

THE COUNCIL'S BUDGET 2012/13 & MEDIUM TERM FINANCIAL FORECAST 2012/13 - 2014/15

Cabinet Member	Council Ray Puddifoot Councillor Jonathan Bianco
Cabinet Portfolio	Leader of the Council Cabinet Member for Finance and Business Services
Officer Contact	Paul Whaymand, Central Services
Papers with report	Appendix 1 to 9 (detailed MTFF proposals)

HEADLINE INFORMATION

Purpose of report	<p>This report sets out the Medium Term Financial Forecast (MTFF), which includes draft General Fund revenue budget for 2012/13, along with indicative projections for the following two years.</p> <p>The revenue budget proposals have been developed to deliver a zero increase in Council Tax for the fourth successive year, as well as providing for new priority growth of £1.5m, whilst maintaining balances and reserves well above the minimum of £12m over the medium term.</p>
Contribution to our plans and strategies	The Medium Term Financial Forecast is the financial plan for the Council, and contains the funding strategy for delivering the Council's objectives.
Financial Cost	Zero increase in Council Tax for the fourth successive year.
Relevant Policy Overview Committees	<p>Corporate Services and Partnerships Policy Overview Committee</p> <p>Education and Children's Services Policy Overview Committee</p> <p>Residents' and Environment Services Policy Overview Committee</p> <p>Social Services, Health and Housing Policy Overview Committee</p>
Ward(s) affected	All

RECOMMENDATIONS

That Cabinet:

- 1) **Approve the draft revenue budget and capital programme proposals for 2012/13 and beyond as the basis for consultation with Policy Overview Committees and other stakeholders.**
- 2) **Request the comments of individual Policy Overview Committees on the draft budget proposals relating to their areas of responsibility, to be collated into a single report back to Cabinet from the Corporate Services and Partnerships Policy Overview Committee.**
- 3) **Approve the proposed fees and charges included at Appendix 8 as the basis for consultation with Policy Overview Committees and other stakeholders.**
- 4) **Authorise the Chief Finance Officer, in consultation with the Leader of the Council, to respond on behalf of the Council to the consultation on the provisional Local Government Finance Settlement and to the Mayor of London's budget consultation.**

SUMMARY

The budget proposals included in this report represent Cabinet's budget strategy for 2012/13 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2012/13 whilst maintaining balances and reserves at well above £12m over the medium term.

The main challenge in delivering a balanced budget for 2012/13 is the development of significant savings of around £17.8m, on top of the £26.2m delivered in 2011/12. However, the Council's Business Improvement Delivery Programme is now well established and is driving the delivery of these savings. The month 7 budget monitoring for 2011/12 shows that good progress is being made in responding to this challenge; with the latest year end forecast showing a projected budget underspend of £2,349k and 94% of the 2011/12 savings being on track for delivery.

The final funding settlement for 2012/13 has not yet been announced and the budget has therefore been drafted on an estimated cut in funding of £9.2m, partially offset by a further central Government grant of £2.8m enabling a freeze in Council Tax in 2012/13.

Detailed within the draft budget proposals, in addition to the £17.8m savings proposals are £5.1m of corporate increases, £5.4m of contingency provisions and service pressures and an allowance of £3.3m for inflation.

- The key increases in corporate items arise from £2m provision for new capital investment including a further £1m for the school building programme and a contribution to balances of £2.8m.
- The key service pressure increases, many of which are provided for in contingency, have increased by £5.3m. This includes £2.2m for Adult Social Care demographic pressures,

£1.5m for the costs of Transitional Children, £0.6m for an asylum funding shortfall, £1.1m for an increase in the Waste Disposal Levy, £0.7m for a temporary accommodation pressure and £0.2m for a shortfall in development control income. These have been netted down by a reduction of £0.3m in other Children's Service pressures and the removal of a previous contingency item of £1m relating to the potential shortfall on the delivery of savings in services where Government grant funding had previously been reduced.

The development of savings proposals has continued to concentrate on more efficient service delivery methods, the rolling out of the new Council operating model, focusing on core services and by not creating new pressures by providing services that are no longer funded by Central Government.

At present total savings amount to around £17.8m, with £7.8m in Planning, Environment, Education & Community Services, £7.5m in Social Care, Health & Housing, £1.7m in Central Services and £0.8m from Major Transformation Projects. Full details of the proposals are contained in Appendix 7.

The report also includes the provisional fees and charges recommendations for 2012/13, detailed in Appendix 8.

The draft capital programme for 2012/13 and indicative allocations for the following two years are presented in this report and in Appendix 9. The General Fund Capital Programme amounts to £204.0m over three years, with £111.0m of that investment focused on meeting demand for Primary School Places across the Borough. In addition this programme will enable completion of a number of major projects during 2012/13 including the South Ruislip and Hayes End Library Developments and a new Civic Amenity Site at New Years Green Lane.

The HRA Capital Programme amounts to £34.8m over the period 2012/13 to 2014/15 and includes the delivery of 225 units of supported housing as part of the Council's wider reablement strategy as well as work to existing stock.

INFORMATION

Reasons for recommendation

The recommendations have been framed to comply with the Budget and Policy Framework rules and to allow the presentation to Council of a recommended budget for 2012/13 in February 2012, which takes into account consultation with Policy Overview Committees.

They also allow for representations to be made to the Department for Communities and Local Government in relation to the provisional Local Government Finance Settlement, and to the Mayor of London in relation to the Greater London Authority's budget proposals, in accordance with the required deadlines for responses.

Alternative options considered / risk management

In order to comply with the Budget and Policy Framework, the Cabinet needs to publish a draft budget for consultation at this meeting. The Cabinet could, however, choose to vary the proposals set out in the report, with any amendments reflected in the papers consulted upon with Policy Overview Committees during January 2012.

The section of the report on the Development and Risk Contingency considers the key risks and uncertainties that need to be managed and how these have been provided for within the budget strategy.

Comments of Policy Overview Committee(s)

Following consideration at Cabinet, this report will form the basis of consultation with Policy Overview Committees during January 2012. Comments from the Policy Overview Committees will be reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee when Cabinet meets on 16 February 2012. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 23 February 2012.

Supporting Information

BACKGROUND TO THE 2012/13 BUDGET

1. As reported to Council in February 2011, the budget report for Council Tax setting for 2011/12 contained an initial savings requirement of £16.4m for 2012/13. The budget strategy developed in response to the CSR 2010, which is reliant on the HIP Business Improvement Delivery project, contained challenging savings targets totalling in excess of £60m over the subsequent four year period. Having delivered budgeted savings of around £15.6m in 2010/11 (£10.2m original savings target, increased to £15.6m to deal with in-year Government cuts) and being well on track to deliver an additional £26.2m savings in 2011/12, initial plans had been developed to deliver the £16.4m savings required in 2012/13. Alongside this, groups were also tasked with reviewing all pressures and a review also commenced of all corporate pressures.
2. The local Government Finance Settlement in 2010 was for 2 years, so large elements of the funding for 2012/13 were known at the start of the budget cycle. However, there were still a number of areas of uncertainty within the budget, some of which still remain, and recent funding consultations add further uncertainty going forward. Confirmation of the 2012/13 settlement will not be known until week commencing 5 December and so the details are not included within this report. However, it is fairly certain that there will be a top slice in the funding to pay for funding for Academies, so an estimate of the funding cut has been included in this report and an additional savings target has been included to partially offset this. In addition, there are some emerging demand led pressures have now been recognised in the draft budget. The net result of all these changes is that the estimated budget gap now stands at £17.8m.
3. This budget report outlines a strategy and detailed proposals that are capable of bridging the budget gap of £17.8m in 2012/13, with minimal impact on the delivery of front line services and within the following parameters:
 - zero increase for Hillingdon's element of the Council Tax (funded by a second year of Central Government grant);
 - priority growth available for new initiatives of £1.5m;
 - increased funding for capital financing of £1m;
 - maintaining balances and reserves well in excess of £12m

MTFF PROCESS FOR THE 2012/13 BUDGET CYCLE

4. The timetable for the development of the 2012/13 was brought forward significantly from previous years with work commencing as soon as the 2011/12 budget was agreed by Council in February. As the Local Government Finance Settlement covered two years, including 2012/13, the funding side of the budget for 2012/13 was already largely known. This enabled a good early estimate of the likely budget gap for 2012/13 to be made and a strategy to bridge this gap to be developed.
5. Work on the development of savings proposals was integrated with service transformation work programmes and managed through the HIP Business Improvement Delivery programme. BID has continued to develop and evolve. The DCE PEECS has full control for the delivery of the total BID programme to ensure there is a standardised approach taken across all departments and services. This refreshed governance framework enabled significant early progress on both the delivery of a balanced 2011/12 budget position and the development of a balanced set of proposals for 2012/13. Challenge sessions were held with all groups during June to ensure their proposals were sufficiently robust and to discuss the service pressures in each area, both ongoing and emerging. As a result of this work the draft 2012/13 budget was comprehensively updated and a detailed set of proposals and supporting working papers provided to the Leader at the end of July.
6. Over recent months, work has continued to monitor and model all known and emerging pressures and Groups have developed and refined their savings proposals, with ongoing discussion and feedback from Members, leading to the development of this budget report.

GENERAL FUND REVENUE BUDGET

Update on 2011/12 Budget Monitoring

7. To provide some context to the budget setting for 2012/13, it is essential that the position with the 2011/12 budget is fully understood as there is a strong link between many of the proposals included in the 2011/12 budget and those in 2012/13.
8. The latest in-year revenue monitoring position (Month 7 October) shows that forecast net expenditure for the year 2011/12 is £2,349k less than the budget. There is a £99k forecast underspend on directorate budgets and a projected underspend in capital financing costs of £2,250k largely due to budgets set aside in advance for schools capital financing which are not forecast to be needed in the current financial year.
9. Although there is a healthy underspend at this stage of the year there are significant budgetary risks remaining. The Government consulted over the summer on potentially further top-slicing local authority revenue support grant to fund a national shortfall in funding for Academy schools, which could include the current financial year as well as ongoing. If the Government went ahead with top-slicing in-year this could worsen the current year's budget position by up to £1.3m. Additionally, there are emerging pressures beginning to impact such as a worsening asylum funding position caused by increasing numbers of naturalised or 'exhausted all appeals' clients that do not attract grant funding.

10. However, on the positive side there is still £1m of unallocated contingency and a £800k HIP contingency that has only had £115k called upon so far. The assumption currently built into monitoring is that these will both be fully spent by the year end. The month 7 position also assumes that the unallocated balance of £650k of the £1m priority growth budget will be fully spent by the year end. Projected balances carried forward in the month 7 report are £17,578k, over £2m in excess of what we expected them to be at the start of the current year.

Budget Requirement 2012/13

11. The movement between the current year's budget and the draft budget requirement for 2012/13 is summarised in Table 1 below. The work undertaken on the budget since February has resulted in some significant movement within each of the lines in Table 1 although the overall budget gap has only changed by £1.4m. Further detail on each of the items is set out in the following sections of this report and a more detailed summary of the MTFE over the full 3 year period is attached in Appendix 1.

Table 1: Budget Requirement 2012/13

	Budget (£000s)
Budget Requirement 2011/12	194,746
Inflation	3,315
Corporate Items (Appendix 2)	5,096
Service Pressures (Appendix 3)	55
Contingency (Appendix 4)	5,348
Priority Growth (Appendix 5)	1,500
Savings (Appendix 6)	-17,816
Change to non-formula grant	-1,576
Budget Requirement 2012/13	190,668
<u>Funding Sources</u>	
Council Tax	112,890
Government Formula Grant (estimated)	77,778
Total Resources	190,668

Inflation

12. The core amount of inflationary cost increases in the draft budget for 2012/13 is £3.3m. This represents a very slight decrease of £0.1m compared to the earlier projections contained in the budget report to Cabinet and Council in February 2011.

13. Table 2 below sets out the general inflation rates applied to specific budget lines.

Table 2: Inflation

Category	Rate (%)	2012/13 (£000s)
Employees' Pay (including increase in employer's pension contributions)	0.85%	1,097
Premises Costs	2.0%	141
Fuel Costs	7.5%	200
Care Placements	1.0%	687
Contracts with unavoidable inflation increases	Contractual %	576
Concessionary fares & taxicard scheme	7.0%	545
Levies	2.0%	69
Total		3,315

14. Whilst the CSR10 set out a proposed pay freeze for Local Government staff for 2 years in addition to that imposed in 2010/11, there remains a possibility of a pay award being given to lower paid staff so at this stage 0.25% has been allowed for pay inflation.
15. Inflation has not been provided for on most non-salary items unless there is an unavoidable contractual increase. However, given that RPI is running in excess of 5% there is considerable pressure from external contractors to increase prices at a time when the Council's funding is reducing considerably. If the market cannot adjust to the new reality in terms of the funding available to councils going forward, then Councils may be forced into considering in-sourcing certain services. For those services that remain outsourced then the importance of good contract management is heightened, particularly in terms of identifying activities that generate costs for a contractor that are not essential for the Council as the client.
16. With the rising cost of fuel an inflationary provision of 7.5% has been provided for and an increase of 1.0% has been applied for adult's and children's services care placements. The projected 7% inflationary increase in the concessionary fares levy announced by the Mayor of London has also been recognised.
17. The core inflation provision does not include any inflation on income as these will be included in the respective Group's savings proposals as was the case in 2011/12.

Corporate Items

18. This heading is used to describe items that affect the Council overall, or have a significant impact on the majority of service groups within the authority. A net increase in budget of £5.1m in 2012/13 is required to cover these items which are shown in summary in the table below and in further detail in Appendix 2.

Table 3: Corporate Items

Corporate Items	Amount 2012/13 (£000s)
Capital programme financing costs	300
Provision for Future Capital Investment	1,000
Additional capital programme financing provision (PCP)	1,000
Change in budgeted contribution to balances	2,796
Total	5,096

19. The budget for 2012/13 now includes the provision of a £3m revenue fund for financing future capital investment requirements such as the Primary Capital Programme (PCP). £2m of this is already in the 2011/12 budget and a further £1m will be added in 2012/13. However, the projected phasing of the borrowing required on this programme suggests that the full £3m will not be required until 2013/14 so this budget should underspend in 2012/13. The budget also incorporates a reduction of £1m in capital financing costs from that forecast in February 2011 as a result of debt refinancing, MRP analysis and capital programme rephasing.
20. A £1.0m provision for future capital investment has also been incorporated into the draft budget. This is the start of a new process of topslicing certain savings to start to build a revenue fund to fund future capital investment. There are no projects that will require funding from this source in 2012/13, so as things stand this budget should not be called upon in 2012/13.
21. The draft budget for 2012/13 includes a payment into balances of £1.003m compared to the current year's £1.793m drawdown. The report to Cabinet in February 2011 had previously projected a phased reduction in the draw down of balances over a three year period, reducing the current £1.793m budgeted drawdown to £1.243m in 2012/13, then £693k in 2013/14 and then zero in 2014/15. The current budget not only repays the drawdown but also contributes another £1.0m. As at month 7, 2011/12 balances are forecast to be at £17.6m as at 31st March 2012 and this strategy looks to keep balances at around £18.6m for the next 3 years. This should provide some contingency to help absorb any further adverse movement in central Government funding in addition to providing scope for absorbing any potential delays in the timing of the delivery of savings.

Service Pressures & Development and Risk Contingency

22. The development and risk contingency is used to manage issues that typically arise during the budget process where the likelihood of resources being required is uncertain. Rather than include all of these in the draft budget and therefore overstate the estimated budget requirement, they are collated within the Development and Risk Contingency.
23. Groups have identified and reviewed all service pressures and will continue to challenge and review through to Council Tax setting in February 2012. As noted at the start of the report there are demand led pressures emerging in the current year's budget monitoring for which further new or additional provision has been included in next year's contingency budget. To offset this, some savings are being brought forward from 2013/14 into 2012/13.

24. A net increase in the contingency of £5.3m reflects the latest estimate of potential funding to cover a range of financial risks faced by Council in 2012/13. The increase arises mainly from the significant demographic pressures facing the Council, although the increase has reduced by £0.9m from the level projected in February. An exercise will be undertaken prior to Council Tax setting in February 2012 to determine which of the forecast calls on contingency are certain enough for the budget to be transferred to the service concerned. A detailed breakdown on contingency is shown in Appendix 4.

Table 5: Development and Risk Contingency

Contingency Items	Pressure 2011/12 (£000s)	Pressure 2012/13 (£000s)	Change (£000s)
Total	10,936	16,284	5,348

25. The current contingency provision for Adult's Social Care for demographic pressures is £6.3m, an increase of £2.25m on 2011/12. Latest projections support these figures being retained as noted in month 7 monitoring, however, these will continue to be tracked over the forthcoming months.

26. In Children's social care the contingency figure has significantly reduced from earlier projections of £0.9m to £0.165m as the original contingency provision was calculated before the impact of the Southwark judgement could be fully evaluated. Further analysis has now established, as far as possible, the impact of this judgement and as a result the current contingency provision has been reduced.

27. The latest projections for transitional children moving through to Adult Services continue demonstrate an increasing trend on service demand. This represents the cost of clients that have already transferred and are an actual current cost to SCH&H. £2.8m is being provided for within contingency (an increase of £1.5m on the current year) to cover the estimated costs of clients likely to transfer during the next year. This are will be subject to a full BID review over the coming months.

28. Following the transfer of responsibility for asylum to the SCH&H finance team, the modelling has been totally reviewed and forecasts recalculated. In addition, as reflected in budget monitoring, there has been a significant downward movement in the number of UASC for whom LBH can claim funding from UKBA due to an individuals change in status (either naturalised or 'exhausted all appeals'). Whilst the Gateway agreement with UKBA in previous years has enabled LBH to mitigate against this reduction by receiving a fixed £1.9m each year, UKBA have indicated that this grant will be reviewed and potentially reduced by 20% from 2012/13. As a result the contingency for 2012/13 has been adjusted to £1,449k, an increase from the £0.52m estimated back in February.

29. The current contingency for the West Waste levy is £1.1m, which is an improvement from 2011/12 where a service pressure of £1.3m was provided for. The early indications are that tonnages are below the levels included in the variable (PAYT) element of the levy, which may give an in-year saving on the PAYT element of the levy. It also looks likely that West Waste will be able to apply further balances to mitigate some of the expected increase in the 2012/13 levy. This is not factored into the budget at this stage but will be included in the February budget report once the levy is finalised.

30. The draft budget includes a sum of £1m in general contingency within the development and Risk contingency. This reflects the large degree of uncertainty that exists over a number of budgets and central Government funding at this point in time.
31. The 2010/11 outturn for development control showed a gross pressure of £0.5m, the worst performance in the last four years and monitoring in 2011/12 is projecting a pressure of £0.6m. As a result the contingency provision for 2012/13 has been increased to £0.5m.
32. The draft 2012/13 budget in February showed the contingency for the Local Development Framework legal and consultancy fees dropping out in 2012/13. However, three Examination in Public issues have been identified where costs could fall in 2012/13, so a £90k contingency has been included and a further issue in 2013/14 so an additional £65k contingency has been included in that year.
33. An additional new contingency item for the impact of Housing Benefit change on temporary accommodation has also been included. The supply of private sector properties available to the Council has been squeezed, increasing pressure on bed and breakfast accommodation and alongside this increasing rents are resulting in substantial cost pressures. The contingency requirement in 2012/13 has been assessed at £0.7m. Going forward a proposed levy on empty properties could help to alleviate this pressure, although these measures are currently out to consultation.
34. There are potential shortfalls in budgeted income in the Council's various outsourced leisure contracts, necessitating the creation of a contingency item to provide for this shortfall. There are currently a number of issues in relation to the contracts with Fusion, Bromley MyTime and Mack Trading. The provision required in 2012/13 has been assessed at £0.5m and then in 2013/14 it also provides for the break clause in the contract with Bromley MyTime being invoked.
35. Early in the year a full review of all SLAs with schools for Council services was undertaken and a risk was identified in relation to the potential for schools to withdraw from the Council's payroll service. Seven schools gave the Council 6 months notice and are withdrawing in January and the others were expected to follow. As a result, it was decided that it was better from the Council's perspective to put all the schools on notice that we will not provide a Payroll Service after this financial year, enabling a more certain planning for future years. Contingency of £220k for this is provided for 2012/13 and 2013/14 only, as the payroll system contract expires during 2013, which will open up options for fundamentally reviewing how the service is delivered at a lower cost.
36. The current draft Development and Risk Contingency is set out in Appendix 4. Items with a total potential risk of £17.8m are included in the contingency for 2012/13 at this stage. When the probability of occurrence is applied to these amounts, the total for which funding needs to be provided stands at £16.4m, an increase of £5.5m on 2011/12.

Priority Growth

37. Provision has been made in the budget strategy for a further £1.5m of new priority growth. Currently, potential growth bids totalling £0.5m have been included in the draft budget and a further £1.0m remains unallocated, including £0.4m to expand support to the voluntary sector. Officers are currently undertaking a review of support to the voluntary sector with a view to identifying those elements of support that could be increased to reduce the pressure on Council services going forward.

Table 6: Priority Growth

Priority growth	Amount 2012/13 (£000s)
PEECS bids	381
SCH&H bids	150
Expansion in support to the voluntary sector	400
Unallocated priority growth	569
Total	1,500

38. The PEECS growth bids include sports bursaries for talented young local athletes, a bid to continue to fund free swimming for over 65s following the cessation of Government funding, a bid to base fund budget to the youth offending team and community safety team previously funded by the London Communities Safety Fund, and a bid for additional library staffing budget to cover the extended opening hours in the newly refurbished libraries.

39. The SCH&H bid relates to the development of a support team for clients with disabilities moving out of long term residential placements into supportive living arrangements.

Savings

40. The savings proposed in the draft budget for 2012/13 total £17.8m. These are shown in detail in appendices 6 and 7 and in summary in the table below. The proposals for each Group have been split into 3 categories:

- Full year impact of 2011/12 savings where there have been no changes to the proposals agreed in February 2011 Council Tax setting
- Full year impact of 2011/12 saving where proposals for 2012/13 presented to February 2011 Council Tax setting, have been revised in either amount or content.
- New proposals for 2012/13

Table 7: Savings Proposals

Savings Proposals	Saving 2012/13 (£000s)
Central Services	1,672
Planning, Environment, Education & Community Services	7,849
Social Care, Health & Housing	7,495
Cross cutting Savings	800
Total Savings Proposals	17,816

41. The savings proposals contained within this draft budget have been developed through the HIP Business Improvement Delivery programme (BID), the Council's response to the projected budget savings requirement of around £60m over the four year period 2010-14. Each Group has planned and is delivering a programme of BID projects all subject to central control and review by the DCE PEECS who ensures that there is consistency in approach and application across the Council.
42. The savings proposals currently developed total £17.8 m for 2012/13, only slightly higher than that projected to be required in February 2011. The total savings figure for each Group is net of the redundancy costs contained within their package of proposals. A summary of the approach taken in each Group to the development of their savings proposals is given below.

Central Services

43. Central Services have identified proposals totalling £1.7m for 2012/13. Each service is undergoing a review of their structure through the application of the Council's organisation design principles and operating model. This has resulted in a number of major restructures and changes to the way services are delivered. The 2012/13 savings are largely derived from later phases of this restructuring or the full year effect of restructures that are already being implemented to deliver the 2011/12 savings requirements.
44. There is £0.5m of savings proposed in Finance from a rationalised team structure arising from the Council's top tier restructure implemented in 2011/12 and from a review of the Council's insurance arrangements. In HR there are £0.5m of savings proposed including £0.1m in relation to rationalised business support and £0.3m in relation to reduced and more targeted Learning & Development activity. There is a further £0.4m of savings proposed through the restructure of the Performance and Partnership teams. Further details of the proposals developed to date are detailed in appendix 7a.

Planning, Environment, Education and Community Services

45. The approach to the delivery of savings within PEECS is being driven through a programme of transformational reviews of every service. This includes large scale reorganisation, restructuring and removal of duplication, undertaken in the context of a significantly larger service grouping. Within this over-arching work, the opportunity is being taken to question the need for services and examine alternative methods of service delivery, through process efficiency, use of technology or combining previously discrete service areas. Other workstreams include a continuing review of the scale of fees and charges and a phased review of contract-related expenditure, which are supported by a robust process for controlling and challenging expenditure decisions across the Group.
46. This programme is on track to deliver £11.3m of savings in 2011/12 and a further £7.8m savings in 2012/13. The proposals developed for 2012/13 include £0.8m of savings required to deliver the projected shortfall on the 2011/12 savings target. This target has recently been increased by £0.8m in 2012/13 and £1.6m in 2013/14 to deliver further education savings to offset the RSG top slice for academy finding. Further details of the savings proposals developed to date are included in appendix 7b.

Social Care, Health & Housing

47. In developing savings proposals in 2011/12, SCH&H took the opportunity to develop a new strategic model, which gave specific focus to a 'core offer' of essential services. As part of this process 3 key priorities were identified, allowing development of a thematic approach to savings proposals of Managing Demand, Managing the Support System, and Managing Supply. The savings being developed for 2012/13 are the next phase of this approach. This major change in service provision is dependent on the future use of several major assets, in particular in developing supported housing, and hence links across to the capital programme development. Savings proposals for 2012/13 of £7.5m have been developed and further details are included in appendix 7c. This is an increase of £0.4m to the 2012/13 savings projected in back in February 2011 through the early delivery of future years savings, which will help to offset the increase in demographic pressures being provide for in contingency.

Cross Cutting Savings

48. An additional savings target has been built into the draft budget from major transformational projects. This workstream will deliver savings of £0.8m in 2012/13, £1.5m in 2013/14 and £2.0m in 2014/15.

Fees and Charges

49. The Council is empowered to seek income from fees and charges to service users across a wide range of activities. Some of these fees and charges are set by the Government or other stakeholders, but many others are set at the discretion of the Council, based on Cabinet's recommendations. The Council, through use of the Resident's Card, has introduced differential charging, and any increase in fees and charges to resident's will be in general limited to no higher than general inflation. Parking charges are going to be frozen again next year, while many other increases have been kept to a minimum. Only those charges where benchmarking has indicated that Hillingdon's charges are substantially lower than other authorities, such as cemeteries, are above inflation increases proposed.

50. The inflation assumption included in the budget does not take account of any increase in income from fees and charges. However, within their detailed savings proposals groups will take account of any projected increases as was the case in 2011/12.

51. Schedules detailing the proposals relating to fees and charges for 2012/13 are attached at Appendix 8.

Central Government Grant

52. The Local Government Finance Settlement for 2011/12 included provisional figures for 2012/13, which are yet to be confirmed. Our latest information is that the Settlement will be announced week commencing 5 December and so this report does not reflect any changes which may be announced. A full analysis of the settlement will be completed once announced and the budget updated to reflect the impact. As a result, estimates for future years were prepared on the basis of estimated Government Formula Grant derived from the CSR and are unchanged from February 2011 at this stage. The future years' position is discussed further in the Medium Tern Impact of the proposals section below.

53. However, Government funding assumptions do need to be treated with some caution. The proposals contained in the DFE consultation on academy funding are for the funding to academies to be increased significantly and that this funding should come from a topslice of local Government RSG settlement in 2011/12 and 2012/13. The Government are using the new burden argument in reverse i.e. arguing that there has been a transfer of responsibility from local authorities to the DFE as schools have switched to Academy status. Although most funding for Academies comes from per pupil funding within the DSG switching from LEA schools to Academies a further sum comes from a topslice of local authorities General Fund LEA activities which are funded through RSG (Education Welfare, School Improvement Service, Statutory and regulatory duties, premature retirement costs etc). If this proposal is implemented then the further transfer to the DFE is estimated to be £1.2m-£1.3m in 2011/12 and £1.8m-£2.3m in 2012/13. At this early stage we have included a reduction of £1.8m in 2012/13. And as a partial offset against this we have included an additional 2012/13 savings target of £800k within Education rising to £1.6m in 2013/14.
54. On the positive side, the Government has announced that it will fund a freeze on council tax for a further year. This should provide a similar sum to that provided in 2011/12 i.e. £2.7m, which was not originally budgeted for. However, this funding is for one year only and will therefore add to the savings requirement in 2013/14 and beyond. Funding of £250m is also being made available to retain weekly rubbish collections and introduce further recycling initiatives. There is no detail on this grant as yet but it looks as though authorities will be invited to apply for funding for innovative schemes. On a pro-rate basis, we would expect the Council to be able to bid for around £780k of funding in total although we expect this to be around 80% capital and 20% revenue. At this stage we have therefore budgeted for £150k in revenue.
55. Whilst the figure for the Government Formula Grant remains at this stage as reported in February, there have been minor adjustments to some of the other specific grants, arising from late confirmation of the 2011/12 and 2012/13 grant determinations. The most significant change is in relation to the Home Office Grant, which is expected to reduce from £300k to £142k. This grant is in relation to the London Community Safety Fund which is now administered by the GLA who have notified that it is likely to be reduced by a further 40% in 2012/13.

Balances and Reserves

56. The projected unallocated balances and reserves are currently forecast to be £17.6m as at 31 March 2012, well above the minimum target level of balances and over £2m in excess of what they were projected to be at the start of the current year. However, this assumes that the £1m of priority growth (£350k committed to date), £1m unallocated contingency (nothing committed to date) and the £800k HIP contingency (£115k committed to date) will all be spent in full. However, there also remain risks within the current year budget position, particularly in relation to demand led budgets and Government grant funding issues mentioned above that could worsen the projected balances.
57. The MTF strategy is to maintain balances long term at a level of no lower than £12m. The budget strategy contained in this report will keep balances well above this level, at around £18.6m over the next 3 years. There is a planned payment into balances of £1.0m in 2012/13 but then no further payments over the remainder of the 3 years. This should provide some contingency to help absorb any further adverse movement in

central Government funding and provide some capacity in case of late delivery of some savings. This proposal keeps balances within the recommended range advised by the Chief Finance Officer.

Council Tax Levels / Collection Fund position

58. The budget proposals were developed to deliver a zero increase in the Council Tax for 2012/13 for the fourth successive year and so the only impact on council tax income arises from changes to the Council Tax base. The latest projection is showing an increase of 1,118 band D equivalents during 2011/12, considerably higher than the 750 assumed back in February 2011. This increase is primarily down to a decrease in discounts, particularly single person discounts, as a result of the considerable work that has been undertaken over the last year to crack down on single person discount fraud.
59. As central Government have since announced another year of funding the Council Tax freeze grant equivalent to a 2.5% increase, this funding has been factored into the budget proposals within this report.
60. The Collection Fund outturn for 2010/11 showed a year-end surplus attributable to the Council of £1,252k, which arose largely due to increased collection rates having a positive impact on bad debt provision requirements. The in-year collection rate for 2010/11 was 97.01%, the highest level ever achieved by the Council. In addition there is a further projected in year surplus for 2011/12 of £82k. This total sum of £1,334k has therefore been applied to the 2012/13 budget.

Strategy for Bridging the Budget Gap

61. The MTFF strategy has been designed to build in flexibility to deal with uncertainty. This flexibility should be sufficient to deal with any further changes in Government grant funding or other unexpected unavoidable pressures. The budget strategy contains very stretching savings targets and all areas of the Council have risen to the challenge in making significant progress in both the delivery of over £26m in savings over this year and last, and in the development of proposals to deliver a further £17.8m savings in 2012/13. The estimate of the savings requirement in 2013/14 is £12m, some what lower than preceding years due to the front loading of CSR funding reductions.
62. Balances are currently forecast to be £17.6m at the end of this financial year, £5.6m above the target level. The MTFF strategy at this stage has built in a payment of £1.0m into balances after the current financial year which will keep balances well above the minimum level in the medium term.
63. The strategy also contains £1.5m of new priority growth (£2.5m including the £1m unallocated brought forward from 2011/12), maintains the general unallocated contingency at £1m and the HIP contingency at £800k. On the capital financing side there is provision for a full £3m revenue sum to finance the Primary Capital Programme. In reality a large element of the required borrowing on this programme will not take place until the second half of 2012/13 due to positive cash flow in the first half of the year, so the £3m will not be require in full. In addition the MTFF strategy provides for a further £1m provision in 2012/13 towards funding future capital investment. At present there is no capital investment identified in 2012/13 that will require a draw down on this sum.

Taking all these factors together this provides a considerable degree of flexibility to cope with any further adverse developments in the 2012/13 budget.

MEDIUM TERM AGENDA

64. Whilst the immediate focus of this report is on the 2012/13 budget, this needs to be balanced with key developments over the medium term.
65. In May 2010 the Council entered into a new four year cycle, taking the opportunity both to set new goals and to adopt new approaches to the Council's ways of working through the HIP BID programme. A savings requirement of £60m was identified for the following 4 year period commencing 2011/12. The refreshed MTFF strategy now indicates that the requirement over this 4 year period will need to be £65.5m. The incremental savings over the next 3 years commencing 2012/13 are assessed at £17.8m, £11.8m and £9.7m respectively. The peak years for savings are therefore likely to be 2011/12 and 2012/13 at £26.2m and £17.8m respectively with savings thereafter falling to between £10m and £12m per annum.
66. However, over the medium term there are significant uncertainties in relation to both the funding of local Government and about the new burdens which may become the responsibility of local Government that make forecasting beyond 2012/13 more difficult.
67. The most significant issue is in relation to the long awaited review of local Government funding. Consultation on the first part of the Local Government Resource Review (LGRR) about local retention of business rates, which is due to come into effect from April 2013, concluded in October 2011. The Government response to the consultation has not yet been published. However, current expectations are that the Government will push ahead with the proposals in some form.
68. Whilst it is too early to calculate the impact of the proposals, initial analysis has highlighted a few key issues which could have a significant impact on the council's future funding the most significant of which are that there will be no growth in the first 2 years, future growth will only be possible between resets which will make planning very difficult and whether the tariff (and top-up) will be fixed or uprated by RPI. The use of RPI would be a disincentive to growth but a fixed rate could be penal for top-up authorities. In overall terms there is concern that a very complex system is being set up that may in practice not allow authorities to generate much in the way of extra income. The potential growth in the NNDR base may be too attractive to the Treasury to take for the 'national good' leaving little for local authorities.
69. Intelligence on potential growth in the NNDR base and the timing of that growth will be crucial to informing the MTFF going forward. The NNDR base has fallen during the first half of 2011/12 highlighting the fact that it is not certain to always increase. Early indications are that there is the potential that even more specific grants will be tipped into this system at the next Spending Review which makes getting the right scheme at the outset more important. The budget for future years will be updated as and when further information becomes available and the model basis is clarified.
70. The second major issue relates to the reform of the benefits regime. The proposal is that Housing Benefit will be absorbed into the new universal benefit, although probably not until about 2018, and that a new local Council Tax Benefit (CTB) system will be

introduced with effect from April 2013. It is proposed that each individual council will have to design, administer and run a local scheme, and they will be expected to do so with an immediate 10 per cent reduction in the amount of support given out. Additionally, it is expected that certain groups (such as pensioners) will be protected from this reduction in funding. The initial estimate of the budget cut to Hillingdon is £2.21m.

71. Significant concerns have been raised about the viability of the scheme, both from the cut in funding perspective, but also as there is a risk that the scheme will run counter to the Government's aim of simplifying the benefits process. The change will be confusing for claimants as it is due to take place shortly before housing benefit, which many CTB claimants also receive, is rolled into the Government's proposed Universal Credit. Local councils have already seen their funding reduced by 28 per cent, so the risk posed by an ever increasing demand for Council Tax support would be particularly severe. (In the ten years up to March 2010, council tax benefit expenditure rose by 55 per cent). From an implementation perspective the timetable is way too short to enable the design of a scheme and the procurement and design of a supporting IT system. The IRRV, CIPFA and London Councils are all agreed that the proposal in its current form will be impossible to implement within the proposed timescale.
72. Strong lobbying of the Government by local councils across the country is ongoing in an attempt to seek that this proposal is dropped and that CTB is rolled into the Universal Credit proposals.
73. Additionally, as part of the LGRR, the Government launched a Technical Reform of Council Tax consultation on 31 October to consider what flexibilities local authorities should have to help keep overall council tax levels down or spend on improving frontline services. The proposals include the flexibility to reduce or remove council tax relief on second homes and empty properties; the power to remove Council Tax discounts on properties that have been vacant for more than 2 years to encourage empty homes to be brought back into use, thereby increasing the Council Tax base; giving residents the right to pay their council tax bills in 12 monthly instalments, rather than 10; and permitting electronic billing and online publication of associated information, such as the Council Tax booklet, normally printed and posted with every Council Tax bill. It is envisaged that these proposals will be effective from April 2013. Within these proposals there is significant potential to relieve both volume and budget pressures on temporary accommodation through bringing empty properties back into use.
74. On 15 July 2011 the Department of Health confirmed councils' new public health duties. Local authorities will take over responsibility for providing access to sexual health services, the national child measurement programme and the NHS's health check assessments. Funding arrangements are not yet clear, although it has been announced that Public Health Grants will be introduced in 2013/14, and that shadow allocations for 2012/13 will be made by the end of 2011. These duties should be fully funded under the Government's new burdens arrangements and budget provision will be included once more detail is known.
75. Within the draft budget, a potential increase in council tax of 2.5% has been included for the years 2013/14 and 2014/15 however this is purely illustrative at this stage and is not a policy objective. Until the funding position is clarified, or indeed if Central Government intend to fund a freeze for a third year, we will not be in a position to calculate the funding required from council tax.

76. The savings proposals outlined in the report should be capable of delivering a balanced budget in 2012/13. However, at this stage there exists unallocated savings for 2013/14 (£3.5m) and 2014/15 (£8.6m) which will need to be allocated. Given the uncertainties over the many changes expected in 2013/14, it is not yet appropriate to allocate this gap out in further savings targets to Groups at this stage. An approach to this will be agreed prior to budget setting in February 2012.

CAPITAL PROGRAMME DEVELOPMENT

Background to 2012/13 capital budget development

77. The development of a medium term capital programme is currently dominated by the requirement to provide sufficient primary school places and this programme is projected to cost a total of £127,916k based on latest pupil number estimates. In addition to this, many of the remaining capital schemes relate to projects that have already commenced or ongoing programmes of works.

78. The driving principles underlying programme development is to minimise the revenue impact in future years arising from interest payments and Minimum Revenue Provision (MRP) or alternatively, to identify future revenue resources to facilitate borrowing for capital purposes in a sustainable and prudent manner.

79. The budget proposed in this report has fulfilled these principles and would create minimal additional revenue liabilities over and above that already earmarked. However, there are risks associated with the realisation of capital receipts and the level of primary school places required that could adversely impact future revenue financing costs.

80. A summary of the proposed capital programme has been included in Appendix 9 and shows individual schemes alongside the financing source for each scheme. Particular focus should be placed on those schemes that require the use of the Council's own resources i.e. capital receipts or unsupported borrowing as it is these that create future revenue liabilities.

81. The capital programme continues to contain a number of on-going programmes of works requiring £7,788k of council resources in 2012/13, much of which does not satisfy requirements for borrowing under the Prudential Code. Such schemes are therefore reliant on sufficient un-ringfenced capital receipts to sustain delivery.

Additions to 2012/13 Capital Programme

82. In addition to the indicative budget presented in February 2011, the following additions have been included in the capital programme detailed in appendix 9.

- a. A proposal to install a Combined Heat and Power (CHP) unit at the Civic Centre is included in this draft programme at a cost £1,400k which is intended to deliver savings through reduced utilities costs and contribute towards the Council's carbon reduction commitment. This is an invest-to-save project and it is expected that the full cost of borrowing will be recovered from savings in energy budgets over the 15 year life of the asset.
- b. An additional £175k has been included to fund resurfacing and expansion of the West Drayton Cemetery, which is currently approaching capacity. These works

will increase capacity enabling the service to meet demand beyond 2012/13, with financing costs to be supported through future income generation.

- c. A review of the Civic Centre Works programme has identified £2,925k of required capital works, including £400k invest-to-save measures for lighting and voltage optimisation and the renewal of air conditioning systems during 2012/13 and 2013/14. These works are intended to bring this programme to a close during 2013/14.
- d. A refurbishment of the former Queenswalk Learning and Development site at a cost of £1,200k is included in the draft budget to allow the transfer of Social Care services from other sites. It is anticipated that de-camped sites will be used to provide alternative services or generate future capital receipts to fund this initial investment.
- e. Further investment of £470k in Sports and Cultural Projects is proposed for 2012/13, to support works to the Compass Theatre, Winston Churchill Hall and Great Barn at Manor Farm in addition to £200k for general sports and cultural projects. These projects are to be funded from a combination of Council Resources and Section 106 contributions.
- f. A re-scoping of the Yiewsley Pool Self-financing project proposes to increase the required investment from £6,304k to £11,000k with the aim of maximising the generation of future capital receipts from residential units and lease income.
- g. A project contingency of £1,000k in 2012/13 has been included in this programme to support development of further schemes or support additional investment where required. This is in addition to an increased general contingency of £1,750k in 2012/13.

Primary School Capital Programme

83. In order to meet the demand for additional school places, this draft budget includes provision for £127,916k of investment over the period 2010/11 to 2014/15 which is intended deliver an additional 26.5 forms of entry across the borough and meet expected demand from bulge year groups until 2014/15.

84. There remains a significant risk that further fluctuations in projected pupil numbers necessitate additional expansions. Using the average cost of Phase 2 expansions as an indicator, the cost of any additional form of entry would be approximately £5,400k.

85. Table 1 sets out the latest expenditure forecast on the schools programme which has been updated to reflect a number of Phase 2 schools due to be completed by September 2014. This rephasing enables greater use of DfE funding in the later years of the programme.

Table 1

Primary School Capital Programme	2010/11	2011/12	2012/13	2013/14	2014/15	Total	Perm. FE	Temp. Units
	£'000	£'000	£'000	£'000	£'000	£'000		
Minor Works	559	295	0	0	0	854	0	3.0

Phase 1	1,080	10,074	9,883	243	0	21,280	6.0	0
Phase 1A (incl. Rosedale)	10	2,430	802	0	0	3,242	0	7.0
Phase 2	0	2,313	32,143	34,200	9,559	78,215	14.5	(2.0)
Phase 2A	0	157	2,443	0	0	2,600	0	10.0
Phase 3	0	274	682	9,563	8,606	19,125	6.0	0
Phase 3A	0	0	0	1,300	1,300	2,600	0	10.0
Expenditure	1,649	15,543	45,954	45,306	19,465	127,916	26.5	28.0
DfE Grant	1,649	13,115	21,601	11,560	8,000	55,925		
Section 106	0	2,428	2,971	9,670	0	15,069		
Prudential Borrowing	0	0	21,382	24,076	11,465	56,922		

86. As grant funding from 2012/13 onwards is yet to be confirmed, the financing set out above assumes funding will be maintained at 2011/12 levels plus a share of the £500m DfE funding announced in July 2011 of £5,053k. Determinations of 2012/13 allocations are expected imminently and budgets will be updated prior to budget setting in February.

87. Should no significant variation in grant funding arise prudential borrowing of £56,922k would be required, resulting in borrowing costs of approximately £3,850k for which approximately £850k of revenue provision would be required from 2015/16.

Funding of the General Fund Capital Programme

88. Table 2 shows the proposed financing for the draft budget included in appendix 8. External funding is yet to be confirmed for 2012/13 hence these budgets have been produced on the assumption that funding will be maintained at 2011/12 levels and include £36,360k of expected rephasing from 2011/12.

Table 2

General Fund Financing	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
GF Prudential Borrowing	43,356	27,837	14,959	86,152
GF Capital Receipts	15,905	12,675	6,341	34,921
Grants	32,522	20,478	16,919	69,919
Other 3 rd Party Contributions	3,316	9,670	0	12,986
Total	95,099	70,660	38,219	203,978

89. In the absence of increased grant funding, significant use of Prudential Borrowing will be required to finance the proposed 2012/13 capital programme. Of the £43,356k borrowing requirement for 2012/13 specific resources have been identified to support £21,382k investment in school expansions and £18,909k invest-to-save/self-financing projects. The remaining £3,065k of borrowing will require additional on-going revenue support.

90. Forecast 2012/13 capital receipts are sufficient to support continued investment in programmes of works such as Chrysalis, Highways Infrastructure and Disabled Facilities Grants. Proposed budgets for such programmes of works are expected to exceed available capital receipts in 2013/14 and 2014/15 as shown in table 3 below.

91. Grant funded expenditure of £32,522k included in this draft programme falls into two distinct categories; £8,825k of investment is directly attributable to grants for which variations in external funding would simply lead to the equivalent variation in expenditure. These grants are primarily linked to existing school estates and TfL projects.

92. The remainder of grant funded expenditure (£23,697k) is demand led and reductions in external funding would necessitate additional use of Council Resources. £10,041k of School Expansion funding is to be carried forward with the remaining at risk grants consisting of £11,560k of 2012/13 DfE funding and £2,096k of DH Social Care funding.

93. Other contributions included in table 2 are predominantly Section 106 contributions available to support school expansion projects and includes the proposed new school at RAF Uxbridge.

Programmes of Works

94. These programmes do not generally satisfy the Prudential Code requirements for borrowing and as such represent the first call on all un-ringfenced capital receipts. Table 3 contains the elements of these programmes for which expenditure needs to be funded from capital receipts over the period 2011/12 to 2014/15.

Table 3

Application of Capital Receipts	2011/12 (£'000)	2012/13 (£'000)	2013/14 (£'000)	2014/15 (£'000)	Total (£'000)
Community Initiatives	1,525	1,525	1,525	1,525	6,100
Highways Programmes	1,713	1,638	1,638	1,638	6,627
Corporate Landlord	1,700	2,175	1,350	500	5,725
Social Care Grants	1,452	1,450	1,450	1,450	5,802
Total Expenditure	6,390	6,788	5,963	5,113	24,254
Capital Receipts available to fund Programmes of Works	6,547	11,175	4,950	6,341	29,013
Capital Receipts (Surplus)/Shortfall	-157	-4,387	1,013	-1,228	-4,759

£1,200k capital receipts expected in 2013/14 have been excluded as these will be ring-fenced to fund the proposed Queenswalk Redevelopment

95. Delivery of the current disposals programme will be sufficient to support 2012/13 programmes of works included in Appendix 9 however, additional capital receipts or other funding sources will need to be identified from 2014/15.

HRA Capital Programme

96. The capital programme within the HRA has been developed against the backdrop of the move to self-financing from April 2012. Draft settlement figures have now been released. Hillingdon will be required to acquire £192.8m of national housing debt in return for retaining all rental income, thus saving around £15m per year for 2012/13, rising to £25m in future years. In addition, a borrowing cap has been set that gives the HRA a headroom capacity of £46m for new housing development schemes.

97. Table 4 below sets out funding for this draft HRA capital programme, which includes budgetary provision to complete Pipeline projects and continue capital renewal works to existing stock.

Table 4

HRA Financing	2012/13 (£'000)	2013/14 (£'000)	2014/15 (£'000)	Total (£'000)
HRA Prudential Borrowing	6,084	8,182	8,182	22,448
HRA Capital Receipts	2,064	0	0	2,064

Grants	1,225	1,125	1,125	3,475
Other Contributions	2,400	2,150	2,235	6,785
Total	11,773	11,457	11,542	34,772

98. Completion of existing pipeline programmes is expected to require £1,233k HRA Resources and £100k of previously awarded grant funding. HCA grant funding of £3,375k will support this investment in 225 new units of social housing, with the remaining £23,279k funded from HRA Resources. In addition to generating future rental income for the HRA, this programme will contribute towards the delivery of Social Care associated with re-ablement workstreams.

99. £2,064k capital receipts arising from sale of residential units completed under the current Pipeline Phase 2 - Low Cost Home Ownership Programme, will be available to reduce the call on Prudential Borrowing required to deliver this programme.

Financial Implications

This is a financial report and the financial implications are included throughout.

EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

The draft budget proposals in this report result in a zero increase in Council Tax for the fourth successive year. The Medium Term Financial Forecast contains the funding strategy for delivering the Council's objectives. The effects are therefore extremely wide ranging, and are managed through the performance targets and outcomes that will be delivered through the resources approved in the draft budget.

The draft budget includes changes to several services which will impact on the level of service provision for some users. Overall the package of proposals is designed to secure the most effective combination of service outcomes across the whole of the Council's business, by improving the value for money offered by services and by maximising funding, procurement, efficiency and service effectiveness gains.

Consultation Carried Out or Required

Following consideration at Cabinet, this report will form the basis of consultation with Policy Overview Committees during January 2012. Comments from the Policy Overview Committees will be reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee when Cabinet meets on 16 February 2012. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 23 February 2012.

The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers in the borough. Schools Forum will also be consulted on those proposals that have a potential impact on schools budgets.

Individual service Groups will also be undertaking consultation with service users, staff and other stakeholders over this period on the key elements of their service proposals prior to full implementation in the new financial year.

CORPORATE IMPLICATIONS

Corporate Finance

This is a corporate finance report and the corporate financial implications are noted throughout.

Legal

The Cabinet is responsible for the preparation of the Council's Budget. Therefore the Budget and Policy Framework Procedure Rules, as set out in the Constitution, require it to make proposals on its budgets in accordance with the timetable which it has publicised.

The Cabinet is free to amend the proposals in this report as it wishes. It must nevertheless have regard to the need for the budget to be soundly based, adequate to fund the expected level of service provision next year, and to provide for unexpected events through contingencies and balances.

Following this meeting, the Cabinet's proposals will be published and will form the basis of consultation with Policy Overview Committees and other consultees such as business ratepayers in the Borough and the Schools Forum who will have a period of six weeks to put forward their views.

The Cabinet will ultimately consider any responses from the Policy Overview Committees and other consultees and take them into account in drawing up firm proposals for submission to full Council at its meeting on 23 February 2012. Its report will reflect the comments made by consultees and its response to them.

Relevant Service Groups

The draft budget proposals included in this report result from a substantial corporate process involving all service Groups. In particular, individual Corporate Directors and CMT collectively have endorsed the proposals in this report. The implications for all services of the individual budget proposals are set out in detail in the attached appendices.

BACKGROUND PAPERS

Report to Council 24 February 2011 – General Fund Revenue Budget and Capital Programme 2011/12