

THE COUNCIL'S BUDGET: GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME 2012/13

Cabinet Member	Councillor Jonathan Bianco
Cabinet Portfolio	Finance, Property and Business Services
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Papers with report	Appendices 1 to 12

1. HEADLINE INFORMATION

Summary	<p>The report sets out the Cabinet's proposals for the Council's General Fund revenue budget and capital programme for 2012/13.</p> <p>The revenue budget proposals have been developed to deliver a zero increase in Council Tax for the fourth successive year for all residents and for the sixth year for the over 65's. They also provide for additional priority growth of £2.25m, whilst maintaining balances and reserves at over £12m.</p> <p>Overall there will be a small reduction in the level of Council Tax as the revenue budget proposals result in a freeze on the Hillingdon element at 2011/12 levels and there is a reduction of 1% on the Greater London Authority (GLA) precept.</p> <p>The proposed capital programme includes total investment of £197.4m over the next 3 years with £89.3m in 2012/13, including £1m of new priority capital growth.</p> <p>Cabinet are requested to recommend their budget proposals to full Council on 23 February 2012. This is in order to formally set the General Fund revenue budget, capital programme and Council Tax for the 2012/13 financial year.</p>
Contribution to our plans and strategies	<p>The revenue budget and capital programme together form the financial plan for the Council for the 2012/13 financial year and contain the funding strategy for delivering the Council's objectives. They also provide the funding strategy for the Council's goals for Hillingdon as a whole in the Sustainable Community Strategy.</p>
Financial Cost	<p>Zero increase in the Hillingdon element of Council Tax for the fourth successive year for all residents.</p>
Relevant Policy Overview Committee	<p>Corporate Services and Partnerships Policy Overview Committee Education and Children's Services Policy Overview Committee Residents' and Environment Services Policy Overview Committee Social Services, Health and Housing Policy Overview Committee</p>

Ward(s) affected	All
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2. RECOMMENDATIONS

That Cabinet approves for recommendation to Council:

- 1. The General Fund revenue budget proposals for 2012/13 summarised at Appendix 1, including the detailed budget changes contained at Appendices 2 to 6;**
- 2. The proposed fees and charges included at Appendix 7;**
- 3. The capital programme set out at Appendix 8;**
- 4. The Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement for 2012/13 to 2013/15 as detailed in Appendix 10;**
- 5. The proposed London Borough of Hillingdon Pay Policy Statement for 2012/13 set out at Appendix 11;**
- 6. That it resolves that Cabinet may utilise the general reserves or balances during the MTFE financial years 2012/13 to 2014/15 in respect of those functions which have been reserved to the Cabinet in Article 7 of the Constitution (as set out in Schedule G of the Constitution - Budget and Policy Framework Procedure Rules).**
- 7. That Cabinet notes the Chief Finance Officer's comments regarding his responsibilities under the Local Government Act 2003.**

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 the Hillingdon element of 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 £17.7m, on top of the £26.2m being delivered in 2011/12. However, the Council's Business Improvement Delivery Programme is now well established and is driving the delivery of these savings. Excellent progress has been made during 2011/12 and the council is well on track to achieve the £26.2m of savings.

The final funding settlement for 2012/13 was broadly in line with the estimates used to draft the budget. Overall, funding has been cut by £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 budget proposals are savings proposals of £17.7m, £6.2m of corporate increases, £5.8m of contingency provisions and service pressures and an allowance of £3.1m for inflation. In addition provision has been made for £2.25m of priority growth in revenue and £1m priority growth in capital.

- The key increases in corporate items arise from £2m provision for new capital investment including a further £1m for the school building programme and an additional contribution to balances of £2.1m.
- The key service pressure increases, all of which are provided for in contingency, have increased by £5.8m. This includes £2m for Adult Social Care demographic pressures, £1.5m for the costs of Transitional Children, £0.6m for an asylum funding shortfall, £0.6m for an increase in the Waste Disposal Levy, £0.7m for a temporary accommodation pressure, and contingencies against shortfall in income streams - £0.3m against a shortfall in income through schools withdrawing from the Council's payroll and OH services, and £0.5m from leisure contracts. 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.
- An additional £2.25m of new priority growth is included in the budget. Whilst a significant portion remains unallocated, the proposals included in this report include allocations to the voluntary sector, to extend library opening hours, for community safety, for road and pavement maintenance and for increasing children's and families caseload support.

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.

Total savings proposals amount to just under £17.7m, with £7.7m in Planning, Environment, Education & Community Services, and £8.3m in Social Care, Health & Housing, and £1.8m in Central Services. Full details of the proposals are contained in Appendix 6.

The report also includes the fees and charges recommendations for 2012/13, detailed in Appendix 7.

The draft capital programme for 2012/13 and indicative allocations for the following two years are presented in this report and in Appendix 8. The General Fund Capital Programme amounts to £197.4m over three years, with £111.2m 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 £38.7m 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.

The report also includes the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement for 2012/13, including the Prudential Indicators. Each of these items is recommended by Cabinet for approval by full Council.

The Localism Act 2011 introduces a requirement on Local Authorities to publish an annual Pay Policy Statement which articulates the Council's approach to the pay of its workforce; in particular to the pay of its senior officers (chief officers) and its lowest paid employees. The first statement is to be published by 31 March 2012, and must be approved by full Council. This first

pay policy statement, which is included in this report at Appendix 11, simply summarises the current position with pay in the Council, and indicates areas that will be subject to review in the coming year. The statement fully meets the requirements as set out in the Localism Act, section 38 (1).

Legal Considerations

The Chief Finance Officer has a duty under the Local Government Act 2003 to comment on the robustness of the budget for the coming year and the adequacy of the Council's reserves. These duties are exercised in this report. The Chief Finance Officer has recommended that an appropriate level of unallocated balances for the authority is in the range from £12m to £26.5m. As described in the report, unallocated balances have been maintained well above £12m throughout the current year and are forecast to be in excess of £20m at the year end. They will remain well in excess of the £12m as a result of the budget recommendations in this report. The budget also contains a Development and Risk Contingency of £16.7m over and above unallocated balances of over £20m.

Reasons for recommendations

The recommendations have been framed to comply with the Budget and Policy Framework rules. They allow the presentation to Council of recommended budgets for 2012/13. This includes the impact on the Council Tax and housing rents, service charges and allowances.

Cabinet should give full consideration to the Chief Finance Officer's comments under the Local Government Act 2003, and the need to ensure sufficient resources are available in balances and contingencies in the event of any significant adverse changes in the Council's funding environment.

The Council has powers only to approve revenue budgets and set Council Tax for the following financial year. Medium term revenue budgets are presented to aid future financial planning and support good decision-making. However, they are not formally approved in setting the budget. The Capital Programme is approved over a three-year period as the statutory framework provides greater freedoms under the Prudential Code to encourage a longer term approach to capital financing and borrowing decisions.

Council will be requested to approve the proposals put forward by Cabinet. If approved without further amendment they will be effective immediately.

Alternative options considered / risk management

Growth proposals included in the budget could be removed and either the Council Tax requirement reduced or alternative items substituted for them. Similarly, further items could be added to the budget requirement either through additional growth, increased provision for risk, or by reducing the package of savings. The Council Tax could then be increased accordingly within the constraints imposed by the Government's capping regime and the loss of the Council Tax freeze grant of £2.8m. A change in the budget requirement of £1.1 m either way (increase or decrease) will result in an increase or decrease of 1.0% in the level of the Council Tax.

Members could decide to add or remove new capital schemes from the draft capital programme included in this report. The funding for any additional new schemes would necessarily come from unsupported borrowing in the first instance. This would have a consequential upward impact on the revenue budget requirement and Council Tax.

Members could decide to vary the proposed fees and charges outlined at Appendix 7. Any decision to do so could have an impact on the budget requirement. This would need to be reflected in the budget to be recommended to Council.

The Development and Risk Contingency identified the key risks and uncertain items for which provision is contained with the revenue budget. Reduction of this provision is not recommended. This would otherwise increase the likelihood of unfunded pressures emerging into budget monitoring in the 2012/13 financial year. The capital programme also includes a contingency sum to manage financial risk on key schemes. In addition, unallocated balances are held within the range recommended by the Chief Finance Officer. Whilst further contributions from balances could be made, any reduction in balances to below the lower limit of this range is not recommended.

Policy Overview Committees Comments

Each of the Policy Overview Committees has received reports setting out the draft revenue budget and capital programme proposals relevant to their remit. These were approved by Cabinet on 15 December 2011 for consultation at the January 2012 round of meetings.

Each service Policy Overview Committee referred their comments on to the Corporate Services and Partnerships Policy Overview Committee on 6 February 2012. The Committee's comments to Cabinet are contained in Appendix 12.

3. INFORMATION

Supporting Information

Background to the 2012/13 MTFF Process

- 1 This is the second report to Cabinet on the budget proposals for 2012/13 and beyond. The previous report presented to Cabinet on 15 December 2011 set out the Medium Term Financial Forecast (MTFF). Draft revenue budget and capital programme proposals were approved then for consultation with Policy Overview Committees and other stakeholders.
- 2 This report updates the earlier December Cabinet report for known changes. It sets out the Cabinet's General Fund revenue budget and capital programme for 2012/13, with medium term projections for two years beyond next year. The Council does not have the power to set budgets more than one year in advance. However, the inclusion of medium term figures helps to demonstrate the ongoing impact of the budget proposals. It also provides context for the budget decisions proposed.
- 3 The report includes Prudential Indicators for 2012/13 to 2014/15. These show the impact of the Council's capital spending plans, included in the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement for 2012/13, at Appendix 10.
- 4 The Chief Finance Officer's duty, under the Local Government Act 2003, to consider the adequacy of the Council's reserves and robustness of the estimates, is exercised within this report.

- 5 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 was 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.
- 6 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. Alongside this, groups have continued to monitor and model all known and emerging pressures, feeding the output of their work into the 2012/13 budget proposals.
- 7 The Local Government Finance Settlement at the end of 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 and consultations issued during the course of the last year have added further uncertainty going forward.
- 8 This budget report outlines a strategy and detailed proposals that are capable of delivering a balanced budget 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);
 - further priority growth available for new initiatives of £2.25m and a further £1m for capital initiatives;
 - increased funding for capital financing related to new capital investment of £2m;
 - maintaining balances and reserves well in excess of £12m

GENERAL FUND REVENUE BUDGET

Update on 2011/12 Budget Monitoring

- 9 To provide some context to the budget setting for 2012/13, it is essential that the latest position with the 2011/12 budget is established as there is a strong link between many of the proposals included in the 2011/12 budget and those in 2012/13.
- 10 The latest in-year revenue monitoring position (Month 9 December) shows that forecast net expenditure for the year 2011/12 is £6,031k less than the budget. There is a £3,431k forecast underspend on directorate budgets, 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 and there is also a transfer of £350k from the Learning Disabilities Modernisation Fund as this fund going forward is being mainstreamed within SCH&H budgets. Given the large savings target that

needs to be delivered in 2011/12 resulting from the front loaded CSR central government funding cuts this is an extremely positive position.

- 11 The balances forecast to be carried into 2012/13 are now £21.3m. However, in addition to this there is still £1m of unallocated contingency, £551k remaining in the HIP contingency and £650k in unspent priority growth. The assumption currently built into monitoring is that these will both be fully spent by the year end. However, if these sums are not called down then balances will be up to £23.5m at the year end.

Changes since Report to Cabinet on 15 December 2011

- 12 The table below summarises the changes to the recommended budget proposals from the report considered by Cabinet on 15 December 2011. Each of the items is considered in more detail in the following section.

Table 1: Changes to Revenue Proposals since Cabinet on 15 December 2011

	Amount 2012/13 (£000s)
<i>Adjustments to funding and grants:</i>	
- LD & Health Reform grant	(6)
- flood Grant Reduction	1
- Extended Rights to free transport	(78)
- EIG increase	(357)
- Remove provision for academy topslice	(1,810)
- London Boroughs Grants Scheme	(34)
- Remove potential Waste/Recycling Grant	150
<i>Adjustments to pressures and contingency:</i>	
- Create contingency for 2 year old nursery commitment	357
- Increase contingency for shortfall in income from schools from a reduction in buy back of Occupational Health Service	80
- Increase in HS2 contingency	100
- Adult Social Care budget adjustment	(10)
- West Waste levy	(550)
- Increase to the BID pump priming contingency	100
<i>Inflation adjustments:</i>	
- removal of provision for pay inflation	(245)
<i>Adjustments to Priority Growth Allocations:</i>	
- Schools Building Surveyor	60
- New Responsibilities for flood defence moved from service pressure to growth	55
- Additional growth for road and Pavements maintenance	500
- Additional unallocated priority growth	195
<i>Adjustment to savings:</i>	
Additional SCH&H BID major transformation savings Increase	(100)
PEECS prior years savings shortfall	584
Net Change to Balances	(1,123)

13 Adjustments to Funding and Grants

The December report was based on an estimate of the local government finance settlement and the actual settlement when announced varied only very slightly from our initial estimate. During 2011/12, following budget setting, there was a new allocation of £62k for extended rights and a general duty to promote sustainable travel. This grant was added to the corporate grants total and included in budget monitoring from the start of the year. In 2012/13 this grant is being increased by £16k, but the full 2012/13 allocation is included above as last year's allocation was not included in the original budget figures. EIG grant has increased by £357k, potentially to fund additional nursery places for 2 year olds. In the December report, a provision was included for a potential further £1.8m topslice of funding to fund a national shortfall in funding for Academies as proposed in a consultation document issued in the summer of 2011. However, the government has now proposed an alternative mechanism for funding Academies going forward so this provision is no longer required. Finally, the December report also included a potential £150k grant for waste and recycling. However, as final details of this grant are not expected to be issued until after Council Tax setting it has been excluded from the budget at this stage. Once details are known it will be reported to Cabinet through the monthly budget monitoring report.

14 Adjustments to Pressures and Contingency

A new contingency has been created for the funding of nursery provision for 2 year olds in line with the increase in EIG. The expectation of government is that free nursery provision should be given to the 900 most deprived children in Hillingdon. Until the take up of the service is known, a contingency provision has been created. This is explained in detail in paragraph 39 below. Over the winter, social care demographics have been totally refreshed and the levels of contingency provision slightly reduced. In addition the related savings proposals have increased in line with the amended demographic projections. However, due to the size and complexity of the overall social care review programme, further explained in paragraph 36 below, an additional contingency to offset any shortfall in these savings has also been included. The net impact of the changes to savings and contingency is a reduction of £10k. Following the finalisation of the London West Waste budget, the overall pressure on the West Waste levy has reduced by £550k in 2012/13. This is largely due to pressure led by this Council for the application of balances arising from underspends in the current and previous years as well as from better savings plans. Additional contingencies have also been created to support work on HS2, and to provide for a shortfall in schools income following their withdrawal from the Council's Occupational Health Service.

15 Inflation Adjustments

Further work has been done to refresh the inflation model over the last few weeks, and while there are still a few changes to levy payments awaiting final confirmation, the overall inflation allowance has been reduced by £245k, following the removal of the allowance for pay inflation.

16 Increase in Priority Growth Proposals

Additional growth is proposed for road and pavement maintenance (£500k), to fund a schools building surveyor to support the schools maintenance programme (£60k), to

increase the unallocated priority growth (£195k), and to fund new responsibilities for flood defence (£55k).

17 Savings Adjustment

The December report contained a cross cutting saving of £800k for major transformation projects and targeted reviews. This figure has since been increased by £100k and then allocated out to groups, as explained below in paragraph 54.

18 Overall the net impact of these changes would add an additional £2.1m to balances from that set out in the draft budget in December.

Budget Requirement 2012/13

19 The movement between the current 2011/12 year's budget and the draft budget requirement for 2012/13 is summarised in Table 2 below. Further detail on each of the lines in the table is set out in subsequent sections of the report. A more detailed summary of the MTFE over the full 3 year period is attached in Appendix 1.

Table 2: Budget Requirement 2012/13

	Budget (£000s)
Budget Requirement 2011/12	194,746
Non Formula Grant reductions	-3,676
Inflation	3,070
Corporate Items	6,219
Contingency	5,755
Priority Growth	2,250
Savings	-17,696
Budget Requirement 2012/13	190,668
<u>Funding Sources</u>	
Council Tax Receipts	112,890
Government Formula Grant (estimated)	77,778
Total Resources	190,668

Inflation

20 The core amount of inflationary cost increases in the budget for 2012/13 is £3.1m. This represents a very slight decrease of £0.3m compared to the earlier projections contained in the budget report to Cabinet and Council in February 2011.

21 Table 2 overleaf sets out the general inflation rates applied to specific budget lines.

Table 2: Inflation

Category	Rate (%)	2012/13 (£000s)
Employers' Pension Contribution increase and Added Years Pensions Increase at CPI	0.8%	852
Premises Costs	2.0%	141
Fuel Costs	7.5%	200
Care Placements	1.0%	687
Contracts with unavoidable inflation increases	Contractual	654
Concessionary fares & taxicard scheme	Actual	514
Levies	Actual	22
Total		3,070

- 22 The CSR10 set out a proposed pay freeze for Local Government staff for 2 years in addition to that imposed in 2010/11 and as a result there is no provision within the budget for pay inflation. However, a 1% increase in employer pension contributions (equates to 0.8% of the total non-schools payroll), as agreed as part of the 2010 valuation of the pension fund has been included. In addition, existing added years' pension payments are entitled to an increase in line with the September rate of CPI which was 5.2%.
- 23 Inflation has not been provided for on most non-salary items unless there is an unavoidable contractual increase. However, given that RPI is now running just under 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.
- 24 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 5.88% inflationary increase in the concessionary fares levy announced by the Mayor of London has also been recognised.
- 25 The core inflation provision does not include any inflation on income as these are included in the respective Group's savings proposals.

Corporate Items

- 26 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 £6.3m in 2012/13 is required to cover these items which are shown in summary in the table overleaf and also 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 (PSCP)	1,000
Change in budgeted contribution to balances	3,919
Total	6,219

- 27 The budget for 2012/13 includes the provision of a £3m revenue fund for financing future capital investment requirements such as the Primary Schools Capital Programme (PSCP). £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.
- 28 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 identified at this stage that will require funding from this source, so as things stand this budget should not be called upon in 2012/13.
- 29 The draft budget for 2012/13 includes a payment into balances of £2.13m, a movement of £3.919m on 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 £2.1m to provide for uncertainty in government funding from 2013/14 onwards. As at month 9, 2011/12 balances are forecast to be at £21.3m as at 31st March 2012 and this strategy looks to raise balances to in excess of £20m for the next 3 years. This should provide a significant contingency to help absorb any further adverse movement in central Government funding in addition to providing scope for absorbing any potential delays in the delivery of savings.

Development and Risk Contingency

- 30 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.
- 31 Groups have identified and reviewed all service pressures and 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.

- 32 A net increase in the contingency of £5.8m 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. A detailed breakdown on contingency is shown in Appendix 3.

Table 5: Development and Risk Contingency

Contingency Items	Pressure 2011/12 (£000s)	Pressure 2012/13 (£000s)	Change (£000s)
Total	10,936	16,691	5,755

- 33 The current contingency provision for Adult's Social Care for demographic pressures is £6.2m, an increase of £2.08m on 2011/12. Latest projections support these figures being retained as noted in month 9 monitoring, however, these will continue to be tracked over the forthcoming months. The actual cost to the Council will be dependent on the success of the Supported Housing programme.
- 34 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 a reduced contingency requirement.
- 35 The latest projections for transitional children moving through to Adult Services continue to demonstrate an increasing trend on service demand. £2.7m is being provided for within contingency (an increase of £1.4m on the current year) to cover the estimated costs of clients likely to transfer during the next year.
- 36 Social Care has savings targets from their Reablement and Learning Disability and Physical Disabilities modernisation programmes which are very dependent on a large scale complicated building programme, aiming to make significant reductions in costly residential placements through an increased provision of supported housing. As a result, it is prudent to include a new contingency provision of £500k in 2012/13 to cover potential shortfalls in savings from a delay in the delivery of this building programme.
- 37 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 reported 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 £1.449m, an increase from the £0.52m estimated back in February.
- 38 The contingency requirement for the West Waste levy has reduced to £0.6m, £0.6m lower than that estimated for 2012/13 back in February 2011. Lower tonnages than projected have lowered the variable (PAYT) element of the levy and in addition West Waste has applied further balances to mitigate some of the expected increase in the 2012/13 levy. The further application of balances has become possible as a result of a

better than expected outturn for 2010/11 and better than expected projected outturn for 2011/12.

- 39 An extra £357k has been awarded as Early Intervention Grant, to increase Council funding for 2 year olds nursery provision. This is in addition to £719k already included in the increased 2012/13 EIG allocation in respect of 2 year old funding and already factored into the MTF. The expectation of the government is that this sum should be used to provide free nursery places to around 900 of the most deprived children in Hillingdon although technically it is unringfenced. At this early stage, as there is uncertainty over the likely take up and the cost of providing this service it is suggested that a contingency be created to fund the service. A further complication is that the DfE have suggested that this funding may at some point be transferred to the DSG, possibly in 2013/14, and that EIG could potentially be topsliced to fund this. There is a risk that even if the Council can run the service for a lower sum than the £1,076k EIG increase suggests will be needed, the whole sum may be topsliced in 2013/14 to fund the increase in DSG if responsibility transfers. This is one of a number of areas in the budget where there is considerable financial uncertainty from 2013/14 onwards.
- 40 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.
- 41 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 £0.4m pressure. In order to provide for a potential worsening in the economic position during 2012/13 the contingency has been increased to £0.5m.
- 42 The draft 2012/13 budget in February 2011 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 in 2013/14 an additional £65k contingency has been included for a further issue.
- 43 The contingency for HS2 Challenge has been increased by an additional £100k for 2012/13 to fund further support to challenge this new railway building programme.
- 44 An additional new contingency item for the impact of Housing Benefit changes 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 Central Government has yet to confirm how these proposals will be taken forward.
- 45 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 and Bromley MyTime. 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.

- 46 Early in the year a full review of all SLAs with schools for Council services was undertaken and risks were identified in relation to the potential for schools to withdraw from the Council's payroll and Occupational Health services. Seven schools immediately gave the Council 6 months notice to withdraw from the payroll service and 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 the Council would not provide a Payroll Service after this financial year, enabling more certainty in 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. In relation to Occupational Health, the shortfall in income from the withdrawal of schools creates a budget pressure and this has been provided for in contingency with £80k in 2012/13 and then £50k going forward. Long term alternative methods of service provision for Occupational Health are being considered.
- 47 The Development and Risk Contingency is set out in Appendix 3. Items with a total potential risk of £19m are included in the contingency for 2012/13. When the probability of occurrence is applied to these amounts, the total for which funding needs to be provided stands at £16.7m, an increase of £5.8m on 2011/12.

Priority Growth

- 48 Provision has been made in the budget strategy for a further £2.25m of new priority growth in addition to the £1m of uncommitted priority growth already in the base budget. Currently, potential growth bids totalling £1.1m have been included in the draft budget and a further £1.1m remains unallocated, including £0.4m to expand support to the voluntary sector.

Table 6: Priority Growth

Priority growth	Amount 2012/13 (£000s)
PEECS bids	996
SCH&H bids	150
Expansion in support to the voluntary sector	400
Unallocated priority growth	704
Total	2,250

- 49 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; a bid for additional library staffing budget to cover the extended opening hours in the newly refurbished libraries; a proposal for road and pavement maintenance; a bid to fund new responsibilities in relation to flood defence; and a bid to fund a schools building surveyor to work on the schools maintenance programme.
- 50 The SCH&H bid relates to the requirement of 3 additional social workers to support the increasing caseload within the Children's and Families service.

- 51 As reported to Cabinet in both December and January the budget to support Hillingdon's voluntary sector was set at just over £1.4m. It was proposed that an additional £400k of new priority growth be added to this budget. Officers have recently undertaken a review of support to the voluntary sector with a view to identifying those elements of support that could be increased to reduce the potential pressure on Council services going forward. A report was considered at Cabinet in January which included proposals to allocate £265k of this additional priority growth allocation.

Savings

- 52 The savings proposed in the draft budget for 2012/13 total £17.7m. These are shown in detail in appendices 5 and 6 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	1,781
Planning, Environment, Education & Community Services	7,653
Social Care, Health & Housing	8,262
Total Savings Proposals	17,696

- 53 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.
- 54 The savings proposals total £17.7m for 2012/13, £1.3m higher than that projected to be required in February 2011. The total savings figure for each Group are 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. Included within each of the group proposals is a specific target for major transformation projects and targeted reviews. This workstream will deliver savings of £1.25m in 2012/13, £1.5m in 2013/14 and £2m in 2014/15.

Central Services

- 55 Central Services have identified proposals totalling £1.8m 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.

- 56 There is 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 £0.2m 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 6b.

Planning, Environment, Education and Community Services

- 57 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.
- 58 This programme is on track to deliver £11.3m of savings in 2011/12 and a further £7.7m 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. The target has been increased by £0.8m in 2012/13 and £1.6m in 2013/14 to deliver further education savings. Further details of the savings proposals developed to date are included in appendix 6c.

Social Care, Health & Housing

- 59 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. In addition, there will be a structural review of the whole Group and a BID transformation review of every service in the Group. Savings proposals for 2012/13 of £8.3m have been developed and further details are included in appendix 6a.

Fees and Charges

- 60 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.

- 61 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 have taken account of any projected increases.
- 62 Schedules detailing the proposals relating to fees and charges for 2012/13 are attached at Appendix 7.

Central Government Grant

- 63 The final Local Government Finance Settlement for 2012/13 was largely unaltered from the provisional figures contained within the 2011/12 settlement. This is the second year of the two year settlement announced at the end of 2010. Estimates for future years were prepared on the basis of estimated Government Formula Grant derived from the CSR 2010 and have remain significantly unchanged from February 2011, although a further reduction of £1m has been included following the announcement to cap public sector pay awards at 1%. The future years' position is discussed further in the Medium Tern Impact of the proposals section below.
- 64 Included within the budget is grant from Central Government to fund a freeze in Council Tax for a further year. This provide a similar sum to that provided in 2011/12 i.e. £2.8m. However, this further funding to fund the 2012/13 Council Tax freeze is for one year only and will therefore add £2.8m to the savings requirement in 2013/14 and beyond.
- 65 An extra £357k has been awarded as Early Intervention Grant, to increase Council funding for 2 year olds nursery provision. This is in addition to £719k already included in the increased 2012/13 EIG allocation in respect of 2 year old funding and already factored into the MTFF. The expectation of the government is that this sum should be used to provide free nursery places to around 900 of the most deprived children in Hillingdon although technically it is unringfenced. A further complication and future risk is that the DfE have suggested that this funding may at some point be transferred to the DSG, possibly in 2013/14, and that EIG could potentially be topsliced to fund this.
- 66 On 3 February 2012 CLG announced the process for making bids for funding towards supporting weekly rubbish collections. The scheme is worth £250m over the CSR period with £50m to be allocated in 2012/13. The Weekly Collection Support Scheme is a challenge fund that will be awarded to council's who can demonstrate a need for support for investment in innovation and new technology. Initial bids need to be submitted by the beginning of May 2012 and awards are due to be paid in the autumn of 2012. The scheme is primarily aimed at funding new investment that delivers service enhancement. At this point the MTFF makes no assumptions around either new investment or grant funding in respect of this scheme.

- 67 There have been a few 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

- 68 The projected unallocated balances and reserves are currently forecast to be £21.3m as at 31 March 2012, well above the minimum target level of balances and over £4m in excess of what they were projected to be at the start of the current financial 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 (£249k committed to date) will all be spent in full by the year end. Balances could therefore be up to £23.5m if these contingencies are not called down over the remainder of the year.
- 69 The MTFF 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 £25m over the next 3 years. There is a planned payment into balances of £2.1m 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.

Medium Term Impact of Proposals

- 70 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.
- 71 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 £69.1m. The incremental savings over the next 3 years commencing 2012/13 are assessed at £17.7m, £12.1m and £13.1m respectively. The peak years for savings are therefore likely to be 2011/12 and 2012/13 at £26.2m and £17.7m respectively.
- 72 However, over the medium term there are significant uncertainties in relation to both the funding of local Government and new burdens which may become the responsibility of local Government which make forecasting beyond 2012/13 more difficult.
- 73 The most significant issues are in relation to the review of local Government funding. Following several consultations during 2011, the government announced in the Local Government Finance Bill that it will enable councils to retain a portion of the business rates generated locally to replace formula grant and that it would also localise council tax benefits. The aim is to totally reform local government funding to provide an incentive to promote local economic growth and to give more local control on the use of funding and service prioritisation.

- 74 Retention of business rates would commence from April 2013, to align with the next two year local government finance settlement. Whilst it is too early to calculate the impact of the proposals, as much of the detail of the system has yet to be announced, initial analysis has highlighted a few key issues which could have a significant impact on the council's future funding. The most significant are that there will be no growth in the first 2 years, future growth will only be possible between resets (every 10 years) which will make long term planning difficult and the tariff (and top-up) will be updated by RPI each year, which could be a disincentive to growth. 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.
- 75 Intelligence on potential growth in the NNDR base and the timing of that growth will be crucial to informing the MTFP going forward. The NNDR base has fallen so far during 2011/12 highlighting the fact that it is not always certain to 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 further as and when further information becomes available and the model basis is clarified.
- 76 The second major issue relates to the reform of the benefits regime. Whilst Housing Benefit will be absorbed into the new universal benefit, Council Tax Benefit (CTB) will be localised with effect from April 2013 and replaced with a council tax reduction scheme. Each council will have to design, administer and run a local scheme, and do so with an immediate 10 per cent reduction in funding. The scheme will be funded through a specific grant from central government. Certain groups (such as pensioners) will be protected from any reduction in the level of benefits. The initial estimate of the funding shortfall to Hillingdon is £2.21m.
- 77 At this stage, the intention in designing a scheme is to cap payments from the scheme to the level of grant received. However, the design of the scheme will be critical to minimise the funding risk going forward, to allow for demographic increases. Work on the collation of data to begin scheme design options has commenced, aiming to deliver a report on the potential financial implications during the summer and a scheme ready for consultation during the autumn.
- 78 There has been strong lobbying of Government by local councils across the country in an attempt to have this proposal dropped and for CTB to be rolled into the Universal Credit proposals or at least to have the implementation date delayed. However, Government has made clear their intention to proceed with this proposal and to implement with effect from 1 April 2013.
- 79 Aligned to the localisation of Council Tax benefit, are some technical changes to council tax to introduce flexibility for local authorities to help keep overall Council Tax levels down or to be able to increase 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. These proposals will also 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.

- 80 In addition, on 15 July 2011 the Department of Health confirmed the intention to transfer Public Health services from PCT's to local government with the intention of providing a service which focus on the prevention of illness. A ring fenced grant will be transferred from the NHS in April 2013, with shadow budget allocations due to be published shortly. Currently Hillingdon PCT has around £20m in resources to support public health activity.
- 81 A public health outcomes framework has been published which sets out the desired outcomes for public health and how these will be measured. Councils will be judged on how well they improve public health and the most successful local authorities will qualify for extra funding. The framework concentrates on two 'high-level outcomes' to be achieved across the public health system:
- Increased healthy life expectancy;
 - Reduced differences in life expectancy and healthy life expectancy between communities.
- 82 A set of more than 60 supporting indicators, grouped into four domains, will help assess progress both locally and nationally on an annual basis:
- Improving the wider determinants of health;
 - Health improvement;
 - Health protection;
 - Healthcare public health and preventing premature mortality.
- 83 A further burden transferring from central government to local government is the provision of a local financial assistance scheme. As part of the review of the benefits system, the government announced a reform of the Social Fund which will involve the abolition of the current system of discretionary payments. As part of their replacement, there will be a new locally-based provision to replace Community Care Grants and Crisis Loans for general living expenses. There will be no statutory duty on local authorities to deliver the service, but Government will set out their expectations and state that the new burden will be fully funded. Councils are expected to design, set up and deliver a local system for emergency provision for vulnerable groups according to local circumstances, to be effective from April 2013.
- 84 The result of these various significant changes in local government funding and the transfer of new burdens is that there is currently very little certainty regarding the likely funding or budget requirement beyond 2012/13.
- 85 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.
- 86 The savings proposals outlined in the report should be capable of delivering a balanced budget in 2012/13. However, there remain unallocated savings for 2013/14 (£2m) and 2014/15 (£9m) 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.

SCHOOLS BUDGETS

- 87 The funding that the Council receives for Schools Budgeted expenditure is through the Dedicated Schools Grant (DSG), which is a ring fenced grant. The value of the DSG is determined by multiplying the Guaranteed Unit of Funding (GUF) per pupil by the number of pupils as captured on the January census date (for 2012/13 this was the 19 January 2012). For 2012/13, the Council's DSG will still include funding for those schools that have become academies (including the DSG Local Authority Central Spend Equivalent Grant (LACSEG)), and by implication their budget share will be affected by the Council's school funding formula.
- 88 The DSG funds both the delegated individual schools budget and items which Schools Forum have agreed can be retained centrally, including Special Educational Needs, Alternative Education provision and Early Years provision. The Council also receives a Pupil Premium Grant based on the number of pupils that are and were eligible for a free school meal (FSM) over the last six years (known as ever 6 FSM). This is passported directly to schools based on the following allocations:-
- The level of the Pupil Premium has been confirmed at £600 per pupil (an increase of £112 on the current rate of £488), however the method of distribution has changed from those currently eligible for Free School Meals to those pupils eligible for Free School Meals at any point over the last six years (Ever 6).
 - Children in Care of school age who have been looked after for more than six months (i.e. the pupils counted on the SSDA903 (Under the Children Act 1989, a child is looked after by a local authority if he or she; is provided with accommodation, for a continuous period of more than 24 hours, [Children Act 1989 Section 20 and 21]; or is subject to a care order [Children Act 1989 Part IV]), will be those pupils that have been continuously looked after for over 6 months aged 4 to 15 at 31 August 2011. The count point for 2012 is 31st March) will continue to receive £488.
 - An additional amount of £250 per pupil will be included in the Pupil Premium in 2012/13 for the children of members of the UK armed forces, which is an increase from the current £200.
- 89 No cost falls upon the Council Tax payer unless the Council chooses to supplement the Schools Budget from the General Fund.
- 90 Throughout this financial year (2011/12) the coalition Government has consulted extensively with councils on a wide range of school funding issues including:
- The Basis for the Decision on the Appropriate Amount of Academies Funding Transfer for 2011-12 and 2012-13
 - School Funding Reform: Proposals for a Fairer System
 - Implementation of the 2010/11 Review of Education Capital (The James Review)
 - The Proposed Decision on the Calculation and Recovery Arrangements on the Academies Funding Transfer for 2011/12 and 2012/13

- 91 The outcomes of these consultations are still being developed but clarity has been received on the proposed National Funding formula, where it is clearer that the Government will introduce a new funding formula for 2013/14, but will still require Council's, through their own local funding formula, to determine individual school budget shares.
- 92 It is also clear that no further adjustments will be made to Councils' budgets for the Revenue Support Grant LACSEG top-slice calculations, other than reimbursing those Council's where the top-slice is greater than the actual calculated deduction for 2012/13, by means of a grant.
- 93 Schools Forum is the principal institution established for the Council's consultations with schools on financial matters. In order to ensure that Schools Forum makes informed decisions, the proposed funding arrangements are also issued to schools inviting responses that are subsequently considered by Schools Forum in making their decisions and advice.
- 94 The main focus of Schools Forum has been to undertake a fundamental review of the Primary and Secondary schools funding formula, which took place between July 2011 and November 2011. Schools were consulted on the proposed changes informally in December 2011 and more formally in January 2012. The outcomes of which have been considered at the Schools Forum meeting on 24 January 2012.
- 95 Although Schools Forum has decision-making powers with regard to certain aspects of the Council's proposals for schools funding, most other aspects of the consultation process are to enable Schools Forum to advise the Council on the decisions that rest with Cabinet. Schools Forum has articulated its advice to Cabinet on the issues for consideration, which is contained in a separate report on this Cabinet agenda. Cabinet will make the final decisions on the arrangements for schools funding for 2012/13 from the recommendations of this report.

CAPITAL PROGRAMME

Background

- 96 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 £126,845k 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.
- 97 The driving principles underlying programme development are 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. 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.
- 98 A summary of the proposed capital programme has been included in Appendix 8 and shows individual schemes alongside the financing source for each scheme.

99 The capital programme continues to contain a number of on-going programmes of works requiring £7,052k of council resources in 2012/13 (table 6), 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.

Changes since report to Cabinet on 15 December 2011

100 Table 1 below sets out amendments to the General Fund capital programme since the report to Cabinet in December.

Table 1

General Fund	Draft Programme	Draft Programme	Draft Programme	Total Draft Programme
	2012/13 (£000s)	2013/14 (£000s)	2014/15 (£000s)	(£000s)
December Cabinet Report	95,099	70,660	38,219	203,978
<u>Changes to Projects</u>				
Priority Growth	1000	0	0	1000
ICT Single Development Plan	(31)	500	500	969
Libraries Refurbishment	500			500
Primary School Capital Programme	(4,065)	5,360	(1,107)	188
Town Centre Initiatives	185			185
Urgent Building Condition Works	(600)	(600)	(600)	(1,800)
Yiewsey Pool Self-Financing Scheme	(5,500)	(5,250)		(10,750)
Highways Structural Works	300	0	0	300
Vehicle Replacement	250	0	0	250
Highgrove Pool Phase II	450	0	0	450
<u>Changes to Expenditure Profiles</u>				
Additional rephasing from 2011/12	2,138			2,138
Profiling 2012/13 Projects	(440)	440		0
February Cabinet Report	89,286	71,110	37,012	197,408
Movement	(5,813)	450	(1,207)	(6,570)

101 £1,000k of Priority Growth has been included in 2012/13 budgets to support investment in new capital priorities arising in year. This is in addition to the growth already included within the December report which included provision for the refurbishment of Winston Churchill Hall and the development and resurfacing of West Drayton Cemetery.

102 Council Resourced investment in the ICT Single Development plan has been increased to £1,000k per annum following reallocation of Department of Health Community Capacity funding to the Queenswalk development. This budget will continue to support the Council's wider ICT requirements and transformational BID workstreams.

103 An additional £500k is included to bring the borough-wide Library Refurbishment programme to a close, supporting works at Harlington and Oak Farm Libraries. This would be funded from Council Resources, although there may be scope to utilise Section 106 Contributions for this programme.

104 Forecast total expenditure on the Primary School Capital Programme has decreased to £126,845k (£127,916k at December 2011), primarily due to design changes within

Phase 3 of the programme. Expenditure forecasts on Phase 2 and 3 projects have been refined, accounting for the decreased budget requirement in 2012/13.

- 105 Investment in Town Centre Initiatives has been increased by £185k following receipt of Outer London Funding during 2011/12. The Council is hopeful of receiving further grant funding for town centre initiatives but this is not confirmed at this stage so is not yet included in the budget.
- 106 Previous proposals for a self-financing scheme on the former Yiewlsey Pool site have been removed from the programme until a new proposal is developed and costed.
- 107 Additional growth has been provided to support further investment in Highways infrastructure and fleet replacement.
- 108 Funding for the Highgrove Pool refurbishment project has been increased by £450k to align the centre with the newly developed Hillingdon and Botwell Green Sports & Leisure Centres. On-going borrowing costs arising from this project will be fully funded from revenue savings within leisure contracts.
- 109 Following refinement of expenditure profiles, some 2011/12 budgets will be rephased into 2012/13. These include £700k on Highgrove Pool and £950k of DH HIV grant funded GF Supported Housing budget.
- 110 Table 2 sets out updates to the HRA capital programme since previously reported to Cabinet on 15 December 2011.

Table 2

Housing Revenue Account	Draft Programme	Draft Programme	Draft Programme	Total Draft Programme
	2012/13	2013/14	2014/15	
	(£000s)	(£000s)	(£000s)	(£000s)
December Cabinet Report	11,773	11,457	11,542	34,772
Supported Housing Programme	6,150	916	(5,740)	1,326
Works to Stock	0	1,335	1,250	2,585
February Cabinet Report	17,923	13,708	7,052	38,683
Movement	6,150	2,251	(4,490)	3,911

- 111 Forecast expenditure on Supported Housing over the period 2012/13 to 2014/15 has been revised due to works now being expected to commence in 2012. Total investment in this programme remains at £27,980k.
- 112 Increased investment in existing housing stock is proposed from 2013/14, to be funded from HRA revenue resources no longer required to support subsidy payments to DCLG. These works are expected to consist of energy efficiency measures aimed to reduce energy costs for tenants and emissions.

Primary School Capital Programme

- 113 In order to meet the demand for additional school places, this draft budget includes provision for £126,845k of investment over the period 2010/11 to 2014/15 which is

intended deliver an additional 27.5 forms of entry across the borough and meet expected demand from bulge year groups until 2014/15.

- 114 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 is in excess of £5,000k.
- 115 Table 3 sets out the latest expenditure forecast on the schools programme. This is based on contractual arrangements for Phase 1 and latest feasibility studies for Phases 2 and 3. This programme remains focused on mainstream provision and does not include expansion of the Special School estate.

Table 3

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	595	0	0	0	1,154		3.0
Phase 1	1,080	8,500	11,498	243	0	21,321	6.0	
Phase 1A (incl. Rosedale)	10	2,430	802	0	0	3,242		7.0
Phase 2	0	2,014	26,832	40,123	8,958	77,928	15.5	-2.0
Phase 2A	0	157	2,443	0	0	2,600		10.0
Phase 3	0	274	626	9,000	8,100	18,000	6.0	
Phase 3A	0	0	0	1,300	1,300	2,600		10.0
Expenditure	1,649	13,970	42,201	50,666	18,358	126,845	27.5	28.0
DfE Grant*	1,649	11,542	25,231	8,564	8,564	55,550		
Section 106	0	2,428	2,971	5,800	3,870	15,069		
Council Resources	0	0	13,999	36,302	5,924	56,226		
Revenue Impact	0	0	944	3,392	3,792	3,792		

- 116 Funding for this programme consists of DfE Grants and Section 106 Contributions, with significant support from Council Resources to manage the shortfall in external funding. This shortfall is currently expected to result in on-going revenue financing costs of approximately £3,792k per annum, of which £3,000k has been identified within latest revenue budgets.
- 117 DfE have announced the initial tranche of 2012/13 funding which brings confirmed DfE support for Hillingdon's expansion programme to £33,369k. Further 2012/13 funding is expected to be confirmed from the additional £600m Basic Needs funding announced in the Chancellor's Autumn Statement, the outcome of which will be reported to Cabinet during 2012/13.
- 118 Section 106 Contributions included above consist of £2,428k of previously allocated funds, £8,600k of expected contributions relating to the RAF Uxbridge site and a further £4,041k of contributions yet to be allocated. As at 31 December 2011 unallocated Education Section 106 Contributions of £5,367k were held by the Council, from which there may be scope to reduce Council Resources further.

Funding of the General Fund Capital Programme

- 119 Table 4 overleaf shows the proposed financing for the draft budget included in Appendix 9. This programme of investment continues to be supported from a combination of external grants and third party contributions, capital receipts and Prudential Borrowing.

Table 4

General Fund Financing	2012/13	2013/14	2014/15	Total
	£'000	£'000	£'000	£'000
GF Prudential Borrowing	36,551	35,753	16,259	88,563
GF Capital Receipts	13,344	12,675	0	26,019
Grants	36,075	16,882	16,883	69,840
Other 3 rd Party Contributions	3,316	5,800	3,870	12,986
Total	89,286	71,110	37,012	197,408

- 120 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 £36,551k borrowing requirement for 2012/13 specific resources have been identified to support £13,999k investment in school expansions and £13,756k invest-to-save/self-financing projects. The remaining £8,796k of borrowing will require additional on-going revenue support.
- 121 Forecast 2012/13 capital receipts are sufficient to support continued investment in programmes of works such as Chrysalis, Highways Infrastructure and Disabled Facilities Grants. Whilst sufficient capital receipts are forecast for 2012/13 and 2014/15, a shortfall is projected from 2014/15 as shown in table 5 below.
- 122 Other contributions included in Table 4 are predominantly Section 106 contributions available to support school expansion projects and includes a proposed new school at RAF Uxbridge.
- 123 Grant funded expenditure of £36,075k is included in this 2012/13 draft programme, however a number of allocations are yet to be confirmed and such in-year movements will be reported via the monthly monitoring process. Table 5 below sets out grants included in the programme.

Table 5

Capital Grant	Awarding Body	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
Devolved Formula Capital (DFC)	DfE	739	739	739	2,217
Capital Maintenance	DfE	3,408	3,408	3,408	10,224
Basic Needs (Initial)	DfE	7,556	7,556	7,556	22,668
Basic Needs (Top Up)	DfE	5,053			5,053
Transport for London LIP	TfL	3,297	1,992	1,992	7,281
Disabled Facilities Grant	DH	1,500	1,500	1,500	4,500
Empty Property Grant	HCA	65	65	65	195
LA Contaminated Land Grant	EA		1,622	1,623	3,245
Community Capacity	DH	533			533
2012/13-14/15 Allocations		22,151	16,882	16,883	55,916
<i>Rephased DFC</i>	<i>DfE</i>	<i>1,439</i>			<i>1,439</i>
<i>Rephased Capital Maintenance</i>	<i>DfE</i>	<i>350</i>			<i>350</i>
<i>Rephased Basic Needs</i>	<i>DfE</i>	<i>11,614</i>			<i>11,614</i>
<i>Rephased Community Capacity</i>	<i>DH</i>	<i>521</i>			<i>521</i>
Rephased Grants		13,924	0	0	13,924
Total Grant Funding Available		36,075	16,882	16,883	69,840

Shaded grant allocations have been confirmed with awarding bodies, other amounts represent best estimates.

124 Grant funded expenditure falls into two distinct categories; £8,225k of investment is directly attributable to grants for which variations in external funding would simply lead to the equivalent variation in expenditure. Such projects are funded from Devolved Formula Capital, TfL LIP and a share of DfE Capital Maintenance grant. The remainder (£27,850k) is demand led and reductions in external funding would necessitate additional use of Council Resources. £21,235k of such funding is either confirmed or carried forward from 2011/12. The remaining £6,618k consists of DH Community Capacity funding, HCA Empty Property Grant, both of which are expected to be confirmed by 31 March 2012, and additional DfE Basic Needs funding to be announced during 2012/13.

Ongoing Programmes of Works

125 The capital programme includes a total of £8,552k of programmes of work. Of this sum only £1,500k of these programmes satisfy the Prudential Code requirements for borrowing (ICT Single Development Plan, £100k of the Property Works Programme and £400k of the Civic Centre Works Programme). The remainder of the programme needs to be funded from capital receipts and these are detailed in Table 6.

Table 6

Application of Capital Receipts	2012/13 (£'000)	2013/14 (£'000)	2014/15 (£'000)	Total (£'000)
Community Initiatives	1,710	1,525	1,525	4,760
Highways Programmes	1,938	1,638	1,638	5,214
Property & Facilities Management	1,954	1,350	500	3,804
Social Care Grants	1,450	1,450	1,450	4,350
Total Expenditure	7,052	5,963	5,113	18,128
Capital Receipts available to fund Programmes of Works	9,795	6,150	0	15,945
Capital Receipts (Surplus)/Shortfall	(2,743)	(187)	5,113	2,183

126 Delivery of the current disposals programme will be sufficient to support 2012/13 programmes of works included in Appendix 9 however, further capital receipts or other funding streams will need to be identified to support the investment in such programmes from 2015/16.

HRA Capital Programme

127 The capital programme within the HRA has been developed against the backdrop of the move to self-financing from April 2012. Final settlement figures have now been released. Hillingdon will be required to acquire £191.6m 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 £47m for new housing development schemes.

128 Table 7 overleaf 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 7

HRA Financing	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
HRA Prudential Borrowing	12,639	8,408	2,727	23,774
HRA Capital Receipts	2,064	0	0	2,064
Grants	820	1,815	840	3,475
Other Contributions	2,400	3,485	3,485	9,370
Total	17,923	13,708	7,052	38,683

129 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 reablement workstreams.

130 Table 8 below details capital grants included within this HRA programme, in both cases availability of this funding has been confirmed with the awarding body.

Table 8

Capital Grant	Awarding Body	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
HCA SHP	HCA	720	1,815	840	3,375
<i>HCA Pipeline LD Rephasing</i>	<i>HCA</i>	<i>100</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total Grant Funding Available		820	1,815	840	7,163

131 HRA Resources included within this programme consists primarily of Prudential Borrowing, which is to be supported from future rental income generated on new build sites. In addition £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. Identification of further surplus HRA sites unsuitable for development of supported housing may provide opportunities to decrease any call on borrowing.

OVERALL BUDGET FOR COUNCIL TAX SETTING 2012/13

Chief Finance Officer's Comments Regarding Responsibilities under the Local Government Act 2003

132 Under Section 25 of the Local Government Act 2003 the Chief Finance Officer as the Council's nominated section 151 officer, has a responsibility to comment on:

- The robustness of the estimates for the coming year
- The adequacy of the Council's reserves

133 The Chief Finance Officer is able to give positive assurances on the robustness of the estimates in general for the coming year. This view is based on:

- The use of an established, rigorous process for developing the budget through the Medium Term Financial Forecast (MTFF) process. This includes close alignment

with the service planning process. This has been further strengthened through the continued development of the Business Improvement Delivery programme

- The inclusion within the base budget of a £16.7m Development and Risk contingency
- Service managers having made reasonable assumptions about demand pressures and taken a prudent view of volatile areas.
- Risk based financial monitoring being undertaken during the year and reported to Cabinet on a monthly basis. This includes the agreement of recovery plans to ensure that the budget is delivered in overall terms.
- Procedures in place to capture and monitor procurement and other efficiency savings
- Prudent assumptions made about interest rates
- The recommended increases in fees and charges in line with the assumptions in the revenue budget
- The use of the Council's project management approach to monitor delivery of the material savings in the revenue budget.

134 The Chief Finance Officer also has a duty to comment on the adequacy of the Council's reserves when the budget is being set. At the time of budget setting for 2011/12, the Chief Finance Officer set a recommended range of balances. This was between £12m and £24m, based on an analysis of the risks facing the Council. The recommended range has been updated following a review of the risks facing the Council. This is set out in the next section.

Statement on Balances and Reserves

135 The Chief Finance Officer has undertaken a review of the risks currently facing the Council. This has enabled an update to the recommended range of balances that the Council should hold. This forms the basis of the guidance provided above in relation to his responsibilities under the Local Government Act 2003.

136 To assess the adequacy of general reserves, the Chief Finance Officer has taken into account the strategic, operational and financial risks facing the Council. The Council should retain adequate reserves to cover unexpected expenditure and avoid costly short-term borrowing. Equally the Council wishes to utilise the maximum resources available to achieve its objectives therefore it plans to maintain reserves at the lowest prudent level.

137 To determine the recommended level of reserves the Council has assessed risk against the criteria as specified in Local Authority Accounting Panel (LAAP) Bulletin 77 (November 2008). This assessment includes the following:

- The robustness of the financial planning process (including the treatment of inflation and interest rates and the timing of capital receipts)
- How the Council manages demand led service pressures
- The treatment of planned efficiency savings / productivity gains
- The financial risks inherent in any major capital projects, outsourcing arrangements or significant new funding partnerships
- The strength of the financial monitoring and reporting arrangements
- Cashflow management and the need for short term borrowing
- The availability of reserves, Government grants and other funds to deal with major contingencies and the adequacy of provisions

- The general financial climate to which the Council is subject and its track record in budget and financial management
- 138 The assessment, although based on the Council's procedures and structures, does have an element of subjectivity and to allow for this the optimum level of reserves incorporates a range. The recommended range for reserves for 2012/13 is £12m to £26.5m. Ideally the Council should avoid having balances below the minimum level of £12m, or above the maximum level of £26.5m. The Council's aim to maintain balances at £12m is therefore within this range. Details of the risk assessment are included in Appendix 9.
- 139 The range of issues that impact on the need to hold balances and reserves has been reviewed since last year's budget setting process, although the assessment of the minimum level of balances has remained constant due to a range of positive contributors being offset by negative assessments. Whilst most current funding streams have now been confirmed, there remain significant uncertainties for future years funding. And, whilst the forecast year end balances have increased, the proposed contingency has also increased. Perhaps the most significant contributor to the necessity for reserves arises from the front loading of the budget cuts, resulting in a budget for 2012/13 which contains savings proposals for over £17.7m, and this coming on top of taking savings of over £26m out of the budget in 2011/12.
- 140 The projected level and recommended range of balances will vary depending on the budget proposals that are put forward by Cabinet.

The Council Tax Requirement for 2012/13

- 141 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 the fourth successive year. The Council Tax level is subject to Members' final choices in the budget setting process.

Council Tax Referendum

- 142 As part of the provisional local government finance settlement the Government also confirmed the draft council tax referendum threshold for 2012/13. This reflects the new arrangements introduced in the Localism Act 2011 to replace the current system of council tax capping. This requires local authorities to hold referendums to approve their proposed council tax increases where these exceed a threshold set by Parliament.
- 143 The council tax increase above which local authorities would be required to hold a referendum in 2012/13 on the basis of the Government's provisional proposals is 3.5%. The budget proposals outlined in this report maintain council tax at the same level as in 2011/12 and therefore the referendum threshold will not be triggered for the financial year 2012/13.

Greater London Authority Precept

- 144 The Mayor of London's draft budget proposals for 2012/13 are scheduled for consideration by the London Assembly on 9 February 2012 and so will not be confirmed until after that date. The draft proposals result in a 1% decrease in the element of

Council Tax that relates to the GLA precept. This is analysed across the relevant functional bodies as follows:

Table 9: Change in Proposed GLA Precept by Functional Body

Functional Body	Band 'D' Council Tax 2011/12 (£)	Band 'D' Council Tax 2012/13 (£)	Percentage Change (%)
Metropolitan Police Authority	226.01	233.46	+3.30
London Fire and Emergency Planning Authority	51.76	40.08	-22.57
Greater London Authority	30.08	31.29	+3.76
Transport for London	1.97	1.89	0
Total	309.82	306.72	

145 The largest element of the GLA Group's budget relates to the Metropolitan Police Authority and this aligns to the Mayor's primary responsibility in making London safer. The increase in the Metropolitan Police's budget requirement protects operational capacity and the maintenance of officer numbers at existing levels. Minor decreases have been applied to the council tax contribution towards the London Fire and Emergency Planning Authority to reflect their achievement of significant back office efficiencies.

146 The GLA budget includes the budget and Council Tax implications of the Olympics Delivery Authority. The contribution from Council Tax payers towards the Olympics remains at £20 per Band 'D' property in 2012/13, unchanged from 2011/12.

Financial Implications

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

4. EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

What will be the effect of the recommendation?

The budget proposals in this report result in no change in the Council Tax for 2012/13. The budget proposals contain the funding strategy for delivering the Council's objective. The effects are therefore extremely wide ranging. They will be managed through the performance targets and outcomes that will be delivered through the resources approved in the revenue budgets and capital programme.

The revenue budget and capital programme include growth in some new service areas and these proposals will result in improved outcomes for residents and service 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. This will be by improving the value for money offered by services and by maximising funding, procurement, efficiency and service effectiveness gains.

Consultation Carried Out or Required

Each of the Policy Overview Committees has received reports setting out the draft revenue budget and capital programme proposals relevant to their remit. This was approved by Cabinet on 15 December 2011 for consultation at the January 2012 round of meetings. Comments on the budget from each of the service Policy Overview Committees were referred to the Corporate Services and Partnerships Policy Overview Committee, who met on 8 February 2012 to consider the comments received from the three other Policy Overview Committees on the budget proposals relevant to their remit. The comments from that committee are included in appendix 12.

The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers and residents in the borough. A budget consultation survey was published on the Council's web site relation to the Cabinet's draft budget proposals after the meeting on 15 December 2011. Additionally the January Policy Overview Committee public meetings have a specific focus on the budget proposals within each of the related service areas. No specific responses were received from the business community arising from this consultation. The draft budget reported to December Cabinet has also been available to view on the Council's website. Schools Forum has also been consulted on those budget proposals that have a potential impact on schools budgets.

5. CORPORATE IMPLICATIONS

Corporate Finance

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

Legal

The Budget and Policy Framework Procedure Rules as set out in the Council's Constitution require the Cabinet to make proposals on the Council's budget. This requires them to be in accordance with the timetable which it has published. The Cabinet proposals are set out in this report for the consideration of full Council.

In respect of income the Council provides a number of services in respect of which it can impose charges and fees to users. In certain instances those fees or charges may be set by Government. In other cases the Council has a discretion as to the level of charges it sets. It should be noted that in respect of certain matters the Council can only impose a fee or charge which reflects the actual cost to the Council of providing such services. This has to be considered when setting the overall budget.

The Chief Finance Officer's duties under the Local Government Act 2003, insofar as they relate to budget setting are set out in the body of the report. Of importance to members is the duty for him to comment on the robustness of estimates for the forthcoming year. Members will note that earlier in this report, the Chief Finance Officer has given a number of positive assurances in relation to this issue.

The second duty for Members to note is the duty imposed on the Chief Finance Officer to comment on the adequacy of the Council's reserves. Members will note that a Statement of Reserves and Balances is contained within paragraphs 135 to 140 of the report which discharges this duty.

As the Council's Section 151 Officer, it is the Chief Finance Officer's professional duty to propose to Members a budget which is soundly based, balanced and adequate to fund the expected level of service provision in the forthcoming financial year. This duty is reinforced in the Council's Constitution. This requires the Chief Finance Officer to ensure the lawfulness and financial prudence of decision making.

The 'Wednesbury reasonable' principle also requires a local authority, when making decisions, to take into account all relevant considerations and to disregard all irrelevant considerations. Clearly, in the context of budget-setting, having regard to the Chief Finance Officer's professional advice is a relevant consideration for Members to take into account. However, Members are not bound to follow his advice. However, they should have good reasons for departing from it should they choose to do so. Furthermore, Members must at all times have regard to the overriding principle that they should set a legal budget and one which is as prudent as the circumstances permit.

Members must have regard to section 106 Local Government Finance Act 1992. This is in respect of a Member who has not paid an amount due in respect of Council Tax for at least two months after it becomes payable. They may not vote on matters concerning the level of Council Tax or the administration of it. Therefore, any Members who are more than two months in arrears with their Council Tax payments must make a declaration to this effect at the beginning of the meeting.

For the first time, there is a new recommendation in the report which is asking Cabinet to recommend to full Council a proposed Pay Policy Statement for 2012/13. The Localism Act 2011 introduced a requirement for such a Statement to be agreed by full Council and this part of the Act became law on 15th January 2012. Section 38 of the Act stipulates what the Statement must include and it is to be read together with draft Guidance which has been issued by the Government.

Corporate Property and Construction

Corporate Property and Construction has liaised very closely with Corporate Finance in the production of this report and concurs with all figures included within the revenue and capital budgets pertaining to the Corporate Property and Construction function. Where estimates have been used for the value of future planned asset disposals to support the capital programme, valuations have been carried out on such surplus assets alongside full option appraisals to determine optimal use.

The Council will continue its programme of strategic asset review throughout 2012/13, with an emphasis on optimising the efficiency of the Council's asset base in an environment of rapidly changing service delivery models, maximising opportunities for new developments to enable delivery of council priorities, in particular, addressing the urgent need for the provision of additional Primary School places within the borough.

Corporate Property and Construction will take operational responsibility for the delivery of the majority of the capital programme along with revenue asset management. Detailed scoping, tendering outcomes and monitoring of costs and progress of projects will be reported separately to cabinet / cabinet member via individual reports and the monthly monitoring process.

Relevant Service Groups

The 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 developed the proposals in this report. The implications for all services of the individual budget proposals are set out in detail in the attached appendices.

6. BACKGROUND PAPERS

Report to Cabinet 15 December 2011 – Medium Term Financial Forecast 2012/13 – 2014/15

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

Local Government Finance Settlement 2012/13 located at
<http://www.local.communities.gov.uk/finance/1213/grant.htm>