

## **BUDGET PLANNING REPORT FOR PLANNING AND COMMUNITY SERVICES 2010/11**

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### **REASON FOR ITEM**

This is the first opportunity for the Policy Overview Committee to discuss the current stage of development of budget planning work with regard to Planning and Community Services. Within the context of the Council's overall financial position, this paper sets out the main financial issues facing the Group's services and the work being undertaken to respond to them. This paper gives a strategic context in which the detailed proposals to be discussed at Policy Overview Committee meetings in January 2010 will need to be considered.

### **OPTIONS AVAILABLE TO THE COMMITTEE**

It is recommended that the Committee notes the development of the financial planning process undertaken to date, and comments as appropriate on the response to the issues, being developed by the Group.

### **INFORMATION**

- 1 This is the first of two opportunities within the planning cycle for the Policy Overview Committee to consider issues relating to budget planning for 2010/11. The focus of this report is the major issues that have been identified through the service and financial planning process for Planning and Community Services. The report to be considered in January 2010 will set out the detailed budget proposals for the Group, those proposals having been included in the report to Cabinet on the Medium Term Financial Forecast (MTFF) on 17 December 2009.

### **Corporate Summary**

- 2 While the focus of the discussion for the Policy Overview Committee should be the specific services within its remit, it is important that this discussion is conducted in the context of the overall corporate financial position.
- 3 Cabinet has set clear parameters for the MTFF over the life of the current administration. These are a zero council tax increase for 2009/10 and 2010/11; provision for £1 million new discretionary growth annually; and unallocated balances and reserves to reach £12 million by 2010/11.

- 4 The report to Council in February 2009 for Tax setting assessed the 2010/11 budget gap at £13.2 million. Early indications are that this is not an overestimate, and that there are potential increases in pressures over and above those already assumed in the £13.2 million budget gap. For example there are potential proposals around the DWP subsidy regime for Homelessness which if they go through will increase the pressure. However, there are also pressures that may reduce, for example Transitional Children. The budget gap will be monitored throughout the year and the budget strategy adjusted accordingly to ensure that a balanced budget for 2010/11 can be set.
- 5 There will be a new 3-year local authority settlement in the period 2011/12 to 2013/14. The latest information is that at best this settlement will not provide any increase in real terms, although it is more likely, given the current economic situation, that significant cuts in public expenditure will be inevitable. As a result, a budget gap of over £40 million will need to be addressed over this 3 year period in addition to the gap forecast for 2010/11. The whole of local government will be faced with this same challenging position.
- 6 This continued period of financial pressure for the Council will require the generation of year-on-year savings in order to produce a balanced budget meeting Cabinet's parameters. The basic dynamics that underpin the ongoing savings or cost reduction requirement are set out in the following table:

Table 1: Analysis of Hillingdon's Underlying Financial Pressures

<b>Item</b>	<b>Annual Ongoing Impact (£m)</b>
<u>Cost Pressures:</u>	
Core inflation	4.5
Social care, waste and other national pressures	4.0
Increasing employers pensions contributions	0.6
Capital programme financing costs	2.4
Phased replacement of homelessness budget over the medium term	2.1
Contribution from balances falling out	3.5
<b>Total Pressures</b>	<b>17.1</b>
<u>Resource Increases:</u>	
Council Tax Receipts	1.1
Government Formula Grant	1.7
LAA Reward grant	1.1
<b>Total Resource Increases</b>	<b>3.9</b>
<b>Ongoing Annual Savings Requirement</b>	<b>13.2</b>

### **Strategy to deal with the budget gap**

- 7 The Council is well placed to deal with the challenges ahead. We have a good track record of coming in or under budget each year and have exceeded the £12m target for balances by the end of 2009/10. We have a well established HIP programme that has helped steer the Council from a position of having low balances to one of having healthy balances at the same time as dealing with significant external challenges around asylum funding and reduced general funding from central government.

### **MTFF process update**

- 8 The timetable for the budget process has been brought forward from previous years so that a balanced budget can be presented to the Cabinet/CMT awayday in November. CMT have already had several detailed sessions on the MTFF position to develop a robust financial strategy. In addition the first MTFF sessions with Groups took place during early May, two months earlier than last year. These sessions have been used to impress on Groups the size of the challenge ahead and they focussed on several themes and work streams around which each group has developed a detailed programme of budget work. CMT will track the progress on the delivery of the MTFF strategy on a monthly basis throughout the year.

### **Timetable for 2010/11 budget**

The broad timetable is as follows:

<b>Process</b>	<b>Timetable</b>
Initial Scoping Meeting with Leader	March
CMT Scoping sessions	March/April
MTFF Group Review (1) – Scoping Session	May
Monthly Leader MTFF updates	May - October
MTFF review at OMG	July
POC Report on budget context	July
MTFF Review (2) – Challenge Session	September
Joint CMT and Cabinet Awayday	November
MTFF Review (3) – Final Sign-off	November
MTFF reported to Cabinet	December
POC review of draft Group Plans and budget proposals	January
Council Tax setting	February

### ***Budget Planning in Planning and Community Services***

#### ***Summary of Key Financial Issues***

- 9 The Planning and Community Services Group has now completed a very successful Whole Service Review generating savings of £960k, and this was reported to Cabinet in December. A high level thematic summary of the savings is outlined in the table below.

<b>Theme</b>	<b>£000's</b>
Restructuring and Staffing reductions	255
Procurement and Alternative Delivery Methods	180
Additional Income Opportunities	300
Economies through Improved Assets and Infrastructure	225
<b>Total</b>	<b>960</b>

- 10 The group is now tasked with contributing to the 2010/11 MTFF and the scoping sessions held between March and May have identified the key areas for the Group.
- 11 The various Planning income streams continue to be a key area for the group given the economic conditions over the last 18 months, and the impact this is having on the housing market.
- 12 The most significant area of income pressure is in Development Control, and within that area the fees for Major applications. This is a volatile area given the scale of fees, which can be significant, and the limited volume of applications. Major applications normally accounts for 2/3rds of the Development Control Income. The other areas of income relating to Minor and Other applications continue to be depressed, but are in line with levels achieved in 2008/09.
- 13 The challenge for the group will be to review, monitor and evaluate these key planning income streams moving forward in terms of their impact on the MTFF, for example will the current year pressure on the development control continue beyond 2009/10 or will the impact of national policy sufficiently turn round the economy so an improvement will start to show.
- 14 A specific ZBB budget review of Land Charges and Development Control Income will be conducted as part of the top 18 areas across the council that have a material impact on the 2010/11 budget. In addition to this specific exercise there will be review of all income to assess the potential for enhancing and maximisation of opportunities across the group.

### **Next Steps**

- 15 The Medium Term Financial Forecast setting out the draft revenue budget and capital programme will be considered by Cabinet on 17 December 2009 and issued for consultation during the remainder of December 2009 and January 2010. This will include detailed consideration by each of the Policy Overview Committees of the proposals relating to their respective services.

## **SUGGESTED COMMITTEE ACTIVITY**

*To be written by the O&S Team*

## **BACKGROUND PAPERS**

The Council's Revenue Budgets and Capital Programme 2009/10 – reports to Cabinet 19 February 2009 and Council 26 February 2009.