

<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>COMMUNITY SAFETY, ENVIRONMENT &amp; RESIDENTS SERVICES POLICY AND ACCOUNTABILITY COMMITTEE</b></p> <p><b>30 JANUARY 2017</b></p>	
<p><b>2017 MEDIUM TERM FINANCIAL STRATEGY (MTFS)</b></p>	
<p><b>Report of the Cabinet Member for Finance – Councillor Max Schmid</b></p>	
<p><b>Report Status:</b> Open</p>	
<p><b>Classification:</b> For review and comment.  <b>Key Decision:</b> No</p>	
<p><b>Wards Affected:</b> All</p>	
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## 1. EXECUTIVE SUMMARY

- 1.1 Cabinet will present their revenue budget and council tax proposals to Budget Council on 22<sup>nd</sup> February 2017. A balanced budget will be set in accordance with the Local Government Finance Act 1992.
- 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.
- 1.3 Government resource assumptions, that are used to calculate LBHF's Government grant, model the council increasing council tax by 4% per year. However, in line with the administration's policy of lowering the cost of the council to residents, this increase has not been proposed. Instead, the budget proposes to freeze council tax for the year.

## **2. RECOMMENDATIONS**

- 2.1. That the Policy and Accountability Committee (PAC) considers the budget proposals and makes recommendations to Cabinet as appropriate.
- 2.2. That the PAC considers non-standard changes in fees and charges and makes recommendations as appropriate.

## **3. SMARTER BUDGETING**

- 3.1 Since January 2016 the Council has adopted a new way of looking at how it spends money providing services for residents. The 'Smarter Budgeting' programme has focussed on developing service and cost improvement ideas to bridge the budget gap created by a reducing Government grant, new unfunded pressures from Government, inflation, and demographic changes.
- 3.2 Eight outcomes have been agreed with a team focussed on service improvements and efficiency opportunities for each outcome. The outcomes are:
  - Economic Growth
  - The best start in life for children
  - Resident involvement
  - Decent homes
  - Reducing homelessness
  - Supporting vulnerable adults
  - Safer and healthier place
  - Cleaner, greener, sustainable borough

A similar approach has been adopted for reviewing support services (enabling activities).

- 3.3 Budgets and spend has been mapped against each of the outcomes. The teams have worked together to: analyse their cost base and activities; identify new and innovative ideas; and, develop the ideas into business cases to help meet our financial challenges and improve services for residents.
- 3.4 Since Smarter Budgeting began brainstorming sessions have been held to generate new ideas for initiatives and money-saving exercises across the business involving staff as well as our partners. We've held workshops to investigate those ideas and ensure they were joined up across the council, eliminating duplication, increasing commercial acumen and putting collaboration at the forefront of our thinking.
- 3.5 For each outcome, a number of business cases have been developed. These include identifying new sources of income, service improvement and savings. Work is on-going to further develop and analyse proposals and the savings identified are included in this report. A case study from the Smarter Budgeting programme is set out below.

- 3.6 An example of a savings proposal that came from the Smarter Budgeting programme is the Cycle Street Furniture initiative which was developed by the Safer and Healthier outcome group. The idea is to use funding allocated from TfL to deliver a streetscape that will provide improved facilities for cyclists, encouraging more of our residents to cycle. The redesign of the streetscape and new cycle street furniture will provide the council with the opportunity to implement smart design that will reduce the burden on other council services. For example, larger bins to reduce service costs and sustainable drainage to reduce gully maintenance costs. It will also provide sponsorship opportunities that can be sold, through a concessionary contract, creating a new source of income. This initial benefit to the council is estimated at £0.075m in 2017/18.

#### 4. THE BUDGET GAP

- 4.1 The 2017/18 budget gap, before savings, is £14.4m, rising to £46.3m by 2020/21.

**Table 1: Budget Gap Before Savings**

Resources Assumptions

	2017/18	2018/19	2019/20	2020/21
	£'m	£'m	£'m	£'m
<b>Base Budget</b>	<b>160.4</b>	<b>160.4</b>	<b>160.4</b>	<b>160.4</b>
Add:				
- Inflation (includes pay)	2.8	6.3	9.7	13.1
- headroom for future pressures	0	3.0	6.0	9.0
- Growth	7.3	7.1	7.1	7.1
<b>Budgeted Expenditure</b>	<b>170.5</b>	<b>176.0</b>	<b>182.4</b>	<b>188.8</b>
Less:				
- Government Resources	(42.3)	(32.9)	(26.3)	(22.5)
- LBHF Resources	(111.8)	(114.8)	(116.8)	(118.0)
- Use of Developer Contributions	(2.0)	(2.0)	(2.0)	(2.0)
<b>Budgeted Resources</b>	<b>(156.1)</b>	<b>(149.2)</b>	<b>(144.3)</b>	<b>(142.4)</b>
<b>Cumulative Budget Gap Before Savings</b>	<b>14.4</b>	<b>26.8</b>	<b>38.1</b>	<b>46.3</b>
<b>Risks</b>	<b>22.7</b>	<b>27.4</b>	<b>29.5</b>	<b>30.9</b>

- 4.2 A cash cut in **central government funding** of £8.1m from 2016/17 to 2017/18. By 2020/21 a further reduction of £19.8m is forecast.
- 4.3 **A Council Tax freeze** is modelled with no use of the adult social care precept. Authorities can opt to levy a maximum adult social care precept of 3% in 2017/18 and up to 6% by 2019/20. A 3% precept would raise £1.65m for LBHF. Central Government grant assumptions are based on LBHF raising council tax and the

precept by a combined 4% per year to 2019/20. The administration, however, has a commitment to reduce the cost of the council to residents and will be resisting this.

- 4.4 **Business rates** are modelled to increase with inflation with allowance made for the Westfield expansion. The Westfield expansion is expected to open in October 2017 with floor space increasing by 40%. An allowance of £3m per annum (£0.75m in 2017/18) is made for the potential Hammersmith and Fulham share (30%)<sup>1</sup> of the extra business rates income from the Westfield expansion.
- 4.5 A business rates revaluation, undertaken by the Valuation Office (central government) is effective from 1 April 2017. Gross Rateable Value in Hammersmith and Fulham is expected to increase by a total of 36% - our current baseline is £428m. The Council is deeply concerned about how this will impact local businesses. In addition, the rate increase will disadvantage the council, as it has to pay extra rates on its properties and will need to set aside extra sums for appeals from businesses. The Council gets no benefit from the extra income generated as it is redistributed to other parts of the country. The implications of the revaluation continue to be worked through.
- 4.6 **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 arising from developments.

## 5 GROWTH, SAVINGS AND RISKS

- 5.1 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

- 5.2 Budget growth is summarised by Service Area in Table 2.

**Table 2: 2017/18 Growth Proposals**

<b>Service Area/ Outcome</b>	<b>£'m</b>
Adult Social Care	4.413
Children's Services	0.739
Environmental Services	0.255
Housing	0.230
Enabling/Council wide	1.712

<sup>1</sup> Under the current rates retention scheme Hammersmith and Fulham retains 30% of business rates growth. 50% is payable to Government and 20% to the Greater London Authority (GLA). In 2017/18 the Hammersmith and Fulham share will remain 30%. The split between the GLA and Government will change as the Government devolves more funding streams to the GLA. The GLA share will become 37% and the Government 33%.

<b>Total Growth</b>	<b>7.349</b>
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- 5.3 The growth proposals include use of a **new one-off Adult Social Care Support Grant** of £0.922m and an ongoing increase in support through **the Better Care Fund** of £0.831m. The Better Care Fund income will increase to £4.4m in 2018/19 and £7.5m in 2019/20.

### Savings

- 5.4 The council faces a continuing financial challenge due to overall Central Government funding cuts, unfunded burdens, inflation, and growth pressures. The budget gap will increase in each of the next three 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.
- 5.5 To close the budget gap for 2017/18 savings (including additional income) of £14.9m are proposed (Table 3).

**Table 3: 2017/18 Savings Proposals**

<b>Service Area</b>	<b>Savings £'m</b>
Enabling services (back office costs)	(7.108)
Increased income from Adult Learning and Skills	(0.095)
Children's Services	(1.870)
Libraries	(0.382)
Housing	(1.256)
Adult Social Care	(1.885)
Environmental Services	(0.290)
Public Health contract efficiencies	(2.000)
<b>Total All savings</b>	<b>(14.886)</b>
Less savings accounted for in the grant/resource forecast <sup>2</sup>	0.475
<b>Net Savings</b>	<b>(14.411)</b>

### Budget Risk

- 5.6 The Council's budget requirement for 2017/18 is £156.1m. 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 £22.7m. Those that relate to this PAC are set out in Appendix 2. The majority of these risks centre around the ability to deliver against new and existing commercial income targets whilst addressing resident concerns. Service managers will work closely with the Commercial Director and Finance team to closely monitor, manage and report during the year.

<sup>2</sup> The council has undertaken business intelligence projects that have generated extra grant and council tax income of £0.475m. These are shown within the resource forecast.

## **6 FEES AND CHARGES**

6.1 The budget strategy assumes:

- Adult Social Care, Children's Services, Parking, Libraries and Housing charges frozen
- A standard uplift of 1.8% based on the August Retail Price index for other charges
- Case by case review for commercial services that are charged on a for-profit basis. These will be varied up and down in response to market conditions, with relevant Member approval.

6.2 A number of charges are being frozen for 2017/18, covering the vast majority of the revenue in the service raised through fees and charges. Parking charges, including residents permits, bay suspensions and pay and display charges will not increase. CCTV will remain unchanged to enable these services to remain competitive with the aim of sustaining demand and income levels. Fees and charges proposals for Markets and Street Trading are subject to separate consultation with Traders and will therefore be the subject of a separate cabinet member decision. Licensing fees are being reviewed in light of a recent Supreme Court ruling and will also be the subject of a separate cabinet member decision. Fees for the Registration of Births, Deaths and Marriages are also being reviewed to ensure that the commercial elements of this service remain competitive. Proposals will be reported to the cabinet member as a separate decision.

6.3 The council has taken over the running of the Thursday Lyric Square market from the former private operator. As a result, in the coming year stallholders will receive the full benefit from lower charges. Traders used to pay the private operator in the region of £70 - £80 per day for a stall on Lyric Square. The council will be charging £50.90, plus £2 if the stallholder wants a refuse bag. A trader working one day a week for 48 weeks per year will save at least £800 per year.

6.4 It is also proposed to continue in 2017/18 with a special deal for new traders in block 7 of North End Road market. New traders will be able to take advantage of a buy one get one free stall hire offer and reduced fees for six months. A stallholder will be able to book a pitch on one day for £10 and they will get the next one free (the normal price per day would be £20.75).

### **2017/18 COUNCIL TAX LEVELS**

7.1 The administration proposes to freeze the Hammersmith and Fulham's element of 2017/18 Council Tax. This will provide a balanced budget whilst recognising the burden on local taxpayers.

- 7.2 The Mayor of London's draft budget is currently out for consultation and is due to be presented to the London Assembly on 25<sup>th</sup> January, for final confirmation of precepts on 20<sup>th</sup> February.
- 7.3 As part of the Provisional Local Government Finance Settlement the government announced that authorities can charge a 3% adult social care precept. Council does not wish to apply this tax to residents, so it does not form part of the 2017/18 budget proposals.
- 7.4 Following last year's council tax freeze, the current Band D Council Tax charge is the 3<sup>rd</sup> lowest in England<sup>3</sup>. The Band D charge for Hammersmith and Fulham is the lowest since 1999/2000.

## 8 Comments of the Lead Director for Environmental Services on the Budget Proposals

8.1 The Environmental Services Group (ESG) is proposing a total controllable expenditure budget of £70.7m of which £63.1m is expected to be recovered through income. The total controllable net budget is therefore £7.6m. In addition to this are corporate charges and income, which are not controlled by the service group, totalling a net £14.9m. This is shown in table 4.

**Table 4 – Environmental Services Budget 2017/18**

Directorate	Expenditure £000	Income £000	Total £000
Transport and Highways	7,538	(5,047)	2,491
Parking	8,491	(34,574)	(26,083)
Environmental Health	2,959	(1,248)	1,712
Building and Property Management	10,766	(5,491)	5,275
Planning	3,184	(3,128)	56
Cleaner, Greener and Cultural Services	24,756	(5,128)	19,629
Safer Neighbourhoods	11,055	(6,967)	4,088
Other Commercial Services	541	(647)	(106)
Administrative Support, Finance & Resources	1,451	(863)	588
<b>Total Controllable Budgets</b>	<b>70,742</b>	<b>(63,093)</b>	<b>7,649</b>
Capital Charges	14,366	0	14,366
Public Health Investment	0	(551)	(551)
Corporate & Departmental Overheads	10,067	(8,954)	1,113
<b>Total Corporately Managed Budgets</b>	<b>24,433</b>	<b>(9,505)</b>	<b>14,928</b>
<b>Total ES Budgets</b>	<b>95,174</b>	<b>(72,598)</b>	<b>22,577</b>

8.2 Included in the proposed budget for 2017/18 are savings (including income and outside investment) proposals totalling £2.38m. As set out in Table 5 (and detailed

<sup>3</sup> Excluding the Corporation of London

in Appendix 1) these proposals have been brought forward through several Outcome Teams.

**Table 5 – 2017/18 Environmental Services Department Savings by Service Area**

	£'000s
Enabling (back office)	1,240
Environmental Services (Table 3)	290
Housing	300
Public Health Investment	550
<b>Total</b>	<b>2,380</b>

8.3 The proposed budget also includes budget growth of £0.118m. In addition a provision of £0.137m is held corporately for the implementation of safer weed treatment methods.

#### **Transport and Highways**

8.4 The proposed savings of £190k are made up by designing cycle street furniture to reduce service costs and increase potential sponsorship revenue (£75k), the creation of a transport planning consultancy service (£55k), a review of the street naming charges (£11k) and savings in energy and maintenance from the roll out of LED street lighting (£49k).

#### **Parking**

8.5 The rollout of cashless parking has begun in 2016-17. Early indications show an increase in total receipts uptake of parking due to easier payments. There have also been a reduction in the numbers of penalty charge notices issued as parkers are less likely to overstay. The overall impact is estimated to result in additional income of £250k.

8.6 There is also a decision yet to be made about introducing parking controls to prevent misuse of the car park in Hurlingham Park. This is dependent on a consultation with local residents. If that decision is made the assumption in the budget is that the increase in income may be £87k, depending on demand. If the council decides not to introduce controls to solve the parking problems in the car park in Hurlingham Park, the increase will be nil.

#### **Environmental Health**

8.7 Formalisation of the shared management structure for the corporate health and safety team has saved £25k. Additional and selective licensing for private landlords is to be introduced in 2017-18 in order to improve the private rented sector and ensure safe homes for our residents. The licence fees will be set to cover the full cost of providing the service. This is expected to contribute £300k towards staffing and overheads that will be used in the delivery of the schemes. New Public Health investment in environmental health (£297k) will provide

continued funding for improving housing standards, air quality, healthier catering commitment, healthier workplace charter, tobacco control and safeguarding of elderly and vulnerable adults from financial exploitation.

### **Building and Property Management**

- 8.8 The re-tender of an existing advertising site and the identification of some new sites is expected to generate additional income annually of £453k from 2017-18.

### **Planning**

- 8.9 A target has been set to realise £180k of efficiencies in the planning department through a review of high volume transactions and how they are processed. This will also have the objective of making the service easier to use.

### **Cleaner, Greener and Cultural Services (CGCS)**

- 8.10 The CGCS directorate is targeting efficiencies of £223k from 2017/18. These are predominantly concerned with generating new commercial income from the Council's assets. Additional income of £100k is being targeted from the corporate commercial team from expanding the number of events and markets in the borough. A further £50k of income is being targeted from expanding the number of council venues and locations available for filming and hire. A new street cleansing service will be offered to private land and road owners, which is expected to generate £5k of new income. New Public Health investment in community libraries (£8k) means that this valued service is protected for another year. A targeted reduction in general waste and increase in recycling is expected to reduce waste disposal costs by £60k per year. A new Arts Officer post is included in the budget for 2017/18. This is to be fully funded from external income and so is provided at no additional cost to the Council. Budget growth of £38k is included in the budget from 2017/18 to fund a pioneering Street Czar post. This post will work with communities to tackle street scene issues and improve street cleanliness.

### **Safer Neighbourhoods**

- 8.11 The Safer Neighbourhoods directorate is targeting efficiencies of £376k from 2017/18. These are predominantly concerned with generating new commercial income. Additional income of £130k is being targeted from a new deployable CCTV service (£100k), expansion of the Professional Witness service (£20k), trialling new flower stalls (£5k) and by offering a new digital genealogy service for cemetery and bereavement services (£5k). New Public Health investment in Community Safety (£64k) and sports development (£182k) means that the Council can continue to invest in these vital services for another year. Budget growth of £80k is included to address the long term loss of income in the fleet management service, resulting from reductions in the council's vehicle fleet as services were contracted out.

## **9 Equality Implications**

- 9.1 A draft Equality Impact Analysis (EIA), which assesses the impacts on equality of the main items in the budget proposals relevant to this PAC, is attached as Appendix 4. A final EIA will be reported to Budget Council.

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

None.

**List of Appendices**

Appendix 1 – Savings and Growth Proposals

Appendix 2 – Risks

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

Appendix 4 – Draft Equality Impact Assessment