

 <p>the low tax borough</p>	<p>London Borough of Hammersmith & Fulham</p> <p>TRANSPORT, ENVIRONMENT & RESIDENTS' SERVICES SELECT COMMITTEE</p> <p>13 January 2014</p>
<p>REVENUE BUDGET 2014/15</p>	
<p>Report of the Deputy Leader and Cabinet Member for Residents' Services – Councillor Greg Smith / Cabinet Member for Transport and Technical Services – Councillor Victoria Brocklebank – Fowler</p>	
<p>Report Status: Open</p>	
<p>Classification: For Scrutiny Review & Comment</p>	
<p>Key Decision: No</p>	
<p>Wards Affected: All</p>	
<p>Accountable Executive Director: Nigel Pallace, Bi-Borough Executive Director for Transportation & Technical Services / Lyn Carpenter, Bi- Borough Executive Director for Environment, Leisure and Residents' Services</p>	
<p>Report Author: Jane West, Executive Director of Finance and Corporate Governance / Mark Jones, Director for Finance & Resources, TTS and ELRS</p>	<p>Contact Details: Tel: 0208 753 1900 E-mail: jane.west@lbhf.gov.uk & mark.jones@lbhf.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1. Cabinet will present their revenue budget and council tax proposals to Budget Council on 26 February 2014. As part of the budget process savings targets have been set for departments and transformation programmes.
- 1.2. This report provides an update on how the targets will be met for the services covered by this Select Committee. An update is also provided on budget growth proposals and proposed changes in fees and charges.

2. RECOMMENDATIONS

- 2.1. That the Select Committee considers the growth and savings proposals and makes recommendations to Cabinet as appropriate.

3. INTRODUCTION AND BACKGROUND

- 3.1. The 2014 Medium Term Financial Strategy (MTFS) process has been developed against a challenging financial background:
- Central government funding is expected to fall by £14m (10% in cash terms and 12.5% in real terms)¹ in 2014/15, as action is taken to tackle the national budget deficit. Provisional 2014/15 grant allocations were previously issued in December 2012. These were adjusted downwards following the Chancellor's June announcement of a further 1% fall in the Spending Round 2013.
 - The council continues to lose out, by more than £4m per annum, from the localised business rates retention scheme². This loss arises from appeals against the rateable values set by the Valuation Office Agency (VOA). In particular the council is impacted by appeals relating to the Westfield Shopping Centre. These have resulted in an average reduction of 28% in rateable value for which estimated refunds in excess of £9m are still outstanding. The appeals process is outside of the council's control.
- 3.2. The budget proposals address the funding challenge whilst lowering the financial burden faced by local Council Tax payers. **A council tax reduction of 3% is proposed.** Front line services are protected with continued emphasis on value for money. A number of innovative cross-cutting transformational projects are being taken forward both within the Council and with our tri-borough partners.
- 3.3. The scale of the financial challenge facing the Council is summarised in Appendix 1. **Savings of £18.2m are required to balance the budget in 2014/15 (10% of the Base Budget).** This savings requirement increases cumulatively to £50.5m by 2016/17. A contribution of £1.105m to general balances is proposed. This recognises the significant financial risks faced by the council and the remaining budget gap for 2015/16 and 2016/17.
- 3.4. The budget forecast is underpinned by a number of assumptions. Namely:
- Inflation for contractors will be provided as set out in the agreements.
 - A general contingency for pay inflation has been held pending conclusion of the discussions with the trade unions.
 - Fees and charges will generally increase in line with the Retail Price Index (3.3% at August 2013) unless set by statute. Any exceptions, for the services covered by this committee, are set out in Appendix 3.
 - That central government funding made available to Hammersmith & Fulham will reduce by £14m (10%). This is a provisional estimate

¹ This is made up of Revenue Support Grant, New Homes Bonus Grant and other unringfenced grants from government.

² The localised business rates retention scheme was introduced in 2013/14. London Boroughs now get to keep 30% of business rates income subject to safety net arrangements for authorities that suffer a significant loss. The safety net caps the loss at £4.4m in 2014/15.

based on previous government consultation. A clearer position will emerge when the Local Government Finance Settlement is announced in late December. This was not available to inform the preparation of this report

- Unavoidable growth is provided. This mainly relates to external pressures, such as welfare reforms.

4. GROWTH AND SAVINGS PROPOSALS

- 4.1. Scrutiny Select Committees are invited to consider and comment on the growth and savings proposals that fall within their remit. These are detailed in Appendix 2. An overview is set out below and comments by relevant Executive Directors provided in sections 6, 7 and 8.

Growth

- 4.2. In the course of the budget process departments have identified areas where additional resources are required. These are summarised in Table 1 for 2014/15.

Table 1 Growth Proposals

	£'000s
Adult Social Care	205
Children's Services	470
Environment, Leisure and Residents' Services	0
Finance & Corporate Services	0
Housing and Regeneration Department	1,545
Transport & Technical Services	536
Libraries	0
Public Health	0
Centrally Managed Budgets	1,400
Total Growth	4,156

- 4.3. Table 2 summarises why budget growth is required for the Council.

Table 2 – Reasons for Budget Growth

	£'000s
--	--------

Government related	1,545
Other public bodies	130
Increase in demand/demographic growth	675
Other	1,806
Total Growth	4,156

Savings

4.4. Departments and transformation programmes have been set savings targets of £18.2m for 2014/15. To meet this challenge savings have been developed that:

- Look to protect front-line services.
- Continue to focus on asset rationalisation to reduce accommodation costs and deliver debt reduction savings.
- Build on previous practice of seeking to deliver the best possible service at the lowest possible cost.
- Consider thoroughly what benefits can be obtained from commercialisation and competition.
- Continue a number of council wide transformation programmes to deliver cross-cutting savings. These include People and Transforming the Way We Do Business.
- Take forward collaborative working arrangements with the City of Westminster Council and Royal Borough of Kensington and Chelsea. Other shared service solutions will be taken forward as and when appropriate.
- Improve outcomes and reduce dependency amongst residents through better joint services with the NHS.

4.5. The savings proposals put forward regarding this Select Committee are detailed in Appendix 2 and the overall 2014/15 position is summarised in Table 3. A categorisation of the savings is shown in Table 4.

Table 3 Savings Proposals

	£000s
Adult Social Care	(4,664)
Children's Services	(2,780)

Environment, Leisure and Residents' Services	(1,143)
Libraries	(100)
Finance & Corporate Services	(2,406)
Regeneration & Housing	(750)
Transport & Technical Services	(2,725)
Centrally Managed Budgets	(2,686)
Corporate Transformation Savings	(903)
Departmental Total	(18,157)

Table 4 - Analysis of the 2014/15 Savings

Type of Saving	£'000s
Commercialisation / Income	(1,975)
Commissioning	(3,247)
Debt Reduction Strategy	(1,336)
People Transformation Portfolio	(470)
Procurement/Market Testing	(745)
Reconfiguration/Rationalisation of Services	(3,099)
Staffing/Productivity	(1,980)
Transforming Business Portfolio	(893)
Tri Borough/Bi Borough	(4,412)
Total	(18,157)

5. COUNCIL TAX CHANGES IN 2014/15

- 5.1 Cabinet propose to cut the Hammersmith and Fulham's element of 2014/15 Council Tax by 3%. This will provide a balanced budget for 2014/15, whilst reducing the burden on local taxpayers. By reducing council tax the Council will receive council tax freeze grant, estimated at £0.626m, in both 2014/15 and 2015/16.
- 5.2 The Mayor of London has announced his intention to reduce the Band D precept for the Greater London Authority to £299 in 2014/15. A draft budget is due to be presented to the London Assembly on 29 January, for final confirmation of precepts on the 14 February.
- 5.3 The impact on the Council's overall Council Tax is set out in Table 5.

Table 5 – Council Tax Levels

	2013/14 Band D	2014/15 Band D	Change From 2013/14
	£	£	£
Hammersmith and Fulham	757.90	735.16	-22.74
Greater London Authority	303.00	299.00	-4.00
Total	1,060.90	1,034.16	-26.74

- 5.4 The robust forward financial plans set out in the Council's MTFS has enabled an indicative Council Tax figure to be provided for 2015/16 and 2016/17. At present, for planning purposes, it is anticipated that there will be a freeze for both years in Council Tax levels.
- 5.5 The current Band D Council Tax charge is the 3rd lowest in London. The reduction of 3% is the 7th reduction in the past 8 years, with a freeze in the other year. The Band D charge for Hammersmith and Fulham is the lowest since 1999/2000 (Table 6).
- 5.6 Since 2006/07 Council Tax in Hammersmith & Fulham will have reduced by 20% in cash terms (39% in real terms) compared to an estimated average London increase of 8%. The relative cash savings³, from 2006/07 to 2014/15, for Hammersmith and Fulham residents is £1,371.

³ This is based on the Band D charge and is a cumulative figure from 2006/07 to 2014/15. It compares the Hammersmith and Fulham saving against the average London change.

Table 6 – Band D Council tax for Hammersmith and Fulham from 1999/2000

	Band D Hammersmith and Fulham Element	Change	Change
	£	£	%
1999/2000	706.83	+30.44	+4.50
2000/01	738.58	+31.75	+4.49
2001/02	772.41	+33.83	+4.58
2002/03	772.41	0	0
2003/04	848.49	+76.08	+9.85
2004/05	890.07	+41.58	+4.90
2005/06	903.42	+13.35	+1.50
2006/07	916.97	+13.55	+1.50
2007/08	889.45	-27.52	-3.00
2008/09	862.77	-26.68	-3.00
2009/10	836.89	-25.88	-3.00
2010/11	811.78	-25.11	-3.00
2011/12	811.78	0	0
2012/13	781.34	-30.44	-3.75%
2013/14	757.90	-23.44	-3%
2014/15	735.16	-22.74	-3%
2015/16 (indicative)	735.16	0	0
2016/17 (indicative)	735.16	0	0

6 COMMENTS OF THE BI BOROUGH EXECUTIVE DIRECTOR FOR TRANSPORT AND TECHNICAL SERVICES ON THE BUDGET PROPOSALS

- 6.1 The 2014/15 Estimates Process represents the culmination of a year of preparation in which the department has contributed to the Council's Medium Term Financial Strategy. This is an iterative process that takes into account the Council's resource requirement and spending pressures over a rolling three year period, enabling the Council to plan to establish a balanced budget in each of the three years.
- 6.2 There are significant initiatives aimed at delivering efficiencies during 2014/15. The major areas are set out below and are summarised, together with all other changes, in Appendix 2. The department believes it has been able to make these efficiencies without detriment to services provided.

The MTFs Process

- 6.3 The processes of service planning and financial planning are very well integrated within the Transport and Technical Services Department. The 2014-17 service plan has been drawn up with regard to the decisions proposed in the 2014/15 estimates.
- 6.4 Excluding departmental transfers (e.g for Total Facilities Management) the movement in the Department's Net Revenue Budget is the sum of the approved growth in the Department's Budget less planned efficiencies – as set out below:

MTFS	£000s	£000s
Growth		
Transport and Technical Services Growth as per Appendix 2		536
Efficiencies		
Transport and Technical Services Efficiencies as per Appendix 2		(2,725)
Net Movement		(2,189)

Growth

- 6.5 There is total growth of £536k in TTS budgets. A total of £249k is to cover the budget gap remaining due to overheads no longer being chargeable to the HRA after the movement of the Building Technical Service. A further £287k is to cover the gap after restating the Building Control income target to reflect the current activity levels. This growth has been funded by the department making additional efficiencies, in addition to the savings target.

Transport and Highways

- 6.6 Efficiencies, totalling £0.312m, are expected from Highways and Engineering. This is mainly through increased income from allowing pavement advertising, additional contract savings from street lighting as well as finding alternative funding for the annual christmas lighting. There will be no adverse impact on service delivery.

Parking

- 6.7 The implementation of a bi borough parking office team is expected to make savings totalling £0.172m in 2014-15 for Hammersmith and Fulham. Further efficiencies of £0.074m are expected from a reduction in the price of the Pay and Display machine maintenance contract, and from a trial of card only machines.

Building & Property Management

- 6.8 In 2014/15 Building & Property Management will deliver efficiencies of £1.049m, mainly through the release of accommodation as leases end, the delivery of the Total Facilities Management contract, the introduction of advertising panels on streets and a reduction in the budget requirement for carbon allowances.

Environmental Health

- 6.9 Environmental Health will contribute savings within the division of £0.05m. There are no changes to service provision expected as a result of these changes.

Planning

- 6.10 Planning will contribute £0.199m of savings, through changes in pre application fees in 2013/14 and increased cost recovery from discretionary planning charges.

Across TTS

- 6.11 As a result of Bi-borough working with the Royal Borough of Kensington and Chelsea, reviews of service delivery have been taking place during 2012/13 and 2013-14. The outcomes of these are expected to generate further savings of £0.341m in 2014/15. The aim is to maintain or improve the quality of services, whilst reducing costs by sharing staff and from joint procurement.
- 6.12 Use of S106 funds for general fund expenditure, consistent with the terms of s106 agreements, will enable £0.360m of revenue benefits.

Budget Risks

- 6.13 There are a number of risks associated with the department's budget for 2014-15. These are associated with proposed changes in government policy, variations in receipts and income, demand pressures and the delivery of efficiencies.
- 6.14 The government has recently begun a consultation on a proposal to abolish CCTV enforcement for parking enforcement. This will have a potential impact on the department's budget of £0.616m. The date at which the Government may introduce the necessary regulations is not yet known.
- 6.15 Changes in driver behaviour could result in a reduction in Moving Traffic enforcement activity. The current budgeted receipts in this area are £5.814m.
- 6.16 There is a risk that the efficiency of £0.334m associated with Total Facilities Management is not achieved as we move into a full year of operating the contract.
- 6.17 Increasing incidence of exceptional costs of dealing with legal challenges and public enquiries in the Planning service, which has been estimates to be £0.500m

- 6.18 The Localism Act could create a new requirement for the department to create a Supplementary Planning Document (SPD) for Hammersmith to support neighbourhood planning. This risk has been assessed to be approximately £0.500m
- 6.19 New proposals to introduce advertising on street panels and on pavements are at the early stages of development, and there is some uncertainty around the income that they will generate.

Fees and Charges

- 6.20 Individual fees and charges have been reviewed across the Transport and Technical Services Department. Across the Council a standard increase of 3.3% is proposed, although there are some exceptions to that which are set out below. Details are provided in Appendix 3.

Building Control

- 6.21 The Building Control market is now fully competitive with aggressive marketing by private sector competitors. Price is increasingly seen as an important differentiator. Therefore, in order to maintain the current market share and to avoid the risk of losing income it is proposed that the fees should not be increased.
- 6.22 Building control fees are required to be set based on the recovery of certain chargeable costs of delivering the service. The current charges reflect this requirement.

Parking Charges

- 6.23 Pay and Display and Permit charges are not proposed to be increased.

Environmental Health

- 6.25 A new fee structure is proposed for Sex Shop/Cinema and Sex Entertainment licences. This is to reflect the differential nature of the costs associated with administering these licenses.
- 6.26 Licence fees for Houses in Multiple Occupation have been aligned with other authorities. For this purpose, a new method of calculating the charge has been developed to recover the cost of officer time.

Planning Pre Application fees and Householder Planning Services

- 6.27 A new fee structure for pre application advice for planning applications and the introduction of a new householder planning package was agreed by Cabinet on 11 November 2013.

7 COMMENTS OF THE BI BOROUGH EXECUTIVE DIRECTOR FOR ENVIRONMENT, LEISURE AND RESIDENTS' SERVICES ON THE BUDGET PROPOSALS

- 7.1 For 2014/15 the net budget for the Environment, Leisure and Residents' Services Department (ELRS) will reduce by £1.143m (£1.143m efficiencies and £0m growth, plus an additional £38k relating to People Portfolio transformation initiatives. These are presented separately, within the Transformation Portfolio.) in order to help the Council achieve its Medium Term Financial Strategy. The efficiency and growth proposals for the ELRS department are detailed in Appendix 2.
- 7.2 ELRS is committed to maximising efficiency from external income and contracts and also from back office functions. Our priority is to protect front line services as far as possible. This commitment is evidenced by us targeting 26% (£302k) of our efficiencies through generating additional income, 19% (£225k) through negotiations on third party contract spend and 15% (£176k) from delivering services in a new way with RBKC. We have also secured alternative external funding to enable savings of £440k (37%) and are contributing £38k (3% of our target) to the Corporate People Portfolio Transformational savings target. We aim to maximise efficiency through commissioning services and generating additional income before looking to make savings from our internal workforce or front line services.
- 7.3 As well as delivering both financial and non-financial efficiency through the Bi Borough review of all Environmental services with the Royal Borough of Kensington and Chelsea, ELRS is also supporting the Council's Transformational Programme and Asset Management Strategy in order to make further efficiencies whilst preserving front line services. However the budget becomes tighter each year and consequently is exposed to greater risk.
- 7.4 ELRS has a record of managing financial pressures within the department instead of seeking growth funding. Unusually no budget growth for waste disposal has been requested for 2014/15. Although the Western Riverside Waste Authority (WRWA) contract for waste disposal has been increased for inflation, this is offset by reductions arising by successfully reducing undeclared commercial waste at the civic amenity site. Additionally there has been a positive revenue impact from lower capital spend by the contractor at its Energy from Waste plant.
- 7.5 A degree of financial risk remains within the contract for waste disposal as the Council is exposed to increased costs if waste tonnages were to increase. It is difficult to predict waste tonnages with any certainty as tonnages vary due to a variety of social and economic reasons. Recent months have seen slightly higher tonnage levels, suggesting that the long period of tonnage reductions is coming to an end as the economy comes out of recession. Officers are investigating ways in which the Council may be able to positively influence the recycling habits of residents, although influencing the behaviour of every household in the borough has many associated challenges. An additional risk for 2014/15 relates to the impending Materials Recycling Facility (MRF)

regulations and the requirement to ensure an appropriate level of quality for recyclates that is technically, environmentally and economically practicable (TEEP). This legislation is set out under The Waste (England and Wales) (Amendment) Regulations 2012, which are transposed from the EU's revised Waste Framework Directive. We are awaiting further guidance from DEFRA on what the longer term implications might be, but early indications are a possible new requirement for separate collections for paper, metal, plastic and glass. These different types of waste are currently collected as part of co-mingled domestic waste and recycling rounds. The additional cost of separate collections has not yet been quantified but could be considerable if this does become a requirement.

- 7.6 Additional financial risk exists in the Transport service and in some new income generating activities. If the council's fleet continues to reduce this will mean a loss of fleet management and workshop income for the Transport service (estimated at £180k per annum). New income generating opportunities are currently being tendered in order to meet new savings targets from 2014/15. As such, there is a risk that the tendered sum could be less than the target (£140k). Similarly, on-going planning issues have meant delays to the build of the new Hammersmith All Weather pitch facility, therefore delaying the receipt of new lease income. This has added a pressure to the ELRS budgets in 2013/14 which could continue into 2014/15 (£70k full year impact).
- 7.7 Across the Council a standard increase of 3.3% has been applied to all ELRS fees and charges budgets. However, ELRS has undertaken a thorough review of all fees and charges and proposals are made with consideration to market forces and/or full cost recovery as appropriate. As such there are some exceptions to the corporate 3.3% uplift which are set out in Appendix 3.

8 COMMENTS OF THE EXECUTIVE DIRECTOR FOR TRIBOROUGH LIBRARIES ON THE BUDGET PROPOSALS

- 8.1 For 2014/15 the net budget for the Libraries service will reduce by £0.1m (£0.1m efficiencies against nil growth) in order to help the Council achieve its Medium Term Financial Strategy. The efficiency proposals for the LBHF share of the Tri-borough Libraries & Archives service are detailed in Appendix 2.
- 8.2 The priority is to protect front line services and after the recent Tri-borough restructure in 2012/13, further efficiencies have been realised through Tri-borough procurement strategies. A new Library Management System has been procured for Tri-borough Libraries resulting in approximately 70% savings on the current contract value.
- 8.3 There is a degree of financial risk around premises running costs and a sharp decline on certain income streams due to the rapid growth in digital and online media widely available these days, impacting on the ability to generate income from CD and DVD borrowing traditionally offered in libraries. However, new opportunities exist to mitigate some pressure from better asset investment and utilisation, offering new services and realising premises

maintenance cost reductions from the Tri-borough facilities management service.

- 8.4 Hammersmith Library is being fully refurbished, largely funded from inward community investment to the borough. The refurbishment will also drive efficiencies in the running costs of the library and the archives service. Resourcing for the integrated archives will be at no additional cost and contained within the existing Libraries budget.
- 8.5 Across the Council a standard increase of 3.3% has been applied to some fees and charges budgets. However, the introduction of a new integrated Library Management System (LMS), due to be implemented in April 2014, provides an opportunity to introduce an automated Tri-borough “one-card” membership arrangement, giving customers access to one library catalogue and access to all services across all three boroughs. In order to establish a “Triborough Libraries offer”, the aim will be to align LMS-generated fees and charges so that the customer is presented with a single offer that makes sense to them, and to avoid price-led substitution of use across borough boundaries. Coordination of this process across Tri-borough is underway. Other fees and charges have been reviewed with consideration to inflation, market forces and/or cost recovery as appropriate. As such there are some exceptions to the corporate 3.3% uplift which are set out in Appendix 3.

9. FINANCE AND RESOURCES IMPLICATIONS

- 9.1 This report sets out the current savings and growth proposals for comment by the select committee. An update on the overall financial position will be presented to the committee following the publication of the local government finance settlement. This will include:
- An update on reserves, balances and risks
 - The latest position on government funding.
- 9.2 The savings put forward of £18.2m are significant. They have been developed through a robust process of Cabinet and Business Board Challenge. Looking beyond 2014/15 the council will continue to face further funding reductions. The current forecast is that £50.5m of cumulative savings are likely to be required from 2014/15 to 2016/17.
- 9.3 The Executive Director of Finance and Corporate Governance is required to report on the robustness of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves. The Council must take these matters into account when making decisions about the budget calculations. These issues have underpinned the current MTFS process and will be addressed in the budget report to Budget Council.
- 9.4 Implications verified/completed by: Jane West, Executive Director of Finance and Corporate Governance, telephone number; 0208 753 1900.

10 CONSULTATION WITH NON DOMESTIC RATE PAYERS

- 10.1 In accordance with the Local Government Finance Act 1992, the Council is required to consult with Non Domestic Ratepayers on the budget proposals. The consultation can have no effect on the Business Rate, which is set by the government.
- 10.2 As with previous years, we have discharged this responsibility by writing to the twenty largest payers and the local Chamber of Commerce together with a copy of this report. Any comments will be reported at Cabinet.

11 EQUALITY IMPLICATIONS

- 11.1 A public authority must, in the exercise of its functions, comply with the requirements of the Equality Act 2010 and in particular section 149 (the Public Sector Equality Duty). Where specific budget proposals have a potential equalities impact these are considered and assessed by the relevant service as part of the final decision-making and implementation processes and changes made where appropriate. An Equality Impact Assessment (EIA) is attached at Appendix 4.

12 LEGAL IMPLICATIONS

- 12.1 The Council is obliged to set the Council Tax and a balanced budget for the forthcoming financial year in accordance with the provisions set out in the body of the report.
- 12.2 In addition to the statutory provisions the Council must also comply with general public law requirements and in particular it must take into account all relevant matters, ignore irrelevant matters and act reasonably and for the public good when setting the Council Tax and budget.
- 12.3 The recommendations contained in the report have been prepared in line with these requirements.
- 12.4 Section 25 of the Local Government Act 2003, which came into force on 18 November 2003, requires the Executive Director of Finance and Corporate Governance to report on the robustness of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves. The Council must take these matters into account when making decisions about the budget calculations.
- 12.5 Implications verified/completed by: Tasnim Shawkat, Bi Borough Director of Law, telephone number; 0208 753 2700.

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		

LIST OF APPENDICES:

Appendix 1 – MTFS Summary

Appendix 2 – Growth & Efficiency Schedules

Appendix 3 - Fees and Charges – exceptions to standard 3.3% increase.

Appendix 4 – Equality Impact Assessments