


<p align="center">London Borough of Hammersmith & Fulham</p> <p align="center">CHILDREN AND EDUCATION POLICY AND ACCOUNTABILITY COMMITTEE</p> <p align="center">18th JANUARY 2016</p>		
<p>2016 Medium Term Financial Strategy (MTFS)</p>		
<p>Report of the Cabinet Member for Children and Education</p>		
<p>Report Status: Open</p>		
<p>Classification: For review and comment. 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 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 reduce by a further £33.6m from 2015/16 to 2019/20. Based on the Provisional Local Government Finance Settlement the 2016/17 grant reduction¹ is £8.2m.

3.3 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

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.

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

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

- 4.1 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 Shared Services	65
Total Growth	6,191

- 4.2 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

Savings

- 4.3 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.
- 4.4 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	15,857
Less savings accounted for in the grant/resource forecast ³	(455)
Net Savings	15,402

Budget Risk

- 4.5 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.

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.

5 FEES AND CHARGES

5.1 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.

5.2 All charges relating to Children’s Services are to be frozen, as set out in Appendix 3.

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 GLA 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 Executive Director for Children's Services on the Budget Proposals

7.1 The department's approach to identifying potential savings has been consistent with the vision for Children's Services which is:

'To improve the lives and life chances of our children and young people; intervene early to give the best start in life and promote wellbeing; ensure children and young people are protected from harm; and that all children have access to an excellent education and achieve their potential. All of this will be done whilst reducing costs and improving service effectiveness.'

This has been key to developing a number of lines of enquiry that seeks to protect services to the most vulnerable members of the community within the statutory provisions required of the department.

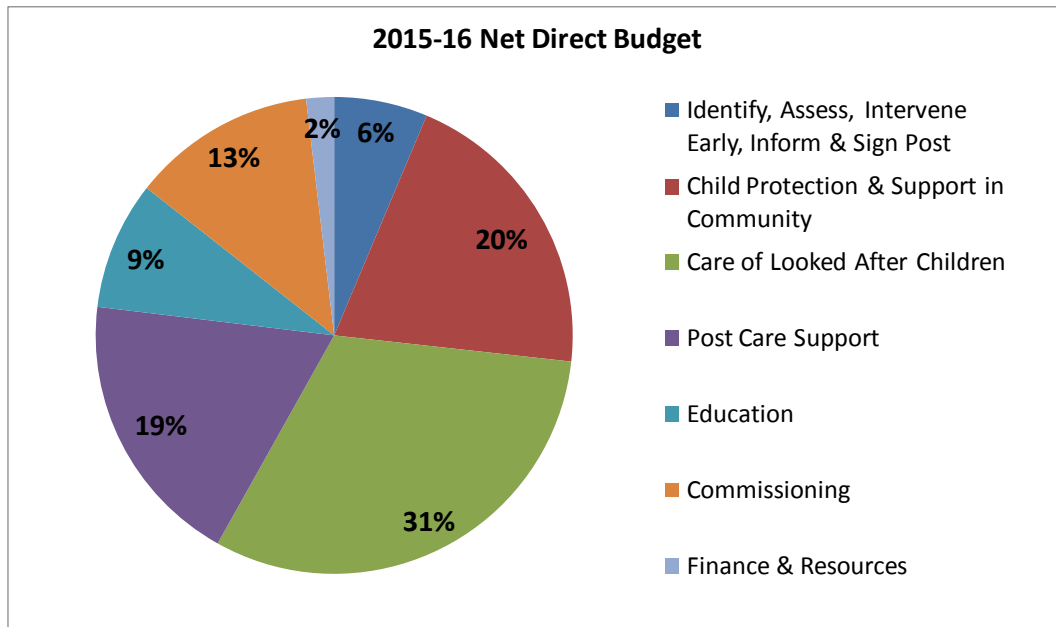
7.2 The department seeks to do this through an innovative approach to service delivery that will seek to work with current service providers and groups in the community, to restructure how we deliver services, but protecting and improving services for families..

7.3 The Department's Net Expenditure budget for 2015/16 is £46.70m. Within this sum are a number of areas over which the department has no control, these are defined as indirect expenditure and include contributions to corporate services and capital charges. In total these add up to £11.44m. This means that the net direct expenditure that the department is in control of is £35.26m. The table below sets out how expenditure is incurred across the various activities within the department showing that the majority of expenditure is on Social Care, £27.12m of net direct expenditure.

Table 6 – Children's Services Controllable budget

CHS Spend Categories	2015-16 Net Direct Budget (£'000s)
Identify, Assess, Intervene Early, Inform & Sign Post	2,234
Child Protection & Support in Community	7,198
Care of Looked After Children	11,060
Post Care Support	6,625
Education	3,065
Commissioning	4,409
Finance & Resources	665
Total	35,256

⁴ Excluding the Corporation of London



- 7.4 The Commissioning budget of £4.4m includes £1.7m spend on Children's Centres and £0.99m on Youth Services.
- 7.5 The Education budget of £3.06m includes £0.6m spend on School Standards and £2.2m on Special Educational Needs and Vulnerable Children, predominantly on SEN passenger transport.
- 7.6 Savings totalling £3.227m have been identified for 2016/17 and are set out in Appendix 2.
- 7.7 The scale of reduction now required is a reflection of the challenge facing the administration in setting a budget for 2016/17 and the difficulties involved in establishing expenditure priorities.
- 7.8 The savings proposals for Children's Services will seek not only to protect front-line services and to continue to offer a service appropriate to local need, but to improve our offer to residents facing difficult circumstances such as poverty and higher levels of need. The proposals will reduce spending on overhead costs, reduce spending on management and reduce duplication.
- 7.9 At the core of all savings proposals will be services that strengthen families and help parents care for their children; whilst steadfastly remaining vigilant with regards to our duty of safeguarding vulnerable children and young people; taking decisive action to protect those that need it.
- 7.10 Appendix 1 details £3.164m growth in 2016/17 for Children's Services with respect to demand pressures within Family Services, and SEN passenger transport. The majority of these pressures relate to changes in practice forced by legislation and regulation changes introduced by the Government

for which inadequate funding has been distributed to local authorities to meet the additional liability.

- 7.11 Decisions taken by the Government will also impact on local services. The reduction in Justice Funding impacts directly on the funding of our Youth Offending Service.
- 7.12 Some pressures have been present for a number of years such as Southwark Judgement costs which have been appropriately identified as demand-growth and have been fully funded from corporate contingency. However the department has sought to contain other pressures, which had not been identified as growth, within Children's Services budgets through underspends elsewhere in the department or use of specific provisions. Provisions had been made on the balance sheet for Secure Remand and Leaving Care pressures. Expenditure on children who have No Recourse to Public Funds (NRPF) has been covered by prior years' asylum balances which is considered appropriate given the overlap of the client base, however this is being exhausted and the pressure is now being felt in-year.
- 7.13 Staying Put is a relatively new pressure supporting children in care to remain with their foster families until they are ready to leave, as is the requirement of local authorities to assess children who are released from remand presenting for Leaving Care services.

8 Equality Implications

- 8.1 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