

 the low tax borough	London Borough of Hammersmith & Fulham OVERVIEW AND SCRUTINY BOARD 28 January 2014
REVENUE BUDGET 2014/15	
Report of the Leader of the Council – Councillor Nicholas Botterill	
Report Status: Open	
Classification: For Scrutiny Review & Comment	
Key Decision: No	
Wards Affected: All	
Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance	
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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 based on previous government consultation. A clearer position will emerge when the Local Government Finance Settlement is announced

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.

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 and 7.

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)
Housing & Regeneration	(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 29th January, for final confirmation of precepts on the 14th 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 EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE ON THE BUDGET PROPOSALS

- 6.1 Finance and Corporate Services (FCS) is largely a support service department, supporting front line services across the Council. The exception to this is H&F Direct, which provides transactional services to residents e.g. Council Tax, business rates and rent collection, parking permits, blue badges, etc. FCS strives to provide exceptional value for money services; to be as small a department as possible without compromising service quality too much.
- 6.2 FCS has a number of approaches to achieve this aim which are detailed below.
- 6.3 Tri-borough working:
- The Bi Borough Director for Finance, the Bi Borough Director for Law and the Bi Borough Director for Human Resources (HR), are already shared with the Royal Borough of Kensington and Chelsea (RBKC). These three officers are gradually moving teams into shared arrangements within Finance, Legal and HR.

- There is already a Tri-borough Treasury and Pensions team and a Tri-borough Insurance team.
- FCS is leading on Innovation and Change Management for the Tri-borough and have found efficiencies in the way they operate, of a further £210,000 for 2014/15. This is on top of the £200,000 delivered in 2013/14.
- The Tri-borough Managed Services Programme includes plans to join up transactional services for HR, Finance, Procurement and Property Asset Management across the three boroughs through an outsourced framework agreement, which should be operational by October 2014 at the latest. This is on track to deliver annual savings of £1.33 million by 2015/16.
- A Tri-borough Corporate Services Review is underway, which is examining the potential for joining up HR, Legal, Procurement and IT services across the three councils at a strategic level, with savings falling in 2015/16. The Bi Borough arrangements for HR are already delivering £200k of savings for 2014/15.
- The Tri-borough IT community has recently completed a procurement for an outsourced framework to replace the current contract with Hammersmith and Fulham Bridge Partnership (HFBP), which expires in 2016.
- The Director for Strategy and Communications runs the London Borough of Wandsworth's Communications team. Other opportunities to extend joint working will continue to be sought.
- A Bi-borough Design team is also in place.
- The Social Fund function, which has transferred from the Department for Work and Pensions (DWP), is being overseen by H&F Direct but has been established as a Tri-borough function hosted by RBKC.

6.4 Service and other additional ways of accessing services:

- FCS is pursuing an agenda of self service for both external and internal customers. Smart HR and World Class Financial Management have already delivered self service to both staff and managers across H&F. The new Managed Services contract with BT will take this a step further during 2014/15.
- Both internally and externally, the presumption is for self service options, with other channels only being provided where absolutely necessary.
- FCS is keen to explore other opportunities to move to self service where we can simply support managers and staff to do things for themselves.

- H&F Direct is pursuing an aggressive external self service agenda e.g. self service parking renewals, council tax billing and benefits claims.
- It is now possible to undertake a range of H&F Direct transactions in post offices in the Borough.

6.5 Cost Reduction Programme

- FCS is engaged in the corporate Transforming Procurement work stream with Agilisys, which is reviewing a range of current FCS contracts and procurement initiatives. It is also working with Agilisys to increase FCS' level of debt recovery by improving and streamlining the end-to-end financial processes, with a view to making savings overall, and improving cash flow, without negative impact elsewhere in the business. This is part of a corporate initiative in place across all departments.
- FCS is looking to improve business intelligence through a joint project with Westminster City Council (WCC) and RBKC. This programme aims to reduce the cost of information production and to improve business decision making, so that decisions are made quicker and earlier based on firm, accurate evidence. Pilot projects during 2013/14 have already generated savings of £450k.
- Sound management of the Pension Fund and Treasury functions by the Tri-borough team have already delivered savings of £357k and £250k, respectively.

Savings

- 6.6 For the period 2009/10 to 2013/14 FCS have delivered savings of almost £10m. In addition, FCS is delivering savings of £2.4 million in 2014/15, with Transformational savings accounting for £450k of this figure. Further to this, FCS is contributing £112k towards People Portfolio savings, which are presented separately, within the Transformational savings schedules.

7 FINANCE AND RESOURCES IMPLICATIONS

- 7.1 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.

- 7.2 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.

- 7.3 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.
- 7.4 Implications verified/completed by: Jane West, Executive Director of Finance and Corporate Governance, telephone number; 0208 753 1900.

8 CONSULTATION WITH NON DOMESTIC RATE PAYERS

- 8.1 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.
- 8.2 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.

9 EQUALITY IMPLICATIONS

- 9.1 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.

10 LEGAL IMPLICATIONS

- 10.1 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.
- 10.2 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.
- 10.3 The recommendations contained in the report have been prepared in line with these requirements.

10.4 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.

10.5 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. Not applicable for this Committee.

Appendix 4 – Equality Impact Assessment