

	<p>London Borough of Hammersmith & Fulham</p> <p>COMMUNITY SAFETY, ENVIRONMENT & RESIDENTS' SERVICES POLICY AND ACCOUNTABILITY COMMITTEE</p> <p>13th JANUARY 2015</p>
<p>2015 Medium Term Financial Strategy</p>	
<p>Report of the Cabinet Member for Environment, Transport & Residents' Services</p>	
<p>Report Status: Open</p>	
<p>Classification: For review and comment.</p>	
<p>Key Decision: No</p>	
<p>Wards Affected: All</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 25 February 2015.
- 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 context for the departmental budgets that relate to this PAC, and financial background to the MTFs, were reported to this Committee in October. An updated Medium Term Financial Strategy (MTFS) forecast¹ is set out in Table 1. The 2015/16 budget gap, before savings, is £23.8m, rising to £69.7m by 2018/19.

Table 1 –Budget Gap Before Savings

	£'m	£'m	£'m	£'m
	2015/16	2016/17	2017/18	2018/19
Base Budget	181.5	181.6	181.6	181.7
Add:				
- New Burdens	0.8	0.8	0.8	0.8
- Inflation	2.5	5.3	8.1	10.9
- Contingency (Pay etc)	1.3	3.0	5.3	7.5
- Contingency (CCTV Parking)	1.0	1.0	1.0	1.0
- Current Headroom	1.3	1.2	2.4	3.6
- Growth	4.0	6.2	6.8	6.8
Budgeted Expenditure	192.5	199.1	206.0	212.3
Less:				
- Government Resources	(56.6)	(45.9)	(35.8)	(26.5)
- LBHF Resources	(112.0)	(112.4)	(114.2)	(116.1)
Budgeted Resources	(168.7)	(158.3)	(150.0)	(142.7)
Budget Gap Before Savings	23.8	40.9	56.1	69.7
Risks	12.6	20.4	21.1	21.1

- 3.2 Money received by Hammersmith and Fulham Council from central government is reducing significantly every year. From 2010/11 to 2014/15 government funding was cut by £46m. The 2015/16 funding reduction is £20.3m. Funding is forecast to reduce by a further £30.1m from 2016/17 to 2019/20. A fuller explanation of the funding forecast and spending power calculation is set out in Appendix 5.
- 3.3 Locally generated LBHF resources are council tax and the local share of business rates. Business rates are projected to increase in line with economic growth in future years. The council tax forecast assumes a 1% cut in 2015/16. The 1% cut has reduced the income forecast by £0.5m per annum. Figures for 2015/16 business rates, due to the timing of government guidance, will not be confirmed until late January. There

¹ A 4 year forecast is provided as this is the time frame within which the government resource spending envelope was identified as part of the 2013 Autumn Statement.

remains a risk (a maximum of £3m) that the current budget forecast may need to be reduced.

- 3.4 Future resources are uncertain. Government funding reductions could be more or less than currently modelled. Likewise council tax and business rates income may vary. Sensitivity analysis has been undertaken to test the resource forecast against more optimistic or pessimistic assumptions. For example, should annual government funding reductions be 5% more than currently modelled (on going annual reduction of 10%), for 2016/17 to 2018/19, the budget gap would increase by £12m. Against this risk it is worth noting that the general fund reserve would stand at £20m following the draft proposals in the upcoming budget.

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 proposed in a number of areas. The growth proposals for 2015/16 are summarised by Department in in Table 2.

Table 2 2015/16 Growth Proposals

	£'000s
Adult Social Care	599
Children's Services	1,392
Environment, Leisure and Residents Services	671
Finance & Corporate Services	300
Housing and Regeneration Department	130
Budget Growth	3,092
Transport and Technical Services Growth offset against additional savings found within department	925
Total Growth	4,017

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

Table 3 – Reasons for 2015/16 Budget Growth

	£'000s
Government related	900
Other public bodies	375
Increase in demand/demographic growth	489
Council Priority	511
Existing budget pressures	1,742

Total Growth	4,017
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Savings

- 4.4 Due to the funding cuts from Central Government, and the need to meet inflation and growth pressures, the council faces a continuing financial challenge. The budget gap will increase in each of the next four years if no action is taken to reduce expenditure or generate more income.
- 4.5 In order to close the budget gap for 2015/16:
- Corporate budgets have been subject to initial review and savings of £3.3m have been identified for 2015/16.
 - Savings of £20.5m are proposed for Departments.

The 2015/16 savings proposals are summarised in Table 4.

Table 4 – 2015/16 Savings Proposals by Department

Department	Savings £'000s
Adult Social Care	(6,514)
Children's Services	(4,071)
Environment, Leisure and Residents' Services	(1,395)
Libraries and Archives	(162)
Finance and Corporate Services	(2,762)
Housing and Regeneration	(982)
Transport and Technical Services	(4,307)
Public Health	(350)
Total Departmental Savings	(20,543)
Corporate Savings	(3,273)
Total All savings	(23,816)

Budget Risk

- 4.6 The Council's budget requirement for 2015/16 is in the order of £168.7m. 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 £12.6m. Those that relate to this PAC are set out in Appendix 2.

5 FEES AND CHARGES

- 5.1 The budget strategy assumes that there will be no real term increases in any fees and charges, unless set by outside Statute or Regulation. In line with council policy, the real term base is calculated using the Retail Price Index for inflation in the August of the year preceding the budget, which for August 2014 is 2.4%. Many fees and charges will be frozen in absolute terms, including charges for parking, school lunches and adult education. Some charges, such as Meals on Wheels, have been reduced. Other

charges, most notably Home Care Charges, have been scrapped altogether.

A listing of proposed charges that have seen a real term cut (or are changed by outside bodies) are set out in Appendix 3 for comment by the PAC.

- 5.2 For Environment, Leisure and Residents' Services (ELRS), the majority of fees and charges for 2015/16 are proposed with inflation uplifts only, with many increases being less than inflation to allow for the sensible rounding down of charges. Exceptions to the standard inflation uplift are set out in Appendix 3 for comment by the PAC and described in more detail as follows.
- 5.3 The increase in charges for commercial waste is proposed to be held at the standard inflation rate of 2.4%.
- 5.4 Prices for household bulky waste collection and disposal will be reduced by 10% to encourage people to use the service.
- 5.5 Street scene fixed penalty notices (FPNs) are set in accordance with Defra and Home Office guidance and various statutes. No increase is proposed for 2015/16.
- 5.6 For hall lettings and filming, charges are proposed with a standard inflation uplift only, rounded down to sensible denominations. The rounding down has resulted in several increases that are below inflation.
- 5.7 Registration fees and charges are mostly uplifted in line with inflation (again rounded down to sensible denominations), except for the statutory fees that are set by the General Register Office. These are noted in Appendix 3. Price freezes are proposed for registration cancellation and booking charges as these were only recently introduced. Charges for premium services, such as same day copy certificates and nationality checking vary according to the number of units. A reduction in charges for citizenship ceremonies is proposed to bring this in line with other boroughs.
- 5.8 Inflation uplifts are proposed for all markets and street trading activities, with some increases slightly lower than inflation due to the rounding down of charges.
- 5.9 A new charge is proposed for providing an anti-social behaviour witness service to other bodies, typically housing associations. This is to ensure that Council services are covering their costs.
- 5.10 Leisure in parks charges are proposed with a standard inflation uplift only, rounded down to sensible denominations. Again, the rounding down has resulted in several increases that are below inflation.

5.11 A new charge is proposed for premium grave space for out of borough residents. Requests for this service are rare but the Council needs to have an established charge should such a request be made.

5.12 No new fees or charges are proposed that would be met by Borough residents.

6 2015/16 COUNCIL TAX LEVELS

6.1 Cabinet propose to cut the Hammersmith and Fulham's element of 2015/16 Council Tax by 1%. This will provide a balanced budget whilst reducing the burden on local taxpayers at a time of rising living costs.

6.2 The Mayor of London has announced his intention to set the Greater London Authority precept at £295 a year (Band D household) for 2015/16. The draft budget is currently out for consultation and is due to be presented to the London Assembly on 28 January, for final confirmation of precepts on 23 February.

6.3 The impact on the Council's overall Council Tax is set out in Table 6.

Table 6 – Council Tax Levels

	2014/15 Band D	2015/16 Band D	Change From 2014/15
	£	£	£
Hammersmith and Fulham	735.16	727.81	(7.35)
Greater London Authority	299.0	295.0	(4.0)
Total	1,034.16	1,022.81	(11.35)

6.4 The current Band D Council Tax charge is the 3rd lowest in England².

7 Comments of the Executive Director for Transport and Technical Services on the Budget Proposals

7.1 The Transport and Technical Services (TTS) department is proposing a total net credit budget of £5.4m. This means that income is expected to be larger than expenditure. Included in the budget are £7m of capital charges and corporate support service costs, which are not controlled by the department. The net controllable budget for TTS is therefore a contribution towards overheads of £12.4m. This is shown in table 7 below.

Table 7 – TTS Controllable budget 2014/15

² Excluding the Corporation of London

Directorate	Budget 2014-15		
	Income (£k)	Expenditure (£k)	Net (£k)
BUILDING & PROPERTY MANAGEMENT	(5,195)	11,672	6,477
PLANNING	(2,697)	3,275	578
ENVIRONMENTAL HEALTH	(1,083)	3,207	2,125
TRANSPORT & HIGHWAYS	(5,856)	8,557	2,701
SUPPORT SERVICES	(24)	(473)	(497)
PARKING	(33,344)	9,567	(23,777)
Total TTS Controllable Budgets	(48,199)	35,805	(12,394)
Capital Charges		11,519	11,519
Corporate Support Services	(10,877)	6,375	(4,501)
Total Corporately Managed Budgets	(10,877)	17,894	7,018
Total TTS Budgets	(59,076)	53,700	(5,376)

7.2 In setting a medium term financial plan, savings targets were allocated to departments in proportion to their gross controllable expenditure budgets. TTS was set a savings target of £3.065m for 2015/16. This is equivalent to 14% of the entire savings required by the Council and approximately 9% of the department's gross controllable expenditure.

7.3 TTS has proposed savings of £4.307m, which exceed the original savings target of £3.065m by £1.242m. TTS has provided savings for the Council which are £0.317m above target, as well as covering internal TTS budget pressures of £0.925m. These pressures are include budget reductions in previous years no longer expected to be achieved (see appendix 1 for details of the internal growth items). It is essential to balancing the TTS budget in 2015/16 that it funds these pressures by making the additional savings.

Building and Property Management

7.4 The proposed savings in Building and Property Management of £2.0m are made up of the ending of leases on Cambridge House and Glenthorne Road, additional income from advertising hoardings, additional income from the letting of accommodation to new tenants and further price reductions in the TFM contract. There will be no impact on the service delivery due to these savings.

Planning

7.5 Proposed savings of £0.28m in Planning are made up by a) growth in application and pre-application fee income and b) the impact of a fixed fee for Planning Performance Agreements.

Transport and Highways and Parking

- 7.6 The proposed savings of £1.72m are made up of an increase in recovery rate of Penalty Charge Notices (PCNs), an increase in the volume of parking bay suspensions, a modernisation programme to introduce LED street lighting and reduced costs through a joint procurement of highways maintenance services. No adverse impact on service delivery is expected from these savings.

RISKS

- 7.7 **Wifi Concession Income** – Transport and Technical Services has an MTFS target of £0.3m per year for income from the letting of a concession to a telecoms company to install Wi-Fi equipment on Council assets. For the first two years this target was met by the initial upfront payment made by the company. By 2015/16 this will be used up and the Council will be reliant on a share of the variable income made by the company to meet the income target assumed in the budget.
- 7.8 **Advertising Hoardings Income** – This can vary in accordance with the economic cycle.
- 7.9 **Parking Suspensions Income** – This depends largely on the amount of property development going on in the borough.
- 7.10 **Use of CCTV for parking enforcement** – the Government is changing the law to prevent councils using CCTV to enforce parking restrictions (not Moving Traffic Offences) in some circumstances. The impact is not yet clear although a sum has been set aside corporately to cover this risk.

8 Comments of the Executive Director for Environment and Residents' Services on the Budget Proposals

SAVINGS

- 8.1 The Environment, Leisure and Residents' Services (ELRS) department has identified gross savings of £1.395m for 2015/16. Our priority is to protect front line services, so proposed savings are focused on commercialisation and delivering services more efficiently, either through transformational service reviews or renegotiating contracts.
- 8.2 Commercialism is being pursued without imposing any real-term increases of fees and charges paid by residents. New external income of £1,218k is instead being targeted as follows:
- £225k is from new commercial income - £160k is from a concession contract for access to the council's underground cable network, £40k is from commercial waste income growth and £25k is from expanding the Mortuary service to include a new digital autopsy service. Targeted income growth in both the ducting concession contract and commercial

waste are rated as high risk in terms of delivery, due to the non-guaranteed nature of this income. Sales and marketing plans have been set for both service areas and will be rigorously monitored and challenged in year. New mortuary income is medium risk as the business model is not yet tried and tested.

- £928k is from new external funding sources - £578k of section 106 funding is being sought to allow the 24/7 enhanced policing service to be provided at zero cost to the council. £350k Public Health funding is being sought to fully fund the Phoenix leisure centre for one year while the Council explores ways of making it self-sufficient financially. The proposal to substitute existing revenue budgets with s.106 funding is medium risk as it partly relies upon s106 receipts which are expected but not yet received by the Council. Such budget substitutions will need to be made every year in order to sustain existing levels of service.
 - £65k is to align sports booking income budgets with current income levels.
- 8.3 Commissioning savings of £87k are being targeted. £70k is expected to be delivered through the grounds maintenance contract by incorporating additional services into the existing contract (£15k) and reviewing the specification (£55k). These are medium delivery risk as the detailed arrangements are still being finalised. £17k will be saved when the 3 year grant funding arrangement for the Hurlingham and Chelsea Community Library ends.
- 8.4 Transformational savings of £90k are targeted from the final stages of the bi-borough service reviews - £60k from Parks Police senior management and co-location and £30k from a bi-borough commercial approach to filming and events. The Parks Police saving is medium risk as the timeline for the required personnel processes may not enable the new structure to be implemented from 1st April and so there may be a small element of savings lag.

GROWTH

- 8.5 The Department faces growth requirements in 2015/16 and beyond arising from the Western Riverside Waste Authority (WRWA) waste disposal contract. These come from increases in the costs of waste disposal and forecasts of trends in the waste disposal behaviour of residents. After several years of declining general waste tonnages, the Council saw increases in 2012/13 and 2013/14. ELRS is proposing £84k of budget growth to cover the expected financial pressure for 2015/16 and has provided additional indications of growth required for future years. However, it is difficult to predict variable waste tonnages with any certainty due to a variety of social and economic reasons. ELRS has formed a waste innovation group that is working to pilot waste reduction initiatives across the borough with the aim of increasing recycling and driving down longer term waste disposal costs, through things like the separate collection of food waste.
- 8.6 Additional budget growth requests are made for the increased cost of the waste management and street cleansing contract (£185k, agreed in

the 2014/15 MTF cycle) and £313k to reset the Council's fleet transport budgets to reflect the greatly reduced fleet numbers that has occurred in recent years. £89k is included for the Coroners and Mortuary services to offset a loss of income recharged to the partner boroughs as a result of reducing corporate overheads. In previous years these could be absorbed by underspends in the waste disposal budget, but that is not expected to continue in 2015/16 now that waste tonnages are increasing.

RISKS

- 8.7 Additional budget risk has been noted for some specific services. At the time this budget was drafted the Western Riverside Waste Authority had not set the price per tonne for waste disposal. As is usual practice, WRWA has provided estimates of the possible range of their charges for 2015/16. The ELRS budget for 2015/16 has been set on the assumption that the rate is set in the middle of that range. Growth in waste tonnages has also been seen, and this was unusually high in 2014/15 (at 4.5%). It is assumed that this rate of increase will not be sustained at such a high level and that in 2015/16 we return to a rate of growth (1.8%) which is slightly more than we have seen in previous years. However if the growth rate remains at 4.5% in 2015/16 and the price per tonne set by WRWA is at the top of the estimated range then the Council would need to find an extra £405k to meet the costs in excess of budget.
- 8.8 Further risk exists in relation to potential changes to waste disposal legislation that may require boroughs to have separate waste collections for certain recyclable materials where it is technically, environmentally and economically practicable to do so. Additional waste collections would add to the waste contract costs for the borough. The proposed legislative changes are still under review with a formal response due to be sent to the Environment Agency in the coming months.
- 8.9 Major new property developments in the borough could add to waste collection and disposal costs by increasing the number of households in the borough. ELRS will continue to work closely with the planning team to ensure that any additional significant demands on our services are identified.
- 8.10 There is also a £70k budget risk relating to the Hammersmith All Weather pitch given uncertainties around how any new facility might operate.

9 Equality Implications

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

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		

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

Appendix 5 – Spending Power Reduction