

**BUDGET PROPOSALS REPORT FOR THE DEPUTY CHIEF EXECUTIVE'S OFFICE
AND THE FINANCE & RESOURCES DIRECTORATE (CENTRAL SERVICES)
2010/11**

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REASON FOR ITEM

To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund revenue budget and capital programme for 2010/11, this report sets out the draft revenue budget and capital programme of the Central Services for 2010/11, along with indicative projections for the following three years. Following consideration by Cabinet on 17 December 2009, these proposals are now under consultation, and the proposals for each Group are being discussed at the January cycle of Policy Overview Committees.

Cabinet will next consider the budget proposals on 18 February 2010, and the report will include comments received from Policy Overview Committees. At the meeting on 18 February 2010 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2010/11. Full Council will meet to agree the budgets and Council Tax for 2010/11 on 25 February 2010.

The Committee needs to consider the budget proposals as they relate to Central Services, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the budget projections contained in the report, and comments as appropriate on the combined budget proposals put forward by the Central Services, within the context of the corporate budgetary position.

INFORMATION

Background

- 1 This is the second opportunity within the planning cycle for the Policy Overview Committee to consider issues relating to budget planning for 2010/11. 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

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process, and it is the output of this process that forms the basis of the budget proposals set out in this report.

- 2 At its meeting in July 2009, the Committee considered the overall budget planning context, pressures and constraints faced by the Group. For this meeting these themes have been translated into detailed budget proposals for the coming financial year. The report outlines the Group's draft revenue budget and capital programme for 2010/11, with indicative projections for the following three years.
- 3 The structure of the report reflects the budget proposals reported to Cabinet on 17 December 2009, and sets out the aggregate corporate position, followed by the Central Services proposals extracted from the corporate budget.

The Budget and Policy Framework Procedure Rules

- 4 The consultation on the budget proposals commenced on 30 December 2009, and reflects the recommendations and decisions taken by Cabinet on 17 December 2009.
- 5 There will be a further consideration by Cabinet of the budget proposals on 18 February 2010, including comments from Policy Overview Committees. These will be collated and reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee. Council will be requested to approve the Cabinet's proposals on 25 February 2010, and if approved without further amendment they will be effective immediately.

Corporate Summary

- 6 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.
- 7 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
- 8 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.

- 9 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.
- 10 Outstanding issues remain over the level of funding for services to unaccompanied asylum seeking children. 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 the draft budget to £1.2 million. 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 and Risk Contingency will be conducted prior to the recommendation of the final budget proposals for 2010/11 to Cabinet and Council in February 2010.
- 11 Provision has been made in the budget strategy for £1.4 million of priority growth. 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. Out of the total £1.4 million priority growth a sum of £1 million remains unallocated for further initiatives during the financial year.

Table 1: Priority Growth

Proposal Title	Growth 2010/11 (£000s)	Growth 2011/12 (£000s)
<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
Sub-total	412	543
Unallocated Priority Growth	1,000	2,000
Total	1,412	2,543

- 12 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.
- 13 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.

Deputy Chief Executive's Office (DCEO) Budget Proposals

Summary of Key Financial Issues

- 14 The main financial focus for the DCEO has been to ensure that the outcomes of the Service Review have been fully implemented and that savings identified have been delivered effectively.
- 15 The main challenge for the DCEO has been the development of Legal Services and the HR Service within the structure, as these two services have been through a major restructuring exercise, with demanding targets for improvement.
- 16 As part of the 2010/11 budget, the DCEO have identified savings of £400k. It has been a significant challenge for the department to identify opportunities to deliver this, given additional demands for the related services, however, proposals are now in place which will achieve the savings required.

Revenue Budget 2010/11

- 17 The movement between the current year's budget and the draft budget requirement for 2010/11 is summarised in Table 2 below. This identifies that the budget for 2010/11 will increase by £420k to a budget of £13,614k, from a base budget of £13,194. It should be noted that this excludes Support Service recharges (both in and out), which effectively reflects the true cost of the service before they are recharged to other departments. Each of the lines in Table 2 is set out in the following sections and in Appendix A.

Table 2: DCEO Revenue Budget 2010/11

	Budget (£000s)	Budget (£000s)
Budget 2009/10		13,194
Inflation		0
Corporate Items		
Increased Pension Contribution	48	
LAA Reward Grant	530	
New Burdens – Area Based Grant	67	
		645
Service Pressures		0
Priority Growth		50
Savings (Appendix A)		-400
Other Adjustments – Base Adjustments		125
Net Change to Base Budget 2010/11		420
Draft DCEO Revenue Budget 2010/11		13,614

Corporate Items (£645k)

18 The adjustments included within Corporate Items, totalling £645k, include the following items:-

- The requirement to fund the increased pension contribution (£48k).
- Reflects the payments of LAA Reward Grant monies, totalling £530k, that the Council has agreed to pay over to its partners (£335k to the Primary Care Trust, £130k to BAA and Uxbridge College and £65k to Groundworks Trust).
- Technical adjustments for increases in the Area Based Grant of £67k, which includes an adjustment of £2k for a Community Call for Action/Overview Committee and £65k for a new Economic Assessment Duty.

Priority Growth (£50k)

19 Limited Growth of £50k, for the provision of a Voluntary Sector Support Package has been included in the draft budget for consultation. This is based on Cabinets' known expenditure commitments, and is drawn from the items included in Table 1 above. A sum of £1 million remains unallocated for further priority growth initiatives during the financial year.

Service Pressures (nil)

- 20 The identification, in advance, 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 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.
- 21 For the DCEO there are no identified service pressures.

Savings (-£400k)

- 22 The six key strategic themes that cut across all service areas and used to provide the framework against which savings proposals in this report have been grouped, are as follows:
- Procurement
 - Process Efficiency
 - Effectiveness / Preventative Services
 - Maximising Funding Opportunities
 - Income Generation
 - Service Prioritisation
- 23 The savings included in the draft budget for the Deputy Chief Executive's Office total £400k are summarised in Table 3 below and explained in more detail in Appendix A:-

Table 3 – DCEO Savings Proposals

Proposal	2010/11 £000
Review of Learning and Development	-50
Review of DCE Group Structures & Services	-245
Review of Legal Structure	-50
Partnerships Business & Community Engagement	-40
Member Development	-15
Total DCEO Savings Proposals	-400

Other Adjustments (£125k)

- 24 The Other Adjustments budget adjustment of £125k, reflects technical adjustments that need to be made to take out of the roll forward budget and one off in year adjustments that have been made in the 2009/10 budgets. This includes items such as the increase in the Christmas Lighting Fund for Town Centres and the requirement to deliver in year efficiency savings in 2009/10.

Development and Risk Contingency (£40k)

- 25 The Development and Risk Contingency provides for resources within the revenue budget that are unallocated at the beginning of the year, but that 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. The current draft Development and Risk Contingency includes a provision of £40k for the Joint Appointment of a Director of Public Health.

Finance & Resources (F&R) Directorate Budget Proposals

Summary of Key Financial Issues

- 26 The main financial focus for the F&R Directorate has been to ensure that the outcomes of the Service Review have been fully implemented and that savings identified have been delivered effectively.
- 27 The main challenge for the F&R Directorate has been the unification of the ICT Services within the department, which has involved in a major restructuring exercise.
- 28 As part of the 2010/11 budget, the F&R Directorate has identified savings of £509k, which are set out in Appendix C.

Revenue Budget 2010/11

- 29 The movement between the current year's budget and the draft budget requirement for 2010/11 is summarised in Table 4 below. This identifies that the budget for 2010/11 will increase by £134k to a budget of £25,206k, from a base budget of £25,072. It should be noted that this excludes Support Service recharges (both in and out), which effectively reflects the true cost of the service before they are recharged to other departments. Each of the lines in Table 4 is set out in the following sections and in Appendices B and C.

Table 4: F&R Revenue Budget 2010/11

	Budget (£000s)	Budget (£000s)
Budget 2009/10		25,072
Inflation		0
Corporate Items		
Increased Pension Contribution	64	
London Pensions Fund Authority Levy	95	159
Service Pressures (Appendix B)		244
Priority Growth		0
Savings (Appendix C)		-509
Other Adjustments – Base Adjustments		240
Net Change to Base Budget 2010/11		134
Draft F&R Revenue Budget 2010/11		25,206

Corporate Items (£159k)

- 30 The adjustments included within Corporate Items, totalling £159k, include the requirement to fund the increased pension contribution (£64k), and the increase of £95k in the London Pensions Fund Authority Levy.

Service Pressures (£244k)

- 31 The identification, in advance, 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 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.
- 32 Table 4 above includes service pressures of £244k, which are set out in more detail in Appendix B.

Priority Growth (nil)

- 33 No Growth has been identified within the F&R Directorate. There is however, a sum of £1 million, which remains unallocated for further priority growth initiatives during the financial year.

Savings (-£509k)

- 34 The six key strategic themes that cut across all service areas and used to provide a framework against which savings proposals in this report have been grouped, are as follows:
- Procurement
 - Process Efficiency
 - Effectiveness / Preventative Services
 - Maximising Funding Opportunities
 - Income Generation
 - Service Prioritisation
- 35 The savings included in the draft budget for the F&R Directorate total £509k and are summarised in Table 5 below and explained in more detail in Appendix C:-

Table 5 – F&R Savings Proposals

Proposal	2010/11 £000
NNDR/Council Tax Recovery Outsourcing	-185
Microsoft Licences Payment Holiday	-130
Review of Delivery of Specialist Internal Audit Services	-38
Adult Social Care System Support	-78
NNDR Credit Balances Write-on	-50
ICT Potential Service Changes	-28
Total F&R Savings Proposals	-509

Other Adjustments (£240k)

- 36 The Other Adjustments budget adjustment of £240k reflects technical adjustments that need to be taken out of the roll forward budget relating to one off in year adjustments that have been made in the 2009/10 budgets. This includes the requirement to deliver in year efficiency savings in 2009/10.

Development and Risk Contingency (£420k)

- 37 The Development and Risk Contingency provides for resources within the revenue budget that are unallocated at the beginning of the year, but that 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. The current draft Development and Risk Contingency includes a provision of £420k to cover the cost of Uninsured Insurance Claims.

Fees and Charges

- 38 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.
- 39 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.
- 40 Schedules detailing the proposals relating to fees and charges for 2010/11 for the Central Services are attached at Appendix D.

Capital Programme

- 41 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.
- 42 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.
- 43 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.
- 44 A summary of the draft capital programme for the DCEO is shown in Appendix E, and for F&R is shown in Appendix F.

DCEO Capital Programme Budget 2010/11 – 2013/14

- 45 The DCEO Capital Programme Budget includes schemes totalling £8,851k for 2010/11, £2,980k in 2011/12, £2,295k in 2012/13 and £2,155k in 2013/14. The main reason for the significant decrease from 2010/11 is due to a number of high priority schemes being completed within the financial year.
- 46 Key items within the DCEO draft capital programme for 2010/11 are as follows:
- a) The completion and final payments for the Botwell Green and Hillingdon Sports and Leisure Centres (£300k).
 - b) The development and completion of 3 New Young People's Centres (£1,170k).
 - c) The development and completion of the Phase 3 Children's Centres (£747k).
 - d) The construction of new classes at Longmead School (£874k)
 - e) The construction of the New Years Green Lane Civic Amenity Site (£2,600).
 - f) The continuation of the Chrysalis Programme (£1,000).

F&R Capital Programme Budget 2010/11 – 2013/14

- 47 The F&R Capital Programme Budget includes schemes totalling £3,018k for 2010/11, £1,700k in 2011/12, £1,685k in 2012/13 and £1,615k in 2013/14. The main reason for the significant decrease from 2010/11 is due to the ICT Single Development Plan programme, which needs to be reviewed each financial year. It is highly likely that further capital resources will be required beyond 2010/11 for this programme of works
42. Key items within the F&R draft capital programme for 2010/11 are as follows:
- a) A provision of £928k for the ICT Single Development Plan.
 - b) A provision of £500k for the Property Enhancements Programme.
 - c) A provision of £1,590k for further enhancements to the Civic Centre.

BACKGROUND PAPERS

Medium Term Financial Forecast 2010/11 – 2013/14 – report to Cabinet 17 December 2009