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| <p>London Borough of Hammersmith & Fulham</p> <p>CHILDREN AND EDUCATION POLICY AND ACCOUNTABILITY COMMITTEE</p> <p>30 JANUARY 2017</p> | |  |
| <p>2017 MEDIUM TERM FINANCIAL STRATEGY (MTFS)</p> | | |
| <p>Report of the Cabinet Member for Finance – Councillor Max Schmid</p> | | |
| <p>Open Report</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 Cabinet will present their revenue budget and council tax proposals to Budget Council on 22nd 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.

Case Study - The Best start in Life (Children's outcome)

The Integrated Family Support Service (IFSS)

- 3.6 In June 2016, as part of the Smarter Budgeting Programme the Council committed to exploring the redesign of the service offer for children, young people, and families across universal to complex (tiers 1, 2, 3) services.
- 3.7 The resulting Integrated Family Support Service (IFSS) will involve an integration of practice and workforces across a range of family and health services and budgets across the 0-18 age range (24 if the young person has a learning difficulty or disability) and across the different tiers of need. The IFSS will be able to more effectively provide a universal offer as well as reaching and supporting families in greatest need. The IFSS will form an integral part of a whole system service strategy to prevent needs from escalating, thus managing demand on specialist tier 4 services and reducing the associated costs of this type of support.
- 3.8 The IFSS will deliver better outcomes for children and families through an improved service model that most effectively and efficiently meets current and future need.
- 3.9 The IFSS service model will focus on identifying need early – including through assertive outreach and engaging with families displaying future risk factors; will deliver tailored, focused, and effective whole family early intervention support; and will improve targeting of resources to align with current and projected population demand and need.
- 3.10 Instead of top slicing different services, the IFSS Programme will instead focus on how required system efficiencies can be made in a way that minimises negative impact on front line service delivery. The Programme will look at how efficiencies can be made through leaner management structures, integrating practice and workforce, reducing service duplication, and more efficient delivery models.
- 3.11 In October 2016 Cabinet approved the progression of work towards the implementation of the proposed IFSS and agreed a Smarter Budgeting start-up investment of £250,000 to undertake full programme scoping and develop the detail required to support a full Business Plan.
- 3.12 The Investment required to deliver this new model will be part of the paper planned to be presented to Cabinet on 6th March 2017.
- 3.13 The cumulative savings through the IFSS have been profiled as being £500,000 in 2017/18 and £1,500,000 by 2018/19.

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

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|----------------|----------------|----------------|----------------|
| | £'m | £'m | £'m | £'m |
| Base Budget | 160.4 | 160.4 | 160.4 | 160.4 |
| 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 |
| Budgeted Expenditure | 170.5 | 176.0 | 182.4 | 188.8 |
| 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) |
| Budgeted Resources | (156.1) | (149.2) | (144.3) | (142.4) |
| | | | | |
| Cumulative Budget Gap Before Savings | 14.4 | 26.8 | 38.1 | 46.3 |
| | | | | |
| Risks | 22.7 | 27.4 | 29.5 | 30.9 |

Resources Assumptions

- 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%)¹ 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

| Service Area/ Outcome | £'m |
|------------------------|--------------|
| Adult Social Care | 4.413 |
| Children's Services | 0.739 |
| Environmental Services | 0.255 |
| Housing | 0.230 |
| Enabling/Council wide | 1.712 |
| Total Growth | 7.349 |

¹ 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%.

- 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.

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

| Service Area | Savings £'m |
|--|------------------------|
| 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 Investment | (2.000) |
| Total All savings | (14.886) |
| Less savings accounted for in the grant/resource forecast ² | 0.475 |
| Net Savings | (14.411) |

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

² 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.

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.

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.

2017/18 COUNCIL TAX LEVELS

- 7.1 The administration proposes to freeze the Hammersmith and Fulham's element of 2017/18 Council Tax at £727.81 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 (increase from £276.00 to £280.02) and is due to be presented to the London Assembly on 25th January, for final confirmation of precepts on 20th 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 3rd lowest in England³. The Band D charge for Hammersmith and Fulham is the lowest since 1999/2000.

8 Comments of the Executive Director for Children's Services on the Budget Proposals

8.1 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.'

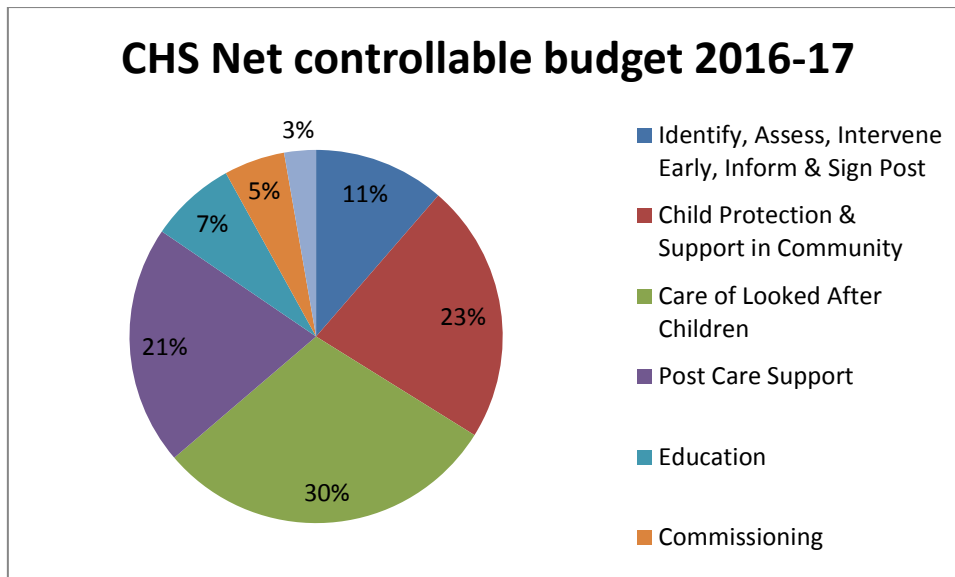
³ Excluding the Corporation of London

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.

- 8.2 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.
- 8.3 The Department's Net Expenditure budget for 2016/17 is £47.581m. 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 £11.331m. This means that the net direct expenditure that the department is in control of is £36.250m. 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, £30.637m of net direct expenditure.

Table 7 – Children's Services Controllable budget

| CHS Spend Categories | 2016-17 Net Direct Controllable Budget (£'000s) |
|--|--|
| Identify, Assess, Intervene Early, Inform & Sign Post <i>(receive referrals make initial assessments and interventions)</i> | 4,118 |
| Child Protection & Support in Community <i>(social worker service to children living at home with their families where high levels of concern have been identified)</i> | 8,156 |
| Care of Looked After Children | 10,833 |
| Post Care Support <i>(providing accommodation, advice and guidance for young people who have left care aged 18 – 25 and also to children who have moved to adoption and Special Guardianship Order placements)</i> | 7,529 |
| Education | 2,703 |
| Commissioning | 1,913 |
| Finance & Resources | 997 |
| Total | 36,250 |



- 8.4 The Commissioning budget of £1.913m includes £1.16m on Youth Services.
- 8.5 The Education budget of £2.703m includes £0.489m spend on School Standards and £1.953m on Special Educational Needs and Vulnerable Children, predominantly on Travel Care and Support.
- 8.6 Savings totalling £1.870m have been identified for 2017/18 and are set out in Appendix 2.
- 8.7 The scale of reduction now required is a reflection of the challenge facing the administration in setting a budget for 2017/18 and the difficulties involved in establishing expenditure priorities.
- 8.8 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.
- 8.9 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.
- 8.10 Appendix 1 details £0.739m growth in 2017/18 for Children's Services with respect to The Resource Centre for Children with Disabilities and their families, Unaccompanied Asylum Seeking Children and the arrangements for Travel Care and Support.
- 8.11 Decisions taken by the Government will also impact on local services. The reduction in Youth Justice Board funding impacts directly on the funding of our Youth Offending Service. Provisions had been made on the balance sheet for Secure Remand pressures.

- 8.12 The Children's and Social work Bill set out proposals to introduce a new duty of care for local authorities towards young people who are 21+ and not in education. In addition, 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 Leaving Care pressures. Housing provides support to Families with No Recourse to Public Funds (NRPF) status, on behalf of Children services, but demand for services in excess of what can be supported within existing budgets are met by Children's Services.
- 8.13 Staying Put is a relatively new pressure supporting children in care to remain with their foster family's post 18 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.

9 Equalities Implications

- 9.1 An Equality Impact Analysis (EIA) assesses the impacts on equality of the main items in the budget proposals relevant to this PAC. The draft EIA is attached (Appendix 3). 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 – Draft Equality Impact Assessment