributions to support relevant expenditure.
- 3.6. Responsibility for supporting Independent Living Fund users transferred to local authorities, from government, in 2015/16. Estimated expenditure is £0.9m in 2016/17. It is anticipated that this will be funded by government grant for the next year, but there is no certainty over future funding following that.

4. GROWTH, SAVINGS AND RISK

- 4.1. The growth and savings proposals for the services covered by this PAC are set out in Appendix 1 with budget risks set out in Appendix 2.

Growth

- 4.2. Budget growth is summarised by Department in Table 2.

Table 2 2016/17 Growth Proposals

	£'000s
Adult Social Care	1,475
Children's Services	3,164
Environmental Services	269
Corporate Services	1,218
Libraries	65
Total Growth	6,191

- 4.3. Table 3 summarises why budget growth is proposed:

² As part of the settlement announcement the government state their view of the cut in local authority spending power. As well as government funding this includes their assumption on what local authorities will collect through council tax and business rates. For council tax the 2% social care precept is assumed and a 0.8% inflation increase.

Table 3 – Reasons for 2016/17 Budget Growth

	£'000s
Government related	2,884
Other public bodies	675
Increase in demand/demographic growth	463
Council Priority	1,774
Existing budget pressures funded by virements from budget underspends/savings	395
Total Growth	6,191

4.4 For Environmental Services The Home Office have abandoned the proposal to introduce locally set fees for Licensing Act applications, leading to the need for a growth in the income budget of £31k. The Wi-Fi concession project is happening more slowly than originally anticipated, so a temporary growth of £128k is required in 2016-17.

4.5 In addition budget growth is proposed regarding increased resident access to leisure facilities.

Savings

4.6 The council faces a continuing financial challenge due to Central Government funding cuts, inflation and growth pressures. The budget gap will increase in each of the next four years if no action is taken to reduce expenditure, generate more income through commercial revenue or continue to grow the number of businesses in the borough.

4.7 In order to close the budget gap for 2016/17 savings of £15.4m are proposed (Table 4).

Table 4 – 2016/17 Savings Proposals by Department

Department	Savings £'000s
Adult Social Care	5,321
Children's Services	3,227
Environmental Services	2,799
Libraries and Archives	20
Corporate Services	3,175
Housing	265
Council Wide Savings	1,050
Total All savings	15,877
Less savings accounted for in the grant/resource forecast ³	(455)
Net Savings	15,402

³ The council has undertaken business intelligence projects that have generated extra grant and council tax income of £0.455m. These are shown within the resource forecast.

Budget Risk

- 4.8 The Council's budget requirement for 2016/17 is £167.4m. Within a budget of this magnitude there are inevitably areas of risk and uncertainty particularly within the current challenging financial environment. The key financial risks that face the council have been identified and quantified. They total £10.2m. Those that relate to this PAC are set out in Appendix 2 and discussed in more detail below.
- 4.9 There is currently a favourable forecast variance in **Parking**. This is partly due to an increase in receipts from parking bay suspensions, which can fluctuate depending on the levels of development work ongoing in the borough. There is therefore a risk that the existing favourable variance may not continue into 2016-17.
- 4.10 There is a risk that additional costs could be incurred for **Total Facilities Management** due to LBHF withdrawing from the Link.
- 4.11 The proposed saving in **Adult Learning and Skills** relates to a review of additional income opportunities. There is a risk that the target may not be met as there are some areas that need further development.
- 4.12 Unusually there is no requirement for budget growth in 2016/17 for waste disposal. Although the Western Riverside Waste Authority (WRWA) contract for **Waste Disposal** has been increased for inflation, the Council had successfully negotiated a reduced rate for the processing of recyclate for 2015/16, which relieves pressure on the 2016/17 budget. However, it is difficult to predict variable waste tonnages with any certainty due to a variety of social and economic reasons, which partly depend upon the ability of the council to influence the behaviour of every household in the borough. As such a degree of financial risk exists as waste tonnages could increase before the end of 2016/17. The growing number of households in the borough also presents a potentially significant budget risk with regards to **Waste Collection** and disposal, particularly if this grows to levels where additional refuse and recycling vehicles and crews are required. The likelihood and potential impact of this household growth on the Council's Environmental Services is currently being analysed.
- 4.13 There is a pressure on the management fee for the **Phoenix fitness centre and Janet Adegoke swimming pool** as a result of a prior year MTFs saving. Plans are underway to refurbish the centre and extend public opening hours, with the aim of increasing the income generating potential for the contractor (resulting in a reduced management fee payable by the Council). However, to allow for the refurbishment works and lead time to drive up usage numbers, there will be a phased reduction of the management fee to a zero cost to the Council over four years. As such, there are likely one off budget pressures of £279k in 2016/17, £89k in

2017/18 and £11k in 2018/19 although the department will do everything possible to contain this with compensatory savings. A reduction of the management fee to zero represents an ongoing annual saving to the Council of circa £400k.

- 4.14 A number of **Commercial Income Risks** exist due to uncontrollable shifts in demand that are likely to continue into 2016/17. The £100k pressure on **Transport Recharge Budgets** as result of the outsource of the Passenger Transport service has been regularly reported through the Council's Corporate Revenue Monitoring process. The observed downward trend in **Cemeteries Income** may continue in to 2016/17 and is being closely monitored. The increase in **Commercial Waste Income** of £100k will also present challenges in terms of customer retention.
- 4.15 The **People Portfolio** transformational savings target has never been achieved in full and is not likely to be achieved in 2016/17 due to the limited capacity to deliver this on a reasonably small and junior workforce.
- 4.16 The Council hosts the West London **Coroners and Mortuary Services** which bears the cost of inquests if there are overseas terror attacks involving the repatriation of British victims. Central Government funding is usually pursued to fund any significant costs but is not guaranteed

5 FEES AND CHARGES

- 5.4 The budget strategy assumes:
- Adult Social Care, Children's Services, Adult Learning and Skills, Libraries and Housing charges frozen.
 - A standard uplift of 1.1% based on the August Retail Price index for some fees in Environmental Services. All parking charges are frozen
 - In the future, commercial services that are charged on a for-profit basis will be reviewed on an ongoing basis in response to market conditions and varied up and down as appropriate, with appropriate authorisations according to the Council constitution.
- 5.5 Current proposed exceptions to the standard 1.1% increase for this PAC, are set out in Appendix 3. All the cemetery costs relating to children remain frozen at nil.

6 2016/17 COUNCIL TAX LEVELS

- 6.1 Cabinet propose to freeze the Hammersmith and Fulham's element of 2016/17 Council Tax. This will provide a balanced budget whilst recognising the burden on local taxpayers.
- 6.2 The draft GLA budget is currently out for consultation and is due to be presented to the London Assembly on 27th January , for final confirmation of precepts on 22nd February. It proposes that the precept will reduce to £276 a year (Band D household). £12 of the £19 Band D reduction to achieve this relates to the end of the Olympic precept paid by London residents.
- 6.3 The impact on the Council's overall Council Tax is set out in Table 5.

Table 5 – Council Tax Levels

	2015/16 Band D	2016/17 Band D	Change From 2015/16
	£	£	£
Hammersmith and Fulham	727.81	727.81	0
Greater London Authority	295.00	276.00	(19.00)
Total	1,022.81	1,003.81	(19.00)

- 6.4 As part of the Provisional Local Government Finance Settlement the government announced that authorities can charge a 2% social care precept. This would raise £1.1m for Hammersmith and Fulham and is included in Government projections of LBHF's spending power. However, the Council administration does not wish to apply this tax to residents, so it does not form part of the 2016/17 budget proposals.
- 6.5 Following last year's council tax cut, the current Band D Council Tax charge is the 3rd lowest in England⁴. The Band D charge for Hammersmith and Fulham is the lowest since 1999/2000.

7 Comments of the Director for Finance on the Budget Proposals

- 7.1 The Environmental Services Group (ESG) is proposing a total expenditure budget of £91.1m of which £67.6m is expected to be recovered through income. The total net budget is therefore £23.5m. Included in the budget are £14.4m of capital charges which are not controlled by the service group and overheads totalling a net £2.3m. The net controllable budget for the ESG is therefore £6.8m. This is shown in table 7.

⁴ Excluding the Corporation of London

Table 7 – Environmental Services Controllable budget 2016/17

Directorate	Income	Expenditure	Total
Transport and Highways	(5,088)	7,597	2,509
Parking	(34,407)	8,528	(25,879)
Environmental Health	(1,892)	3,871	1,979
Building and Property Management	(5,038)	10,674	5,636
Planning	(2,948)	2,993	45
Economic Development, Learning and Skills	(5,068)	4,358	(711)
Cleaner, Greener and Cultural Services	(4,972)	24,614	19,642
Safer Neighbourhoods	(6,377)	9,958	3,581
Other Commercial Service	(654)	493	(161)
Administrative Support, Finance & Resources	(1,102)	1,285	183
Total Controllable Budgets	(67,547)	74,370	6,823
Capital Charges	0	14,430	14,430
Corporate & Departmental Overheads	0	2,286	2,286
Total Corporately Managed Budgets	0	16,715	16,715
Total ESG Budgets	(67,547)	91,086	23,538

7.2 Included in the proposed budget are savings proposals totalling £2.799m.

7.3 In some areas additional savings have been proposed to fund known ongoing budget pressures within the service group. It is essential that these ongoing pressures are funded in order to set a balanced budget for the service group from 2016/17.

Building and Property Management

7.4 The proposed savings in Building and Property Management of £0.67m are made up of the revenue savings related to Fulham Town Hall, additional income from the letting of accommodation, a reorganisation of the service area, a price reductions in the TFM client function and the council no longer being required to purchase carbon allowances. There will be no impact on service delivery due to these savings.

Environmental Health

7.5 Total savings of £0.04m are expected from the improved enforcement of Houses in Multiple Occupation (HMOs) licenses.

Planning

7.6 Proposed savings of £0.26m in Planning are made up of the impact of increased income from planning performance agreements and also increasing recovery of legal costs from developers. There is also a budget reduction in the Adult Learning and Skills service that has transferred into the Planning directorate.

Transport and Highways and Parking

- 7.7 The proposed savings of £1.494m are made up by aligning the parking income budget with existing variances, adding in the impact of the anticipated introduction of LED street lighting, price reductions from renegotiated contracts and a new IT system, and a remaining saving from the parking back office restructure.

Cleaner, Greener and Cultural Services

- 7.8 The Council has secured a reduced rate per tonne for **waste disposal** due to the sale of fly ash (a bi-product of the waste disposal process). Additional improved income from **Filming, Events and Hall Lettings** income is also being targeted including through plans to increase the profile of filming locations in the borough.

Safer Neighbourhoods

- 7.9 Opening hours for the **Registrars** service are to be extended, with the aim of increasing the number of available appointments for both the statutory Registrar service and the non-statutory Nationality/Citizenship service. As well as providing a more accessible service to customers, it is expected that this will generate additional income from chargeable services.

Other Commercial Services

- 7.10 Additional **Commercial Waste** income is being targeted through focussed work to both retain and acquire new customers as well as a review of fees and charges in line with the market and service costs. **Back office support** savings are also proposed through the deletion of a vacant business support post that is shared with the royal Borough of Kensington and Chelsea. The net budget for the **Markets and Street Trading** service will be reduced to more closely align budgets with prior year actuals.

Support Services

- 7.11 The Executive Services restructure resulted in the deletion of two Executive Director Posts and a Director post. These posts were shared with the Royal Borough of Kensington and Chelsea and have saved £80k per annum after allowing for the creation of new posts.

8 Equality Implications

- 8.1 The majority of the savings proposed are concerned with back office staff, accommodation, IT, renegotiation of contracts and recognising existing variances. As such there are no adverse equality implications for any particular groups with protected characteristics. Where there are staff changes leading to savings, Equality Impact Assessments are carried out as part of the reorganisation process.
- 8.2 The proposal to improve enforcement of HMO licenses in the private rented sector seeks to target poor housing that is below a standard considered to be safe or fit for habitation as defined under the Housing Act 2004. Such housing is often inhabited by persons and families who are on low incomes and potentially vulnerable.

8.3 Budget growth has been included to address existing budget pressures and as such does not involve any new actions. There are, therefore, no associated equalities implications.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

Appendices

Appendix 1 – Savings and Growth Proposals

Appendix 2 – Risks

Appendix 3 - Fees and Charges Not Increasing at the Standard Rate