

## MEDIUM TERM FINANCIAL FORECAST 2010/11 - 2013/14

|                           |                                      |
|---------------------------|--------------------------------------|
| <b>Cabinet Member</b>     | Councillor Jonathan Bianco           |
| <b>Cabinet Portfolio</b>  | Finance and Business Services        |
| <b>Officer Contact</b>    | Paul Whaymand, Finance and Resources |
| <b>Papers with report</b> | Appendices 1 to 8                    |

### HEADLINE INFORMATION

|   |   |
|---|---|
| <b>Purpose of report</b>                        | <p>This report sets out the Medium Term Financial Forecast (MTFF), which includes the draft General Fund revenue budget for 2010/11, along with indicative projections for the following three years, fees and charges proposals, and the draft capital programme for 2010/11 and beyond.</p> <p>The revenue budget proposals have been developed to deliver a zero increase in Council Tax for the second successive year, as well as providing for new priority growth of £1 million, whilst maintaining balances and reserves at £12 million over the medium term.</p> |
| <b>Contribution to our plans and strategies</b> | The Medium Term Financial Forecast is the financial plan for the Council, and contains the funding strategy for delivering the Council's objectives as set out in the Council Plan 'Fast Forward to 2010' and the goals for Hillingdon as a whole in the Sustainable Community Strategy.  |
| <b>Financial Cost</b>                           | Zero increase in Council Tax for the second successive year.  |
| <b>Relevant Policy Overview Committee</b>       | <p>Corporate Services and Partnerships Policy Overview Committee</p> <p>Education and Children's Services Policy Overview Committee</p> <p>Residents' and Environment Services Policy Overview Committee</p> <p>Social Services, Health and Housing Policy Overview Committee</p>   |
| <b>Ward(s) affected</b>                         | All   |

## RECOMMENDATIONS

### That Cabinet:

- 1. Approve the draft revenue budget and capital programme proposals for 2010/11 and beyond as the basis for consultation with Policy Overview Committees and other stakeholders.**
- 2. Request the comments of individual Policy Overview Committees on the draft budget proposals relating to their areas of responsibility, to be collated into a single report back to Cabinet from the Corporate Services and Partnerships Policy Overview Committee.**
- 3. Approve the proposed fees and charges included at Appendix 7 as the basis for consultation with Policy Overview Committees and other stakeholders.**
- 4. Authorise the Corporate Director of Finance and Resources in consultation with the Leader of the Council to respond on behalf of the Council to the consultation on the provisional local government finance settlement and to the Mayor of London's budget consultation.**

## SUMMARY

The budget proposals included in this report represent Cabinet's budget strategy for 2010/11 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2010/11 whilst maintaining balances and reserves at £12 million over the medium term.

This means that Cabinet will have achieved the following budget parameters:

- zero increase for Hillingdon's element of the Council Tax for the second successive year
- zero increases on discretionary fees and charges for Hillingdon's residents for the second successive year
- priority growth available for new initiatives averaging over £1 million in each of the last four years

The budget strategy has been delivered through a rigorous focus on identifying savings and efficiencies across the Council through a flexible thematic approach to setting savings targets that has been monitored in conjunction with the Leader of the Council through the budget process.

This has led to the identification of £9.8 million of savings for 2010/11, and has allowed the draft budget proposals to absorb £8.1 million of service budget pressures. Outstanding issues remain over the level of funding for services to unaccompanied asylum seeking children. This means that the budget proposals only provide a part of the £3 million budget pressure being reported on asylum services in the current year, pending the outcome of lobbying over special funding with Ministers in the Home Office. Consequently a further review of the funding of financial risks in the Development & Risk Contingency will be conducted prior to the recommendation of the final budget proposals for 2010/11 to Cabinet and Council in February 2010.

The draft budget allows for the inclusion of £1.4 million of priority growth to support the delivery of Cabinet's objectives for the Administration. New growth commitments included in the draft budget proposals at this stage are for further investment in support for carers (£70k), an increase of £50k in the voluntary sector grants budget, and the appointment of an officer to implement initiatives prioritised through the Hillingdon Improvement Programme and the creation of new Young Peoples Centres. Out of the total £1.4 million priority growth a sum of £1 million remains unallocated for further initiatives during the financial year.

The report also includes the provisional fees and charges recommendations for 2010/11, which reflect a freeze on fees and charges for most services to Hillingdon residents.

The draft budget continues to include revenue funding of £0.2 million for the Leader's Initiative which will fund a further 1,000 burglar alarms for the homes of older residents of the borough.

The draft capital programme for 2010/11 and indicative allocations for the following three years are presented in this report. The draft capital programme over four years is worth £236.2 million with £83.0 million of capital expenditure in 2010/11. This includes funding for new General Fund projects of £16.7 million such as the development of new library, adult education and youth service facilities adjacent to the existing South Ruislip Library, the upgrade and enhancement of Highgrove Pool, the refurbishment or redevelopment of seven other libraries over three years, the completion of the upgrade of recycling facilities at New Years Green Lane Civic Amenity Site and the improvement of environmental assets such as Ruislip Lido and Little Britain Lake.

In addition, the capital programme provides almost £10 million of funding for key ongoing programmes including the Chrysalis programme, the Leader's Initiative and the upgrade of local town centres.

## **INFORMATION**

### **Reasons for recommendation**

The recommendations have been framed to comply with the Budget and Policy Framework rules, and to allow the presentation to Council of a recommended budget for 2010/11 in February 2010, which takes into account consultation with Policy Overview Committees.

They also allow for representations to be made to the Department for Communities and Local Government in relation to the provisional local government finance settlement, and to the Mayor of London in relation to the Greater London Authority's budget proposals, in accordance with the deadlines for responses of 6 January 2010 and to be confirmed within January 2010 respectively.

### **Alternative options considered / risk management**

In order to comply with the Budget and Policy Framework the Cabinet needs to publish a draft budget for consultation at this meeting. The Cabinet could, however, choose to vary the proposals set out in the report, with any amendments reflected in the papers consulted upon with Policy Overview Committees during January 2010.

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

## **Comments of Policy Overview Committee(s)**

Each Policy Overview Committee has received reports setting out the budget process and financial strategy of the service Groups within their remit at the July 2009 round of meetings. These reports set out the process within which budget planning has been conducted, and illustrate the background against which the detailed proposals in this report will be reviewed.

Following consideration at Cabinet, this report will form the basis of consultation with Policy Overview Committees during January 2010. Comments from the Policy Overview Committees will be reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee when Cabinet meets on 18 February 2010. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 25 February 2010.

## **Supporting Information**

### **Background**

- 1 This is the first report to Cabinet on the budget proposals for 2010/11 and beyond. The budget report to Council for Council Tax setting for 2009/10 contained savings of £7.5 million rising to a cumulative total savings of £20.1 million required for 2010/11. Cabinet have since provided a budget strategy to address this savings requirement by breaking down the overall target into thematic groupings consisting of specific savings targets. Progress towards the achievement of these targets has been monitored monthly by CMT and reported to the Leader of the Council. In addition, all Groups have been involved in a three stage budget planning and challenge process, and it is the output of this process that forms the basis of the budget proposals set out in this report.
- 2 The report includes revenue budget and capital programme projections for three years beyond next year, to reflect the four-year planning cycle used by the Council. The Council does not have the power to set budgets more than one year in advance, but the inclusion of medium term figures helps to demonstrate the ongoing impact of the budget proposals, and provides context for the budget decisions proposed.

## **GENERAL FUND REVENUE BUDGET**

### **Budget Requirement 2010/11**

- 3 The movement between the current year's budget and the draft budget requirement for 2010/11 is summarised in Table 1 below. Each of the lines in Table 1 is set out in detail in the following sections.

Table 1: Budget Requirement 2010/11

|  | <b>Budget<br/>(£000s)</b> |
|--|---------------------------|
| Budget Requirement 2009/10<br>Add: Area Based Grant (base) | 189,245<br>17,499         |
| Inflation  | 600                       |
| Corporate Items (Appendix 2)                               | 4,983                     |
| Service Pressures (Appendix 3)                             | 8,093                     |
| Priority Growth (Appendix 4)                               | 712                       |
| Savings (Appendix 5)                                       | -9,859                    |
| <b>Budget Requirement – All Resources 2010/11</b>          | <b>211,352</b>            |
| Less: Area Based Grant 2010/11                             | -17,361                   |
| <b>Net Budget Requirement 2010/11</b>                      | <b>193,991</b>            |
| <u>Funding Sources</u>                                     |                           |
| Council Tax  | 109,580                   |
| Government Formula Grant                                   | 84,411                    |
| Area Based Grant   | 17,361                    |
| <b>Total Resources</b>                                     | <b>211,352</b>            |

## Inflation

- 4 The core amount of inflationary cost increases for which the draft budget for 2010/11 provides is £0.6 million. In addition, there are some cross-cutting areas where there are above-inflation cost increases, and these are included as a section within the service pressures contained at Appendix 3.
- 5 This year has seen a one-year pay agreement for Local Government staff. Negotiations will be undertaken nationally regarding a new agreement for 2010/11, and in line with national employers' guidance no allowance for an increase has been made, in the expectation of a pay freeze across the public sector next year. However, teachers' pay has been inflated at 2.3% from September 2010 as part of the three-year deal previously recommended by the national School Teachers Review Body. Increases of 1% have been applied for adult's and children's services care placements, with zero increases for all other expenditure and income budgets.
- 6 Table 2 below sets out the general inflation rates applied to specific budget lines.

Table 2: Inflation

| Category                       | Rate (%) | 2010/11 (£000s) |
|--------------------------------|----------|-----------------|
| Local Government Employees Pay | Zero     | 0               |
| Teachers Pay                   | 2.3%     | 40              |
| Premises Costs                 | Zero     | 0               |
| Transport Costs                | Zero     | 0               |
| Care Placements                | 1%       | 560             |
| Other Supplies and Services    | Zero     | 0               |
| All Income                     | Zero     | 0               |
| <b>Total</b>                   |          | <b>600</b>      |

### Corporate Items

- 7 This heading is used to describe items that affect the Council overall, or have a significant impact on the majority of service groups within the authority. A net increase in budget of £5.0 million in 2010/11 results from these items that are also set out in further detail in Appendix 2. This is set out in Table 3:

Table 3: Corporate Items

| Corporate Items   | Amount 2010/11 (£000s) | Amount 2011/12 (£000s) |
|---|------------------------|------------------------|
| Increase in Contingency                                   | 2,421                  | 7,337                  |
| Concessionary Fares Levy                                  | 1,362                  | 1,362                  |
| Reduced Interest on Investment Income                     | 1,300                  | 900                    |
| Contribution from Balances – falling out                  | 1,250                  | 2,650                  |
| Additional Capital Programme financing from asset income  | 1,000                  | 2,000                  |
| Local Area Agreement Reward Grant – shares to partners    | 670                    | 670                    |
| Employers Pension Contributions                           | 625                    | 1,475                  |
| Parking Revenue Account Surplus – falling out             | 100                    | 100                    |
| London Pensions Fund Authority levy                       | 95                     | 155                    |
| LABGI / Housing and Planning Delivery Grant – falling out | 0                      | 500                    |
| National Insurance Contributions Increase                 | 0                      | 420                    |
| Local Area Agreement Reward Grant                         | -3,040                 | -800                   |
| Capital Programme financing costs                         | -800                   | 100                    |
| <b>Total</b>  | <b>4,983</b>           | <b>16,869</b>          |

- 8 A net increase in the contingency of £2.4 million reflects funding to cover a range of financial risks faced by Council, as discussed in the section on the Development and Risk Contingency below.
- 9 The Concessionary Fares levy from London Councils was significantly reduced in the 2009/10 budget, with a reduction in the Council's levy of almost £2 million. This was driven in large part by a one-off use of the reserves held by London Councils of £20 million spread across all London Boroughs, which will fall out and drive an increase in the levy in the short term. This is exacerbated by a proposed reduction in specific grant to Transport

for London of £28.6 million compared to previously published figures. Together these changes drive an expected increase of 24% in the levy for 2010/11.

- 10 Income from short term investment of cash balances has been driven lower in the current year due to the impact of significantly lower interest rates. For the forthcoming year and beyond, investment income will be even lower still as cash balances are reduced following the completion of major capital schemes, and interest rates are expected to stay at exceptionally low levels for a longer period of time. This creates a pressure on reduced income of £1.3 million compared to the current year income target.
- 11 The budget approved for 2009/10 included a drawdown from balances of £2.75 million. This is necessarily a one-off item that can not be repeated on an ongoing basis. However, for 2010/11 a further drawdown from balances of £1.5 million has been applied to the draft budget, based on the projected outturn balances position as at 31 March 2010 as reported in the Month 7 budget monitoring report of £13.8 million. This will mean that unallocated balances will remain above the target level of £12 million.
- 12 An increase in the revenue financing of the capital programme of £1 million per year has been included as a corporate item, reflecting the re-use of rental income from Council assets to support the capital programme, linked to the development of the corporate landlord model of asset management.
- 13 Reward grant from the 2007 Local Area Agreement (LAA) will be due in 2010/11. As described in the quarterly LAA monitoring reports to Cabinet, a reward sharing arrangement was agreed at the outset with partners, depending on the impact of each of the lead partners in achieving each of the 13 groups of targets. Based on current performance projections almost £1.5 million of revenue reward grant will be shared with partners or partnership groups, and almost £1.6 million will be retained exclusively within the Council. This represents an improvement of £0.35 million in the level of reward grant retained by the Council compared to the budget report to Cabinet and Council in February 2009, due to the Council receiving exclusive use of the grant surrendered by the London Fire Brigade. In addition, we have agreed to phase payments to our partners over two years in line with the receipt of payment from the Department for Communities and Local Government (DCLG), and over three years in the case of the Safer Hillingdon Partnership. The capital element of the LAA reward grant is available as funding towards the capital programme. Reward grant for the 2008 LAA is calculated on a more formulaic basis and an initial estimate of the likely reward is contained in the medium term projections.
- 14 The Council's Pension Fund was subject to an actuarial review as at 31 March 2007. The valuation resulted in an increase in the level of employer's contributions required to provide for both future and past liabilities, and the additional funding of £625k for 2010/11 allows for the 0.75% increase in contributions to 17.1% of pensionable pay. A phased increase in contribution rates of 1% is included for future years in the medium term projections. In addition, the medium term projection contains provision for the 0.5% increase in employers' national insurance contribution rates effective from 2011/12 as announced in the last Government Budget.
- 15 The 2009/10 budget included a one-off use of the accumulated surplus on the Parking Revenue Account of £0.1 million that can not be repeated for the 2010/11 financial year.

- 16 A significant increase in the London Pensions Fund Authority (LPFA) levy for 2010/11 has been projected due to the adverse actuarial position of the LPFA pension fund in respect of former Greater London Council employees.
- 17 The Government has only committed to the Local Authorities Business Growth Incentives (LABGI) scheme and to Housing and Planning Delivery Grant (HPDG) up to the end of 2010/11, and these funding streams are not expected to continue beyond that date. This view is supported by the announcements in July 2009 that the Government would cut the national funding for both schemes in 2010/11 (to remove previously promised growth in funding).
- 18 The reduction in revenue financing costs of the capital programme for 2010/11 of £0.8 million reflects the full year effect of loan restructuring transactions performed during Quarter 1 of the current financial year. However this gain will fall out over the medium term as the minimum revenue provision (MRP) increases when major schemes complete.

### Service Pressures

- 19 The identification of all service pressures, thereby reducing the likelihood of unexpected overspends within the financial year, is one of the key objectives of the strategic budget process. Failure to identify a pressure over which there is little or no control is likely to result in an overspend in the year, and a need to take corrective action that may have an impact on services elsewhere in the authority.
- 20 The work undertaken by Groups to identify and review these pressures is informed by the standard classification of pressures, which acts as a checklist for the types of issues facing Groups that may result in cost increases. These items have been subject to rigorous scrutiny, challenge and review that reduced the level of these items to the minimum over the course of the budget development process. Table 4 sets out the pressures identified by Groups according to these classifications, which total £8.1 million for 2010/11. These items are set out in more detail at Appendix 3.

Table 4: Service Pressures

| <b>Service Pressures by Category</b>                         | <b>Pressure 2010/11 (£000s)</b> | <b>Pressure 2011/12 (£000s)</b> |
|--|---------------------------------|---------------------------------|
| Demographic & Volume Changes                                 | 470                             | 470                             |
| Full Year Effects of Items agreed during 2009/10             | 2,028                           | 2,028                           |
| Identified Price Increases                                   | 385                             | 385                             |
| Budget Pressures Identified in 2009/10 Monitoring            | 0                               | 0                               |
| Reductions in Specific Grants & Contributions                | 5,150                           | 5,268                           |
| Legislative Changes (including transfer of responsibilities) | 60                              | 60                              |
| <b>Total</b>   | <b>8,093</b>                    | <b>8,211</b>                    |

- 21 The largest category of increase and individual item relates to the loss of specific funding streams, from changes in the funding regime for homelessness. The budget report to Cabinet and Council in February 2009 included a forward pressure for 2010/11 of £2.15 million, based on the expectation of a further 10% reduction in the Housing Benefit ceiling for homelessness rents. The Government has since confirmed in July 2009 that it will instead implement the Local Housing Allowance funding regime that was previously



consulted upon, from 2010/11. This will further reduce the rents that will be supported from the benefits system, extending the reduction in rent level from 10% to an average of 22% in Hillingdon. This increases the pressure on homelessness income by a further £3 million. In addition, a further £0.5 million is retained in contingency for this issue, bringing the total provision in the budget to £5.65 million.

- 22 Other significant items include demographic pressures on adult social care services, the effects of the energy price increases coming into effect in the current year, the impact of the national revaluation of business rates on Council properties and the full year effect of various other items agreed during the current financial year.

## Priority Growth

- 23 Provision has been made in the budget strategy for £1.4 million of priority growth, of which £0.7 million is new funding and £0.7 million reflects the unallocated growth carried forward from the current year. A range of items have already been included against this provision based on Cabinet's known expenditure commitments, which to date account for £0.4 million of the provision for 2010/11. These items are set out in the following table and described further at Appendix 4.

Table 5: Priority Growth

| <b>Proposal Title</b>                              | <b>Growth<br/>2010/11<br/>(£000s)</b> | <b>Growth<br/>2011/12<br/>(£000s)</b> |
|--|---------------------------------------|---------------------------------------|
| <u>Existing Commitments / New Proposals</u>        |                                       |                                       |
| Running Costs of Additional Young People's Centres | 239                                   | 370                                   |
| Investment in Support for Carers                   | 70                                    | 70                                    |
| Hillingdon Improvement Programme Officer           | 53                                    | 53                                    |
| Voluntary Sector Grant Programme                   | 50                                    | 50                                    |
|  |                                       |                                       |
| <b>Sub-total</b>                                   | <b>412</b>                            | <b>543</b>                            |
|  |                                       |                                       |
| <u>Unallocated Growth Funding</u>                  |                                       |                                       |
| Unallocated Priority Growth                        | 1,000                                 | 2,000                                 |
|  |                                       |                                       |
| <b>Sub-total</b>                                   | <b>1,000</b>                          | <b>2,000</b>                          |
|  |                                       |                                       |
| <b>Total</b>                                       | <b>1,412</b>                          | <b>2,543</b>                          |

- 24 There are four new growth items included in the draft budget proposals. The investment for support for carers continues the investment made in the current year budget by removing charges for respite care services, and it is proposed that the growth funding will be used to:
- increase the capacity of respite at home services, as there are consistent and often lengthy waiting lists, thereby allowing more carers to benefit from time away from their caring role; and,
  - Strengthen and develop robust information, advice and support services that will empower carers to seek timely and appropriate support.

- 25 Funding has increased for the voluntary sector grants programme, as described in the separate report elsewhere on this Cabinet agenda. A new post has been created to support initiatives arising from the Hillingdon Improvement Programme.
- 26 The draft budget also contains £0.2 million of revenue funding for the Leader's Initiative. For 2010/11 this will include funding for a further 1,000 burglar alarms for the homes of older residents of the borough, continuing the achievement of the Older People's Plan set out elsewhere on this Cabinet agenda. There is also continuing capital funding for the Leader's Initiative contained within the draft capital programme.

## Savings

- 27 There are six key strategic themes that cut across all service areas and provide a framework against which savings proposals in this report have been grouped, which are:
- Procurement
  - Process Efficiency
  - Effectiveness / Preventative Services
  - Maximising Funding Opportunities
  - Income Generation
  - Service Prioritisation
- 28 The savings proposed in the draft budget for 2010/11 total £9.8 million, rising to £10 million in 2011/12. These are shown in detail at Appendix 5, and are summarised in the table below.

Table 6: Savings Proposals

| <b>Savings Proposals</b>              | <b>Saving<br/>2010/11<br/>(£000s)</b> | <b>Saving<br/>2011/12<br/>(£000s)</b> |
|---------------------------------------|---------------------------------------|---------------------------------------|
| Procurement                           | 1,722                                 | 2,102                                 |
| Process Efficiency                    | 3,545                                 | 3,590                                 |
| Effectiveness / Preventative Services | 2,825                                 | 3,205                                 |
| Maximising Funding Opportunities      | 1,308                                 | 708                                   |
| Income Generation                     | 202                                   | 202                                   |
| Service Prioritisation                | 178                                   | 210                                   |
| <b>Total Savings Proposals</b>        | <b>9,780</b>                          | <b>10,017</b>                         |

- 29 Procurement  
Procurement savings broadly reflect the programmes of work developed through the Group Contract Review Boards that have been established under the auspices of the Head of Procurement. Savings are expected from joining up procurement of adult social care services across west London, and selective further outsourcing such as for recovery work in revenues. These savings exclude the impact of the leisure management outsourcing in the current year which is contributing towards an earmarked reserve for leisure services investment.
- 30 Process Efficiency  
All areas of the Council are continuing to identify efficiencies through improved processes, with most of savings in this area being achieved through reductions in the staffing

establishment from resultant changes to structures within individual service areas. The impact of wider restructuring through the Business Improvement Delivery programme is contained as a single item with an indicative target of £2 million for 2010/11 – this is separate to all the other savings proposals and there is no double counting.

31 Effectiveness / Preventative Services

Savings under this heading broadly reflect the success of existing strategies to reduce demand for high cost statutory services by improving outcomes especially for children's and young people and people facing homelessness.

32 Maximising Funding Opportunities

This theme contains savings from service specific funding opportunities that are in addition to the £2.4 million of savings from maximising funding opportunities contained in the corporate items above (LAA reward grant retained exclusively by the Council £1.6 million; reduction in capital financing costs £0.8 million). This includes the capitalisation of the further costs of Building Schools for the 21st Century programme beyond Outline Business Case (£0.5 million), and reducing budgets for time limited investment in children's services originally funded through the Area Based Grant (£0.5 million).

33 Income Generation

The scope for generating additional income for the 2010/11 budget is extremely limited due to the impact of the recession on the ability of all stakeholders to pay enhanced charges. However, proposals in this area that generate £0.2 million have been included that are achievable and do not impact on residents.

34 Service Prioritisation

Finally, in some areas consideration has been given to items that impact on current service levels where these offer the least value for money and there is scope for alternative provision through more cost effective service delivery.

35 During the current year through the Hillingdon Improvement Programme a new Council-wide programme for improvement and efficiency has been developed. The Business Improvement Delivery (BID) programme contains three work-streams that are aimed at delivering successively more in-depth reviews of how Council services and working methods can be re-engineered. These are:

- work-stream 1 – customer contact
- work-stream 2 – how we work
- work-stream 3 – common operations, processes and administration

36 Work-stream 1 is concerned with moving all appropriate resident-facing services into the contact centre, giving one point of contact for residents.

37 Work-stream 2 is concerned with reviewing and where necessary changing Council processes so that we all work efficiently and in the same way to deliver common standards of service. It will also look at joining operational services together which deliver the same or very similar services.

38 Work-stream 3 will ensure the Council uses common support services which work in the same way, using the same processes. These services will be centralised to provide support to front line services.

- 39 The contribution from the BID programme to the savings in the draft budget is summarised in the following table. The different focus of the three work-streams mean that there will be some 'quick wins' coming out of BID, the majority of the savings that will flow from BID are geared towards addressing the medium term position as described in section 5 of the report below. Once fully developed, the programme will deliver significantly higher levels of savings from 2011/12 onwards.

Table 7: Savings Proposals Linked to BID

| <b>Savings Proposals</b>                                 | <b>Saving<br/>2010/11<br/>(£000s)</b> |
|--|---------------------------------------|
| Procurement  | 163                                   |
| Process Efficiency – BID Workstream 1                    | 47                                    |
| Process Efficiency – BID Workstream 2                    | 43                                    |
| Process Efficiency – BID Workstream 3                    | 2,324                                 |
| Effectiveness / Preventative Services – BID Workstream 2 | 1,253                                 |
| <b>Total Savings Proposals Linked to BID</b>             | <b>3,830</b>                          |

## **Fees and Charges**

- 40 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.
- 41 Cabinet agreed a fees and charges policy for the Council in February 2009 that sets out the overarching approach and objectives for setting fees and charges in Hillingdon. These objectives are summarised as:
- putting residents first, through the Hillingdon First residents' card;
  - delivery of the strategic objectives of each service area and its contribution to the overall strategy of the Council as set out in the Council Plan;
  - delivery of the Council's objectives for older people;
  - delivery of the Council's objectives for children and young people;
  - delivery of the Council's objectives for families;
  - recognising the particular contribution of certain groups and use charges flexibly, for example in respect of older people, ex-military service personnel, local economically active young people, and other groups;
  - taking into account the Council's approach to delivering value for money and continuous improvement in all of its services.
- 42 Flowing from this the fees and charges proposals made in this report recommend that alongside a zero increase in Council Tax, zero increases in fees and charges are also proposed for discretionary charges for services that are used mainly by residents of the borough. These include:
- Library service charges
  - Swimming and leisure centre admissions and charges
  - Adult education course fees

- Careline charges
  - Use of arts service venues
  - Allotments charges
  - Home care charges
  - Early years centres nursery fees
  - Parking charges for Hillingdon First cardholders
- 43 For other service users such as businesses and visitors from other local authority areas, discretionary charges have also be frozen at current levels. Several other charges are set by the Government and the Council does not always have the local discretion to set the level of fee or charge.
- 44 Schedules detailing the proposals relating to fees and charges for 2010/11 are attached at Appendix 7.
- 45 The fees and charges for Adult Education reflect the extension of the differential pricing policy, with different rates for residents and non-residents that was introduced in the current year alongside the Hillingdon First card.

### **Development and Risk Contingency**

- 46 The Development and Risk Contingency provides resources within the revenue budget that are unallocated at the beginning of the year, and can be applied to issues as they arise during the year. The contingency is therefore used to budget for items where the probability or value of items is uncertain at the beginning of the year. This approach is a key aspect of the Council's Reserves and Balances Strategy.
- 47 While work on developing the budget is still underway, which continues until the presentation of the final report to Cabinet in February 2010, the contingency is also 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 also collated within the Development and Risk Contingency.
- 48 There is an overall increase in funding for the Development and Risk Contingency of £2.4 million as noted in paragraph 8 above.
- 49 New items have been added to the contingency to cover significant risks to the Council not reflected in the 2009/10 budget. The contingency contains funding of £0.5 million to cover impact of demographic pressures on social care services, principally in children's services. The most significant issue here is the likely impact of the 'Southwark Judgement' under which the Council is required to assess service needs to homeless children aged 16 and 17 under our statutory responsibilities for children's social care as opposed to our housing responsibilities.
- 50 The pressures on asylum funding in current year budget monitoring are significantly in excess of the forward funding for asylum contained in the budget report to Cabinet and Council in February 2009, which provided £550k for asylum pressures in contingency for 2010/11. Previous assumptions of an improved funding regime based on a move towards specialist authority status have not materialised thus far, although work is continuing to influence the approach to asylum funding being developed by the UK Border Agency.

Accordingly additional funding for asylum risks of over £0.7 million has been added back into the contingency for 2010/11, to bring the funding in this report to £1.2 million. However, this still assumes that there will be a significantly reduced pressure compared to that currently reported in the monthly budget monitoring reports resulting from either an incremental improvement in funding or by reducing the cost or level of service provided to unaccompanied asylum seeking children.

- 51 The Council has £17.6 million of outstanding short-term deposits 'frozen' in the failed Icelandic banks. Work is continuing to ensure the full recovery of these investments however the likelihood is that there will be some residual loss of the principal of these investments of up to £3 million. However, the Government has indicated that it will allow capitalisation requests for losses in Icelandic banks, with an application deadline in December 2009. It is considered that Hillingdon will have a strong case for capitalisation, and therefore the eventual loss can be managed over a much longer time horizon, with a negligible impact on the budget strategy.
- 52 The general contingency line within the Development and Risk Contingency has also been increased from £0.5 million to £1 million.
- 53 The current draft Development and Risk Contingency is set out in Appendix 6. Items with a total potential risk of £16.4 million are included in the contingency for 2010/11 at this stage. When the probability of occurrence is applied to these amounts, the total for which funding needs to be provided stands at £9.7 million.

### **Central Government Grant**

- 54 The provisional Local Government Finance Settlement for 2010/11 was re-iterated on 26 November 2009, and confirmed the indicative formula grants already announced in January 2008 as the final year of the three year settlement for local government. Hillingdon will receive a grant increase of 2.0% for 2010/11 or £1.6 million in cash terms.
- 55 The average grant increase nationally for 2010/11 is 2.8% for local authorities with education and social care responsibilities, with a minimum 'floor' increase of 1.5%. Hillingdon loses £1.1 million in 2010/11 in grant due under the Relative Needs Formula to pay for the cost of the minimum increases elsewhere.
- 56 Despite announcing in the national Budget in April 2009 that the efficiency savings target for local government in England will increase by £0.6 billion for 2010/11, the Government has since confirmed that it will honour the headline three-year grant settlement as indicated above, and hence the financial projections in this report make no assumptions about the Government re-opening the settlement to take funding out of local government in 2010/11.
- 57 Following the provisional settlement the Government have also announced provisional Area Based Grant allocations for 2010/11. The total amount of Area Based Grant in 2010/11 is £17.4 million, an increase of £5.9 million over the 2009/10 grant. This increase is explained by the addition of new elements to the grant that reflect either transfers of existing specific grants into the Area Based Grant, or new burdens being placed on the Council by central Government. These changes to the basic level of Area Based Grant are shown in the following table:

Table 8: Area Based Grant Funding Transfers

| <b>Funding Transfer</b>                   | <b>Transfer<br/>2010/11<br/>(£000s)</b> |
|---|---|
| Supporting People (former specific grant) | 5,954                                   |
| Economic Assessment Duty (new burden)     | 65                                      |
| Community Call for Action (new burden)    | 2                                       |
| <b>Total Funding Transfers</b>            | <b>6,021</b>                            |

- 58 For the 2010/11 budget the Government has provisionally moved the specific grant for Supporting People into the Area Based Grant, and funding for two new burdens on the Council. In line with the approach used in the last two budgets these are recommended to be passported through to the relevant service areas.
- 59 The Community Call for Action funding is paid in recognition of the new burden arising from commencement of Sections 19 & 20 of the Police & Justice Act 2006 which requires local authorities to undertake a Councillor Call for Action and establish Overview and Scrutiny Committees for crime and disorder matters as part of strengthening the local accountability framework.
- 60 Within the allocations already included in the Area Based Grant in 2008/09 and 2009/10 there are changes in the value of the 2010/11 allocation. This comprises a mixture of increases and decreases that are managed within departmental budget and result in an overall net reduction in grant for these allocations of £138k.

### **Balances and Reserves**

- 61 The Council reached the target set by the Administration by the end of 2010/11 to have unallocated balances and reserves reach £12 million three years early, as reported to Cabinet in April 2008 in Month 11 budget monitoring report for 2007/08.
- 62 After taking into account the transfer of balances to earmarked reserves in the current financial year, projected unallocated balances and reserves are forecast in the Month 7 budget monitoring report to be £13.8 million as at 31 March 2010.
- 63 The strategy now proposed is to maintain balances so that they remain at or above the £12 million target, which is also within the recommended range advised by the Corporate Director of Finance and Resources. This current year monitoring position is such that unallocated balances can be released to the revenue account to contribute £1.5 million to the budget strategy and hold the Council Tax increase to zero in 2010/11.

### **Council Tax Levels**

- 64 The budget proposals have been developed to deliver a zero increase in the Council Tax for 2010/11 for the second successive year. In 2009/10, Hillingdon was one of 13 London Boroughs that set zero increases or reduced the Council Tax, and it is expected that Council Tax setting for 2010/11 in London will remain extremely competitive, with many authorities already announcing plans for zero increases.

## **Medium Term Impact of Proposals**

- 65 The immediate focus on the 2010/11 budget needs to be balanced with key developments over the medium term.
- 66 During 2010/11 the Council will enter into a new four year cycle with the opportunity both to set new goals and to adopt new approaches to the Council's ways of working.
- 67 The 2011/12 budget will be in the first year of a new 3-year settlement. As a result of the current financial turmoil and the effect this has had on public finances this settlement is expected to be the tightest settlement ever for the public sector. The medium term forecast contained at Appendix 1 assumes that there will be a cash reduction in headline formula grant of 5% per year for the 3 year period.
- 68 Projections of future inflation beyond the short term rely on sound economic forecasting which in the current context depends crucially on the pace of economic recovery from the current recession. Most external economic forecasts are based on projections for Consumer Price Increases (CPI) inflation which is not a strong proxy for the price bases of most costs in local government. Stronger indicators of costs in local government are average earnings (for pay) and Retail Price Index (RPI) inflation for contracts, both of which have historically run ahead of CPI inflation periods of economic growth, largely because they take into account the associated costs of increasing housing and property market prices.
- 69 The Bank of England's Monetary Policy Committee has an ongoing target to maintain the annual rate of increase in the CPI at 2%. This indicator stood at 1.5% as at October 2009 (compared to a low point of 1.1% in September 2009), and the Bank of England's projections see this indicator rising above 2% in the first half of 2010, then falling back to around 1% again by early 2011, before stabilising at around 2% from the latter part of 2011.
- 70 However in the public sector the impact of a return to normal inflationary conditions may be delayed due to the pressure on the public finances. This should reduce pay expectations in local government, and accordingly the medium term forecast assumes that inflation will remain relatively muted throughout the next 3-year settlement period.
- 71 Taken with the ongoing pressures on key Council services such as demographic pressures on adult social care, and escalating waste disposal costs that are also included in the medium term forecast, the overall effect of these assumptions is that additional savings of around £43 million will need to be addressed over that 3 year period.
- 72 This medium term position has been a key driver in the establishment through HIP of the BID programme. Whilst savings of £3.8 million from BID are included in the delivery of the budget strategy for 2010/11, the cross-cutting focus of BID is primarily geared towards addressing this medium term agenda, by developing radical cost reduction measures. Within BID work-stream 3 in particular, the aim is to devise a common operating model for the Council that is fit-for-purpose and continues to deliver ongoing efficiency savings.

## **Greater London Authority Precept**

- 73 The Mayor of London is expected to issue his draft budget proposals for 2010/11 on 10 December 2009. The Mayor of London has already announced that he expects to set a



zero increase to the GLA precept that will be added to the Council's own requirements in calculating the overall Council Tax payable by residents, meaning that the overall impact of the draft budget will be a zero increase in the Council Tax in total for Hillingdon's residents. It is recommended that the Corporate Director of Finance and Resources in consultation with the Leader of the Council be authorised to endorse a response to the Mayor's budget consultation on behalf of Hillingdon.

## CAPITAL PROGRAMME

### Background to the Capital Programme

- 74 The capital programme for 2009/10 was approved by Cabinet and Council as a one-year capital budget that completes the ambitious capital strategy dating back to the start of the current Administration, the centrepiece of which has been the major investment in leisure and cultural facilities funded by a targeted disposal of high value surplus sites.
- 75 The ability also to continue such a strategy in the future has been severely affected by the impact of the recession on property prices and consequent reduction in capital receipts over the last 18 months.
- 76 The process of developing the capital programme has therefore focused on maximising the use of identified funding, and sustaining key ongoing programmes through a closer alignment of resources including revenue funding streams to capital expenditure, in order to minimise the level of new borrowing that ultimately impact on the budget requirement funded through Council Tax.
- 77 A summary of the draft capital programme is shown in Appendix 8.

### Funding of the Capital Programme 2010/11 – 2013/14

- 78 The Council has a range of key funding sources for the capital programme that are summarised in Table 9 below:

Table 9: Capital Programme Funding

| <b>Funding Source</b>                                  | <b>Funding<br/>2010/11<br/>(£m)</b> | <b>Funding<br/>2011/12<br/>(£m)</b> | <b>Funding<br/>2012/13<br/>(£m)</b> | <b>Funding<br/>2013/14<br/>(£m)</b> |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Government Specific Capital Grants                     | 37.5                                | 19.3                                | 13.3                                | 13.3                                |
| Capital Receipts                                       | 9.3                                 | 13.1                                | 8.7                                 | 0.5                                 |
| Supported Borrowing                                    | 2.1                                 | 11.6                                | 6.5                                 | 5.6                                 |
| LAA Reward Grant                                       | 2.2                                 | 1.0                                 | 0.1                                 | -                                   |
| Other External Funding                                 | 6.9                                 | 2.8                                 | 2.7                                 | 2.7                                 |
| Asset Income   | 1.0                                 | 2.0                                 | 3.0                                 | 3.5                                 |
| Unsupported Borrowing<br>(Invest-to Save)              | 11.1                                | 4.1                                 | -                                   | -                                   |
| Unsupported Borrowing<br>(Growth / Council Tax Funded) | 12.9                                | 16.8                                | 8.6                                 | 14.1                                |
| <b>Total</b>   | <b>83.0</b>                         | <b>70.7</b>                         | <b>42.9</b>                         | <b>39.7</b>                         |

- 79 Government specific capital grants are the largest source of funding for the capital programme. In line with the funding position for the revenue budget most capital grants up to and including 2010/11 have already been announced as part of the three-year settlement covering 2008/09 to 2010/11. Hence only the funding for 2010/11 has a high degree of certainty, although assumptions have been made about core ongoing capital grant funding for 2011/12 and beyond. Capital grants tend to be provided for key statutory services, in particular schools and housing – the largest elements of capital grant for 2010/11 are schools programmes (£10.1 million), the Major Repairs Allowance for the Housing Revenue Account (£7.7 million), and grant from the Homes and Communities Agency towards new build projects (£5.6 million).
- 80 Capital receipts reflect the disposal programme of surplus Council assets identified through the Strategic Property Group review process.
- 81 Supported borrowing is notionally funded by central Government through the Revenue Support Grant formulae, although the precise level of grant support actually received in any particular year is masked by other aspects of the grant distribution process. However, the typical level of supported borrowing identified by the Government of between £5 million and £6 million per year is broadly equivalent to the level of sustainable ongoing borrowing that the Council can undertake without leading to an increase in the Minimum Revenue Provision (MRP). This supported borrowing is assumed to be primarily geared towards funding schools capital programmes. The Council has been storing supported borrowing capacity over the last two years in order to minimise the short term financing costs of the capital programme. However, due to expanding demand for primary school places over the medium term, full take up of supported borrowing will be necessary from 2011/12 onwards.
- 82 In addition to the specific capital grants referred to above, the Council and its partners will also have access to over £3 million of LAA Reward Grant from 2010/11. The reward grant from the 2007 Local Area Agreement is split equally between capital and revenue, and consequently of this grant almost £1.5 million will be shared with partners or partnership groups, and almost £1.6 million will be retained exclusively within the Council as described in paragraph 13 above. The Council's share of capital reward grant will provide an immediate source of funding for key capital commitments including Chrysalis, the Town Centres Initiative and the Leader's Initiative in 2010/11.
- 83 Other external funding available to support the capital programme reflects the Council's success in securing funding through competitive bidding. This includes in particular funding of £3.3 million in 2010/11 for local transport improvements funded by Transport for London, as reported to Cabinet in September 2009, as well as identified funding from Section 106 agreements and the Housing Revenue Account.
- 84 As set out in paragraph 12 above, it is proposed to set aside £1 million per year for the next three years of revenue income from asset rents and use this to create a more sustainable funding source for ongoing programmes within the capital programme, linked to the development of the corporate landlord model of asset management.
- 85 Unsupported borrowing under the Prudential Code falls into two categories. The first type is for projects that are funded on an 'invest-to-save' basis, where the capital investment will lead to either a revenue saving or an additional source of income that is sufficient to cover the financing costs of the initial borrowing. Funding for this type of project is an important lever for improvement and maximising efficiency, which include in the draft

capital programme the Council's strategy for replacing leased vehicles with outright purchase, and the upgrade of Highgrove Pool funded from savings made through the outsourcing of leisure management. This heading also includes funding of £5.5 million in 2010/11 towards the new build housing programme part-funded from future housing rent income.

- 86 The second type of unsupported borrowing is for key capital developments that involve service enhancement, where the resulting revenue financing costs are effectively equivalent to a growth item impacting on the Council's budget requirement funded through the Council Tax. An example of this is the Council's investment in new young people's centres that will be completed in 2010/11. This type of funding also includes items where upfront capital investment is needed in order to release future capital receipts that make the capital expenditure effectively self-financing over the life of the project – examples of this are the Hayes End Library and South Ruislip developments.
- 87 In developing the capital programme the aim has been to minimise the level of unsupported borrowing in order to avoid significant increases in the financing costs of the capital programmes that impact on the revenue budget over the medium term. This would be broadly achievable except for one significant issue which is the growth in demand for new primary schools places in the borough, due to the increased birth rate and reduced mobility of families with young children experienced over the last few years. The cost of providing for this additional demand is such that investment of over £70 million is included in the draft capital programme over the next four years, which greatly exceeds the current annual funding for school places provided by the Department for Children Schools and Families through capital grant and supported borrowing. This is a key funding issue across the whole of London, and London Councils has been lobbying the Government to raise awareness and secure additional funding over the medium term for school places. In the absence of additional funding, the legal requirement to provide school places will create a significant strain on the financing of the capital programme.

## New Capital Schemes

- 88 The draft capital programme includes funding of £16.7 million for several new General Fund capital projects that will significantly enhance the Council's future service delivery. These are summarised in the following table:

Table 10: New Capital Projects 2010/11

| Project                                  | Capital Expenditure 2010/11 (£000s) |
|--|-------------------------------------|
| South Ruislip Development                | 4,661                               |
| Highgrove Pool Phase II                  | 4,100                               |
| New Year's Green Lane Civic Amenity Site | 2,600                               |
| Hayes End Library Development            | 1,700                               |
| Environmental Assets                     | 1,500                               |
| Library Refurbishment Programme          | 622                                 |
| Winston Churchill Hall Refurbishment     | 430                                 |
| Manor Farm Stables Development           | 371                                 |
| Willow Tree Centre                       | 300                                 |
| William Byrd Pool                        | 250                                 |

|  |               |
|--|---------------|
| North Hillingdon Adult Education Centre Roof Replacement | 155           |
| <b>Total New Schemes</b>                                 | <b>16,689</b> |

- 89 The South Ruislip development consists of a new development on the former Swallows site including a new library and adult education centre, residential dwellings, nursery and a youth centre. The whole project is essentially self-financing from capital receipts from the sale of adjacent sites and residential units at the end of the project.
- 90 The Phase II refurbishment programme of Highgrove Pool forms part of the Council's overall review of leisure assets with the aim to reduce revenue expenditure through the introduction of energy efficiency measures as well as upgrading the pool plant equipment that has not been replaced for at least 40 years. The project also involves refurbishing the changing facilities, improving access for people with disabilities and upgrading the reception area.
- 91 Funding through to completion for the redevelopment of the New Years Green Lane Civic Amenity Site has been included in the draft capital programme, that will lead to a significant improvement in facilities available for recycling for residents of the borough.
- 92 There will also be a new library at Hayes End which will be funded partly from capital receipts obtained from the site. The development will comprise a library and residential flats for sale to fund the capital cost of the project. Funding is also included for the continuation of the ongoing library refurbishment programme with a further five libraries plus the Central Library being upgraded over the next three years.
- 93 The Environmental Assets project heading will fund improvements at key sites that are used by residents of the borough such as Ruislip Lido and Little Britain Lake.
- 94 Funding has also been included in the draft programme to refurbish the stables at Manor Farm to develop catering and bar facilities, to improve the Winston Churchill Hall adjacent to the Manor Farm site, to improve William Byrd Pool by refurbishing the changing rooms and constructing a martial arts studio, and replacing the roof at the North Hillingdon Adult Education Centre.

### **Ongoing Capital Programmes**

- 95 In addition to the new schemes set out above, the capital programme for 2010/11 provides almost £10 million of funding for the following key ongoing programmes:
- Chrysalis (£1 million)
  - Leader's Initiative (£0.3 million)
  - Town Centres Initiative (£0.3 million)
  - Disabled Facilities Grants (£3 million)
  - Vehicles Replacement (£1.5 million)
  - Highways Structural Works (£1.1 million)
  - ICT Single Development Plan (£0.9 million)
  - Street Lighting Programme (£0.3 million)
  - Highways Localities Programme (£0.25 million)
  - Road Safety Programme (£0.25 million)
  - Property Enhancements Programme (£0.5 million)

– Private Sector Renewal Grants (£0.45 million)

- 96 The Housing Revenue Account capital programme includes £10 million ongoing works to the Council's housing stock managed through Hillingdon Homes, plus the first phase of new build schemes for general needs of £7.8 million and extra care schemes for vulnerable residents of £7.7 million, both of which are partly funded through grant successfully obtained from the Homes and Communities Agency.
- 97 The schools capital programme includes funding from the Government and schools of £4.9 million in 2010/11 for the upgrade of school kitchens, the completion of the children's centres programme, and first stage of investment in expanding primary school places which in 2010/11 at least is entirely funded through existing capital grants and unused supported borrowing.

### Revenue Impact of the Capital Programme

- 98 Revenue financing costs for 2010/11 are set to reduce by £0.8 million due to the impact of actions taken in the current year to refinance existing borrowing for the capital programme up to the current year. However, financing costs will increase again by £0.9 million in 2011/12 as new borrowing will be required to fund the capital programme for 2010/11 and beyond. This increase will be kept under review and on an ongoing basis opportunities for improving the funding of the capital programme such as through external funding bids will be sought in order to minimise any further increases in revenue financing costs.

### Summary of the Capital Programme

- 99 A summary of the Council's proposed capital programme by project themes is set out in Table 11 below:

Table 11: Summary of Proposed Capital Programme

| Programme Type                   | Draft Programme 2010/11 (£000s) | Draft Programme 2011/12 (£000s) | Draft Programme 2012/13 (£000s) | Draft Programme 2013/14 (£000s) |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Major Construction Projects      | 6,556                           | 785                             | 630                             | 630                             |
| Schools Projects                 | 21,519                          | 38,665                          | 21,166                          | 19,757                          |
| Housing Revenue Account Projects | 22,997                          | 14,367                          | 10,850                          | 10,850                          |
| Programmes of Works              | 9,911                           | 9,569                           | 7,323                           | 7,323                           |
| Partnership Projects             | 770                             | 670                             | 140                             | 0                               |
| Other Projects                   | 21,257                          | 6,622                           | 2,754                           | 1,115                           |
| <b>Programme Total</b>           | <b>83,010</b>                   | <b>70,678</b>                   | <b>42,863</b>                   | <b>39,675</b>                   |

### SCHOOLS BUDGETS

- 100 Schools will be consulted on a range of funding issues which will be set out in a consultation paper to be issued mid-December 2009, following approval by the Cabinet Member for Education and Children's Services, and initial discussion with the Schools Forum. The consultation will run until 18 January 2010. The Schools Forum will consider the results of the consultation at its meeting on 26 January 2010, when decisions will be

made on funding proposals for 2010/11. These decisions will be incorporated into a report to Cabinet on 18 February 2010. Schools will be issued with indicative budgets in early March 2010 for the period from 1 April 2010 to 31 March 2011. Final budgets will be issued to schools by 31 March 2010.

## **HOUSING REVENUE ACCOUNT (HRA)**

- 101 The 2010/11 HRA budget setting process is largely dependent upon the HRA Subsidy Determination which is the responsibility of the Department for Communities and Local Government (DCLG). The Determination includes the parameters for the calculation of subsidy. Since 2002, when rent restructuring was introduced, the Determination effectively also provides Government direction for individual Council rents.
- 102 In anticipation of the wider review of the HRA, DCLG had originally intended for this year's 2009/10 Determination to apply for two years including the 2010/11. A two year Determination instead of the normal one year was intended to reduce volatility and stabilise subsidy, and in turn rents for two years. However, the original 'final' Determination issued last year would have meant average national rent increases of 6.2%, which were way above the prevailing inflation level. After representations from local authorities including Hillingdon, an 'Amending Determination' was offered by the Government and this allowed average rent increases to be brought down to 3.1%. This along with further falls in inflation rates over the last year has necessitated a review.
- 103 The draft Determination for 2010/11, which was expected to be released in late October, was only published on 10 December 2009 for consultation. During this current financial year (2009/10) Hillingdon is expected to pay £10.76 million as (negative) subsidy to the Government. The impact of the draft Determination on the HRA subsidy for 2010/11 will need to be assessed and any issues will be fed back as a response to DCLG by the 25 January 2010 deadline. The final Determination for 2010/11, which will be issued a week or so after this closing date for responses, will set out the subsidy position, which is based on Government assumptions about the level of management and maintenance and major repairs allowances for individual housing authorities. The draft Determination proposes national average rent increases of 3.1% instead of the 6.1% originally proposed for 2010/11. The average rent increases for an individual local housing authority are calculated on the basis of a formula and this normally obliges local Councils to set their average rent levels on the basis of the formula to avoid an in-year deficit or depletion of balances.

## **Financial Implications**

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

## **EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES**

### **What will be the effect of the recommendation?**

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

The draft budget includes growth in some new service areas as well as reductions in some other services contained under the service prioritisation savings theme. These proposals will respectively result in increased service provision for some users and reduced or alternative provision for others. Overall the package of proposals is designed to secure the most effective combination of service outcomes across the whole of the Council's business, by improving the value for money offered by services and by maximising funding, procurement, efficiency and service effectiveness gains.

### **Consultation Carried Out or Required**

Each of the Policy Overview Committees have received reports setting out the budget process and financial strategy of the service Groups within their remit at the July 2009 round of meetings. Following consideration at Cabinet, this report will form the basis of consultation with Policy Overview Committees during January 2010. Comments from the Policy Overview Committees will be reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee when Cabinet meets on 18 February 2010. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 25 February 2010.

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

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

### **CORPORATE IMPLICATIONS**

#### **Corporate Finance**

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

#### **Legal**

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

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

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

The Cabinet will ultimately consider any responses from the Policy Overview Committees and other consultees and take them into account in drawing up firm proposals for submission to full Council at its meeting on 25 February 2010. Its report will reflect the comments made by consultees and its response to them.

## **Corporate Procurement**

The budget proposals and financial implications noted in this report shall be the driver for the Corporate Procurement workplan for 2010/11 and beyond. The specific areas of activity shall be included in the relevant Procurement Delivery Plan and Contract Register for each Directorate of the Council.

As individual activities and workstreams complete, to deliver the benefits identified in this report, the approval of recommendations and outcomes shall be sought in accordance with the relevant Council Standing Orders.

## **Relevant Service Groups**

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

## **BACKGROUND PAPERS**

Report to Council 26 February 2009 – General Fund Revenue Budget and Capital Programme 2009/10

Provisional Local Government Finance Settlement 2010/11 located at [www.local.communities.gov.uk/finance/1011/grant](http://www.local.communities.gov.uk/finance/1011/grant)