

BUDGET PLANNING REPORT FOR ENVIRONMENT & CONSUMER PROTECTION 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 Environment & Consumer Protection 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 _ Environment & Consumer Protection 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

Item	Annual Ongoing Impact (£m)
<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
Total Pressures	17.1
<u>Resource Increases:</u>	
Council Tax Receipts	1.1
Government Formula Grant	1.7
LAA Reward grant	1.1
Total Resource Increases	3.9
Ongoing Annual Savings Requirement	13.2

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:

Process	Timetable
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 Environment & Consumer Protection Services

Summary of Key Financial Issues

- 9 The key areas for review that the Group will be focusing in the 2010/11 MTFF have emerged from the scoping sessions held between March and May. An important component of the 2010/11 MTFF process will be a series of Zero Based Budget (ZBB) reviews. These will be

focused on 18 key budget areas across the council, including 4 areas within the ECP group, that have the most material impact on the 2010/11 budgets. The key areas are discussed further below:

Consumer Protection

- Waste and Recycling ZBB – This service continues to be a dynamic and a high spend area for the group. The budget review will focus on the wider impact of the recycling initiatives that have been successfully implemented by the group.

Highways & Green Spaces

- Streetscene (Highways Maintenance) services ZBB – This review will assess the options for provision of the services and look at ensuring that external funding opportunities from Transport for London (TfL) and Section 106 are maximised.

Business Services

- Fleet Management ZBB – This review will concentrate on maximising the efficiency of vehicle procurement and provision across the council.
- Vehicle fuel ZBB – This continues to be a volatile area, with prices again showing an upward trend in the 1st quarter of 2009/10. The Group will consider further actions to maximise the efficiency of the Council's procurement process and vehicle fleet to minimise the pressure in this area.

Income Generation

- Work will be undertaken across the group to identify income generation opportunities for members to consider.

Next Steps

- 10 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.