

# THE COUNCIL'S BUDGET: GENERAL FUND

## REVENUE BUDGET AND CAPITAL PROGRAMME 2010/11

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<b>Cabinet Portfolio</b>	Finance and Business Services
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<b>Papers with report</b>	Appendices 1 to 10

### HEADLINE INFORMATION

<b>Purpose of report</b>	<p>The report sets out the Cabinet's proposals for the Council's General Fund revenue budget and capital programme for 2010/11. It includes indicative projections for the following three years.</p> <p>The revenue budget proposals have been developed to deliver a zero increase in Council Tax for the second successive year. They also provide for priority growth of £1.4 million, whilst maintaining balances and reserves at £12 million.</p> <p>The revenue budget proposals result in a complete freeze on Council Tax at 2008/09 levels. This is because the Greater London Authority (GLA) precept is also frozen with a zero increase.</p> <p>The capital programme for 2010/11 proposed in this report includes total expenditure of £99.7 million.</p> <p>Cabinet are requested to recommend their budget proposals to full Council on 25 February 2010. This is in order to formally set the General Fund revenue budget, capital programme and Council Tax for the 2010/11 financial year.</p>
<b>Contribution to our plans and strategies</b>	<p>The revenue budget and capital programme together form the financial plan for the Council for the 2010/11 financial year. They contain the funding strategy for delivering the Council's objectives as set out in the Council Plan 'Fast Forward to 2010'. They provide the funding strategy for the Council's goals for Hillingdon as a whole in the Sustainable Community Strategy.</p>
<b>Financial Cost</b>	Zero increase in Council Tax for the second successive year.

<b>Relevant Policy Overview Committee</b>	Corporate Services and Partnerships Policy Overview Committee Education and Children's Services Policy Overview Committee Residents' and Environment Services Policy Overview Committee Social Services, Health and Housing Policy Overview Committee
<b>Ward(s) affected</b>	All

## RECOMMENDATIONS

**That Cabinet approves for recommendation to Council:**

- 1. The General Fund revenue budget proposals for 2010/11 summarised at Appendix 1, including the detailed budget changes contained at Appendices 2 to 6;**
- 2. The proposed fees and charges included at Appendix 7;**
- 3. The capital programme set out at Appendix 8;**
- 4. The Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement for 2010/11 to 2012/13 as detailed in Appendix 9;**
- 5. The adoption of the CIPFA Revised Code of Practice for Treasury Management in Public Services as detailed in Appendix 10.**
- 6. That Cabinet note the Corporate Director of Finance and Resources' comments regarding his responsibilities under the Local Government Act 2003.**

## SUMMARY

### Objectives

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. They seek to do this whilst maintaining balances and reserves at £12 million.

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

### Contingency Items

The funding for services to asylum seekers continues to remain a key strategic issue that shapes the Council's revenue budget. The Medium Term Financial Forecast (MTFF) report to December Cabinet contained a contingency provision. The level of this meant that the budget proposals only provided a part of the £3 million budget pressure being reported on asylum services in the current year. This was done pending the outcome of lobbying over special funding with Ministers in the Home Office. A new funding offer has come forward from the UK

Border Agency. However, the Council has not yet had a satisfactory response from the Home Office Minister. The offer, if confirmed and agreed by the Council, would reduce the ongoing funding gap on asylum. It also would have the possibility of some of this additional funding being applied retrospectively. However, there are conditions attached to the offer. Moreover the offer is still some way off what the Council is seeking in terms of adequate funding for asylum.

In addition, a further review of financial risks has taken place since the December Cabinet report was approved. This was linked to adverse movement in some key pressures within the current year budget monitoring, reported elsewhere on this Cabinet agenda. Additional funding has been included in the Development and Risk Contingency to cover for these items. These include social care demographic pressures (£0.3 million), homelessness (£0.3 million) and planning income streams (£0.25 million). It also includes £0.5 million for highways maintenance.

### **Business Improvement Delivery Programme**

The budget proposals for 2010/11 have been produced alongside the development of the Business Improvement Delivery (BID) programme. This is the key service transformation programme within the Council. Cabinet has already approved in December 2009 the implementation of the corporate landlord model of property asset management. In January 2010 it approved the acceleration of key projects on localities, enforcement and transport services. These projects will be important to the delivery of savings identified in the budget arising from the BID programme.

### **Revenue Savings and Growth**

The identification of £10.3 million of savings for 2010/11 has allowed the budget proposals to absorb £8.2 million of service budget pressures. The budget also allows for the inclusion of over £0.7 million of new priority growth, in addition to £0.7 million carried forward from 2009/10. This gives a total of £1.4 million to support the delivery of Cabinet's objectives for the Administration.

New growth commitments next year included in the proposed revenue budget are:

- Further revenue costs for the creation of three new young people's centres (£239k)

- Further investment in support for carers (£70k)

- The appointment of an officer to implement initiatives prioritised through the Hillingdon Improvement Programme (£53k)

- An increase in the voluntary sector grants budget (£50k)

Out of the total of £1.4 million, a sum of £1 million remains unallocated for further priority growth initiatives during the financial year. In addition, the draft budget continues to include revenue funding of £0.5 million for the HIP Initiatives Budget. It also includes £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 report also includes the General Fund fees and charges recommendations for 2010/11. Discretionary fees and charges for most services to Hillingdon residents are also frozen at the current level alongside Council Tax.

## **Capital Programme**

The capital programme for 2010/11 proposed by Cabinet and indicative allocations for the following three years are presented in this report. The draft capital programme over four years is worth £261.8 million with £99.7 million of capital expenditure in 2010/11.

This programme includes funding for new General Fund projects of £22.3 million. These include the development of the 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 over £10 million of funding for key ongoing programmes. This includes the Chrysalis programme, the Leader's Initiative and the upgrade of local town centres.

The report also includes the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement for 2010/11, including the prudential indicators. Each of these items is recommended by Cabinet for approval by full Council.

## **Legal Considerations**

The Corporate Director of Finance and Resources has a duty under the Local Government Act 2003 to comment on the robustness of the Council's budget for the coming year. Thus comment is also required on the adequacy of the Council's reserves. These duties are exercised in this report. The Corporate Director of Finance and Resources has recommended that an appropriate level of unallocated balances for the authority is in the range from £12 million to £23 million. As described in the report, unallocated balances have been maintained above £12 million throughout the current year. They should remain at that level as a result of the budget recommendations in this report. The budget also contains a Development and Risk Contingency of £10.8 million over and above the unallocated balances of £12 million. The reasons for holding this level of contingency are set out in paragraphs 54 to 63 of the report.

## **INFORMATION**

### **Reasons for recommendations**

The recommendations have been framed to comply with the Budget and Policy Framework rules. They allow the presentation to Council of recommended budgets for 2010/11. This includes the impact on the Council Tax and housing rents, service charges and allowances.

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

The Council has powers only to approve revenue budgets and set Council Tax for the following financial year. Medium term revenue budgets are presented to aid future financial planning and support good decision-making. However, they are not formally approved in setting the budget. The Capital Programme is approved over a three-year period as the statutory framework

provides greater freedoms under the Prudential Code. This encourages a longer term approach to capital financing and borrowing decisions.

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

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

Growth proposals included in the budget could be removed and either the Council Tax requirement reduced or alternative items substituted for them. Similarly, further items could be added to the budget requirement either through additional growth, increased provision for risk, or by reducing the package of savings. The Council Tax could then be increased accordingly within the constraints imposed by the Government's capping regime. A change in the budget requirement of £0.9 million either way (increase or decrease) will result in an increase or decrease of 1.0% in the level of the Council Tax. This takes into account the related cost to the Council of the freeze in Council Tax for beneficiaries of the Older Persons Discount.

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

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

The Development and Risk Contingency identified the key risks and uncertain items for which provision is contained within the revenue budget. Reduction of this provision is not recommended. This would otherwise increase the likelihood of unfunded pressures emerging into budget monitoring in the 2010/11 financial year. The capital programme also includes a contingency sum to manage financial risk on key schemes. In addition, unallocated balances are held within the range recommended by the Corporate Director of Finance and Resources. Whilst further contributions from balances could be made, any reductions in balances to below the lower limit of this range are not recommended.

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

Each of the Policy Overview Committees have received reports setting out the draft revenue budget and capital programme proposals relevant to their remit. These were approved by Cabinet on 17 December 2009 for consultation at the January 2010 round of meetings.

Each of the service Policy Overview Committees referred their comments on to the Corporate Services and Partnerships Policy Overview Committee on 10 February 2010. The Committee's comments to Cabinet are contained in consultation responses section at the end of the report.

### **Supporting Information**

#### **Background**

- 1 This is the second report to Cabinet on the budget proposals for 2010/11 and beyond. The previous report presented to Cabinet on 17 December 2009 set out the Medium Term

Financial Forecast (MTFF). Draft revenue budget and capital programme proposals were approved then for consultation with Policy Overview Committees and other stakeholders.

- 2 This report updates the earlier December Cabinet report for known changes. These arise from further negotiations with Government over asylum funding, levy announcements and from the internal review of provisions for risk and contingencies in the budget proposals. It sets out the Cabinet's General Fund revenue budget and capital programme for 2010/11, with medium term projections for three years beyond next year. The Council does not have the power to set budgets more than one year in advance. However, the inclusion of medium term figures helps to demonstrate the ongoing impact of the budget proposals. It also provides context for the budget decisions proposed.
- 3 The report includes the Prudential Indicators for 2010/11 to 2012/13. These show the impact of the Council's capital spending plans, included in the Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement for 2010/11, at Appendix 9.
- 4 The Corporate Director of Finance and Resources' duty, under the Local Government Act 2003, to consider the adequacy of the Council's reserves and robustness of the estimates, is exercised within this report.

## **GENERAL FUND REVENUE BUDGET**

### **Changes Since Report to Cabinet on 17 December 2009**

- 5 The table below summarises the changes to the recommended budget proposals from the report considered by Cabinet on 17 December 2009. Each of the items is considered in more detail in the following section.

Table 1: Changes to Revenue Proposals Since Cabinet on 17 December 2009

Paragraph	Item	Amount 2010/11 (£000s)	Amount 2011/12 (£000s)
	<u>Additional Pressures</u>		
6	Increase in Contingency	1,019	810
7	Joint Appointment of Director of Public Health	105	105
8	Review of Free Season Tickets for the Police	64	64
9	National Insurance Contributions Increase	0	420
10	Release Season Ticket Income Ringfenced for Car Park Improvements	0	80
	Sub-total	1,188	1,479
	<u>Balancing Items</u>		
11	Business Improvement Delivery - Cross Cutting Projects	-564	-564
12	Reduction in Capital Financing Costs	-400	0
13	Council Tax Base	-184	-190
14	Reduction in LPFA levy increase	-20	-20
15	Collection Fund Surplus	-19	0
16	Impact of Supplementary Business Rate on Council Premises	-1	-1
	Sub-total	-1,188	-775
	<b>Net Change</b>	<b>0</b>	<b>+704</b>

### Additional Pressures

#### 6 Increase in Contingency

The review of contingency items since the December Cabinet report has identified some risks where increased provision is required. This includes increased funding for risks around social care demographic pressures (£0.3 million), homelessness (£0.3 million) and planning income streams (£0.25 million). These reflect increased pressures reported in the current year budget monitoring over the last two months. It also includes an additional £0.5 million for highways maintenance. These increases have been offset by a reduction of almost £0.3 million in the contingency for the waste disposal levy increase for 2010/11.

#### 7 Joint Appointment of Director of Public Health

Hillingdon Primary Care Trust has confirmed the appointment of Ellis Friedman as the Director of Public Health. The Council's share of the funding of this appointment is therefore transferred from the Development & Risk Contingency to the base budget.

#### 8 Review of Free Season Tickets for the Police

This item has been removed from the package of savings presented at Appendix 5.

- 9 National Insurance Contributions Increase  
In the national Pre-Budget Report announced on 9 December 2009, the Government doubled the previously announced increase in employers' national insurance contributions. This was from a 0.5% increase to a 1% increase, from April 2011.
- 10 Release Season Ticket Income Ringfenced for Car Park Improvements  
It has been confirmed that this item included in the savings schedule at Appendix 5 is a one-off item only.

## **Balancing Items**

- 11 Business Improvement Delivery - Cross Cutting Projects  
The savings target for the first year of the Business Improvement Delivery programme has been increased by over £0.5 million. This is in recognition of the additional cost pressures that have been included in the final budget proposals.
- 12 Reduction in Capital Financing Costs  
A further review of capital financing costs projections has been performed since the report to December Cabinet. This has led to a further reduction of £0.4 million in the revenue impact of the programme in 2010/11. This is due to the re-phasing of expenditure on Council funded schemes reported in monthly budget monitoring reports. It is also due to the impact of refinancing of long term borrowing within the loans portfolio that supports the capital programme.
- 13 Council Tax Base  
The Council Tax Base for 2010/11 agreed by Council on 14 January 2010 has been set at 97,952 Band 'D' equivalent properties. This is an increase of 1,417 over 2009/10, which is greater than the 1,250 increase assumed in the MTFF report to December Cabinet. The difference between the two figures provides additional funding of £184k in 2010/11 and £190k in 2011/12.
- 14 Reduction in LPFA levy increase  
The provisional increase in the London Pensions Fund Authority (LPFA) levy was factored into the MTFF report to December Cabinet at £95k. This reflects the likely impact of additional levies to recover an ongoing deficit within the LPFA scheme. Subsequently a draft levy notification has been received. This shows a 5% reduction in the existing base levy worth £20k, before consideration of the additional levy.
- 15 Collection Fund Surplus  
The projected £769k surplus on the Collection Fund to be released back to the General Fund has increased by £19k over the forecast reported to December Cabinet. This reflects the updated current year monitoring assessment at the end of Quarter 3.
- 16 Impact of Supplementary Business Rate on Council Premises  
The Mayor of London on 29 January 2010 announced final proposals for the operation of the Business Rate Supplement. This is on larger commercial premises across London, to fund the Crossrail scheme. This increased the threshold at which the supplement is levied from a rateable value of £50k to £55k. This reduced the liability for the charge on Council property.



## Budget Requirement 2010/11

- 17 The movement between the current year's budget and the draft budget requirement for 2010/11 is summarised in Table 2 that follows. Each of the lines in Table 2 is set out in detail in the following sections.

Table 2: Budget Requirement 2010/11

	Budget (£000s)
Budget Requirement 2009/10	189,245
Add: Area Based Grant (base)	17,499
Inflation	600
Corporate Items (Appendix 2)	5,582
Service Pressures (Appendix 3)	8,197
Priority Growth (Appendix 4)	712
Savings (Appendix 5)	-10,280
Budget Requirement – All Resources 2010/11	211,555
Less: Area Based Grant 2010/11	-17,361
Net Budget Requirement 2010/11	194,194
<u>Funding Sources</u>	
Council Tax	109,783
Government Formula Grant	84,411
Area Based Grant	17,361
Total Resources	211,555

## Inflation

- 18 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. These are included as a section within the service pressures contained at Appendix 3.
- 19 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. In line with national employers' guidance no allowance for an increase has been made. This is in expectation of a pay freeze across the public sector next year. The employers' position has already been announced to all Council staff by the Chief Executive. However, teachers' pay has been inflated at 2.3% from September 2010. This is as part of the three-year deal previously recommended by the national School Teachers Review Body. Increases of 1%

have been applied for adults' and children's services care placements. There are zero increases for all other expenditure and income budgets.

- 20 Table 3 below sets out the general inflation rates applied to specific budget lines.

Table 3: 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

- 21 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 £5.6 million in 2010/11 results from these items. This is set out in further detail in Appendix 2 and is set out in summary in Table 4 below:

Table 4: Corporate Items

Corporate Items	Amount 2010/11 (£000s)	Amount 2011/12 (£000s)
Increase in Contingency	3,440	8,147
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	75	135
National Insurance Contributions Increase	0	840
LABGI / Housing and Planning Delivery Grant – falling out	0	500
Local Area Agreement Reward Grant	-3,040	-800
Capital Programme financing costs	-1,200	100
<b>Total</b>	<b>5,582</b>	<b>18,079</b>

- 22 A net increase in the contingency of £3.4 million reflects funding to cover a range of financial risks faced by Council. This is discussed in the section on the Development and Risk Contingency below.
- 23 The Concessionary Fares levy from London Councils was significantly reduced in the 2009/10 budget. There was 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. This now 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 £30.2 million compared to previously published figures. Together these changes drive an expected increase of 24% in the levy for 2010/11 to £6.9 million.

- 24 Income from short term investment of cash balances has been driven lower in the current year. This is due to the impact of significantly lower interest rates. For the forthcoming year and beyond, investment income will be even lower still. Cash balances are reducing following the completion of major capital schemes. Also interest rates are expected to stay at exceptionally low levels for a longer period of time. This creates a £1.3 million pressure due to reduced income compared to the current year target.
- 25 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. This is based on the projected £13.5 million outturn balances position as at 31 March 2010. This is as reported in the Month 9 budget monitoring report. This will mean that unallocated balances will remain above the target level of £12 million.
- 26 An increase in the revenue financing of the capital programme of £1 million per year has been included as a corporate item. This reflects the re-use of rental income from Council assets to support the capital programme. Rental income will be centralised to a single cost centre and used to finance capital expenditure. This is linked to the development of the corporate landlord model of asset management.
- 27 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. This depends 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. 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. This is 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). Phasing over three years has been agreed 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. An initial estimate of the likely reward is contained in the medium term projections.
- 28 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. 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 1.0% increase in employers' national insurance contribution rates. These are due to be effective from 2011/12 as announced in the Government's Pre-Budget Report.

- 29 The 2009/10 budget included a one-off use of the accumulated surplus on the Parking Revenue Account of £0.1 million. This can not be repeated for the 2010/11 financial year.
- 30 A significant increase in the London Pensions Fund Authority (LPFA) levy for 2010/11 has been projected. This is due to the adverse actuarial position of the LPFA pension fund in respect of former Greater London Council employees.
- 31 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. 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).
- 32 The reduction in revenue financing costs of the capital programme for 2010/11 is £1.2 million. This reflects the full year effect of loan restructuring transactions performed during the current financial year. It also reflects the re-phasing of expenditure on Council funded programme in the current year. However this gain will fall out over the medium term. This will be due to the minimum revenue provision (MRP) increasing when major schemes complete.

### Service Pressures

- 33 The identification of all service pressures is one of the key objectives of the strategic budget process. This thereby reduces the likelihood of unexpected overspends within the financial year. Failure to identify a pressure over which there is little or no control is likely to result in an overspend in the year. This causes a need to take corrective action that may have an impact on services elsewhere in the authority.
- 34 The work undertaken by Groups to identify and review these pressures is informed by the standard classification of pressures. This 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. This has reduced the level of these items to the minimum over the course of the budget development process. Table 5 sets out the pressures identified by Groups according to these classifications, which total £8.2 million for 2010/11. These items are set out in more detail at Appendix 3.

Table 5: 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	2,133	2,133
Identified Price Increases	384	384
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>8,197</b>	<b>8,315</b>

- 35 The largest category of increase and individual item relates to the loss of specific funding streams. These are primarily 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. This was 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. This extends 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 £0.8 million is retained in contingency for this issue. This brings the total provision in the budget to £5.95 million.
- 36 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

- 37 Provision has been made in the budget strategy for £1.4 million of priority growth. £0.7 million of this 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 stated expenditure commitments. This accounts 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 6: Priority Growth

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

- 38 There are four 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. 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. This will allow 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.
- 39 Funding has increased for the voluntary sector grants programme, as described in the separate report to December Cabinet. A new post has been created to support initiatives arising from the Hillingdon Improvement Programme.
- 40 The proposed budget also contains £0.5 million for the HIP Initiatives Budget and £0.2 million of revenue funding for the Leader's Initiative. For 2010/11 this latter item will include funding a further 1,000 burglar alarms for the homes of older residents of the borough. This continues the achievement of the Older People's Plan reported to December Cabinet. There is also continuing capital funding for the Leader's Initiative contained within the draft capital programme.

## Savings

- 41 There are six key strategic themes that cut across all service areas. These 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
- 42 The savings proposed in the draft budget for 2010/11 total £10.3 million, rising to £10.4 million in 2011/12. These are shown in detail at Appendix 5, and are summarised in the table below.

Table 7: Savings Proposals

<b>Savings Proposals</b>	<b>Saving 2010/11 (£000s)</b>	<b>Saving 2011/12 (£000s)</b>
Process Efficiency	4,109	4,154
Effectiveness / Preventative Services	2,825	3,205
Procurement	1,722	2,102
Maximising Funding Opportunities	1,308	708
Income Generation	138	58
Service Prioritisation	178	210
<b>Total Savings Proposals</b>	<b>10,280</b>	<b>10,437</b>

- 43 Process Efficiency  
All areas of the Council are continuing to identify efficiencies through improved processes. Most of the savings in this area are being achieved through reductions in the staffing establishment. These are from changes to structures within individual service areas as a result of improved processes. The impact of wider restructuring through the Business Improvement Delivery programme is contained as a single item with an indicative target of £2.6 million for 2010/11. This is separate to all the other savings proposals. It includes the impact of prioritising the development of the corporate landlord model. It also includes

the localities, enforcement and transport projects. These were endorsed by Cabinet in December 2009 and January 2010 respectively.

44 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. These are especially for children and young people and people facing homelessness.

45 Procurement

Procurement savings broadly reflect the programmes of work developed through the Group Contract Review Boards. These 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. They are also expected from selective further outsourcing such as for recovery work in revenues. These savings exclude the impact of the leisure management outsourcing in the current year. This is contributing towards an earmarked reserve for leisure services investment.

46 Maximising Funding Opportunities

This theme contains savings from service specific funding opportunities. These are in addition to the £2.8 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 £1.2 million). This includes the capitalisation of the further costs of Building Schools for the 21st Century programme beyond Outline Business Case (£0.5 million). This also includes reducing budgets for time limited investment in children's services originally funded through the Area Based Grant (£0.5 million).

47 Income Generation

The scope for generating additional income for the 2010/11 budget is extremely limited. This is due to the impact of the recession on the ability of all stakeholders to pay enhanced charges. However, proposals in this area that generate £0.1 million have been included that are achievable and do not impact on residents.

48 Service Prioritisation

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

49 Business Improvement Delivery

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. These 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

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

- 51 Work-stream 2 is concerned with reviewing and where necessary changing Council processes. These are 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.
- 52 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.
- 53 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 paragraphs 81 to 88 of the report below. Once fully developed, the programme will deliver significantly higher levels of savings from 2011/12 onwards.

Table 8: Savings Proposals Linked to BID

<b>Savings Proposals</b>	<b>Saving 2010/11 (£000s)</b>
Procurement	163
Process Efficiency – BID Workstream 1	47
Process Efficiency – BID Workstream 2	43
Process Efficiency – BID Workstream 3	2,888
Effectiveness / Preventative Services – BID Workstream 2	1,253
<b>Total Savings Proposals linked to BID</b>	<b>4,394</b>

## Development and Risk Contingency

- 54 The Development and Risk Contingency provides for resources within the revenue budget. These are unallocated at the beginning of the year, but 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.
- 55 The process by which the Development and Risk Contingency is constructed links directly into the Council's risk management process. Significant risks are identified and recorded in risk registers which are regularly reviewed and updated as part of the risk management process. The process provides for review by senior officers, Group Directors, Cabinet Members and the Audit Committee addressing both executive functions and governance requirements. This process is integral to ensuring the effectiveness of the budget strategy, and the key financial risks identified in corporate risk register are reflected either directly in the budget strategy or are covered by the retained level of unallocated balances and reserves.
- 56 There have been a number of changes to the profile of risks that need to be covered in the Development and Risk Contingency, since the report to Cabinet on 17 December 2009. These changes are summarised in the following table:



Table 9: Changes to Development &amp; Risk Contingency since Cabinet 17 December 2009

<b>Risk Item</b>	<b>December Cabinet Provision 2010/11 (£000s)</b>	<b>Current Provision 2010/11 (Appendix 6) (£000s)</b>	<b>Change in Provision 2010/11 (£000s)</b>
<u>Increased Risks</u>			
Asylum non-EAA monitoring pressure	980	1,250	+270
Asylum Exhausted All Appeals	240	360	+120
Social Care Pressures (Adult's & Children's) (including Southwark Judgement – Homeless Children)	500	800	+300
Homelessness Budget – Reduction in DWP Funding	500	800	+300
Development Control Income	114	310	+196
Building Control Income	90	135	+45
Highways Maintenance (Recovery from Snow and Ice)	0	500	+500
Sub-total	2,424	4,155	+1,731
<u>Reduced Risks</u>			
Waste Disposal Levy	1,800	1,528	-272
Joint Appointment of Director of Public Health	40	0	-40
Sub-total	1,840	1,528	-312
Other Risks	5,477	5,477	0
<u>'Upside Risks' / Opportunities</u>			
Potential Retrospective Asylum Funding	0	-400	-400
<b>New Contingency Requirement</b>	<b>9,741</b>	<b>10,760</b>	<b>+1,019</b>
<u>Changes in Funding</u>			
Base Contingency 2009/10	7,320	7,320	0
Additional Corporate Funding for Contingency	2,421	3,440	+1,019
<b>Total Contingency Funding</b>	<b>9,741</b>	<b>10,760</b>	<b>+1,019</b>

- 57 The review of risks in the draft budget since December Cabinet has allowed the funding for a range of risk items to be increased. In particular pressures reported in current year budget monitoring on demand for mental health and older peoples' services, and on planning income streams, have increased between the Month 7 and Month 9 budget monitoring reports to Cabinet. There has been a consequential increased contingency provision needed for the new financial year based on these trends. Increased provision has also been included to recognise the significance of the risks around homelessness income described at paragraph 35 above. This has been offset by a reduction in the

previously forecast increase in the waste disposal levy. This is due to the agreed use of balances by the West London Waste Authority to hold down the levy for 2010/11.

- 58 Existing funding in the contingency to cover risks of increased demand for children's services after the 'Southwark Judgement' has been merged into a larger overall provision. This now covers demographic pressures across both adults' and children's social care. This is intended to cover the full range of identified issues including increased referrals in both children's and older people's services. It is also for any shortfall in funding for the Government's implementation of free personal care.
- 59 The contingency now contains £0.5 million of funding to allow for additional repairs to highways. This is to recover the condition of the highways following the snow and ice this winter.
- 60 The report to December Cabinet contained a contingency provision for asylum. This meant that the budget proposals only provided a part of the £3 million budget pressure being reported on asylum services in the current year. This was pending the outcome of lobbying over special funding with Ministers in the Home Office. A new funding offer has now come forward from the UK Border Agency. If confirmed this will reduce the funding gap for leaving care responsibilities for unaccompanied asylum seeking children by around £0.8 million in 2010/11. This still requires an increase in contingency provision of £0.4 million across both Exhausted All Appeals and asylum children leaving care. However, the offer includes the prospect that this additional funding will be applied retrospectively. This is reflected as an upside risk to contingency valued at £0.4 million.
- 61 The Council had invested £20 million of short-term deposits in Icelandic banks as at October 2008. £4.3 million of these deposits have already been returned to the Council. Work is continuing to ensure the full recovery of the remaining £15.7 million of these deposits. However the likelihood based on current information is that there will be some residual loss of the principal of these deposits of up to around £3 million. The report to December Cabinet noted that the Council was applying to the Department for Communities and Local Government (DCLG) to allow capitalisation for losses in Icelandic banks, as part of a process open to all local authorities. The DCLG has accepted the applications of some local authorities, but has turned down the Council's request, along with those of a number of other local authorities. The Council is challenging the DCLG decision on capitalisation along with some other local authorities through the Local Government Association. This includes taking possible legal action over the process and criteria by which capitalisation requests were handled. The Council will also continue to review options to manage and mitigate any eventual loss, including, but not limited to, applying to future capitalisation rounds. This will ensure that any eventual loss (that will not be known until the full recovery process has been completed) can be managed over a much longer time horizon, with a minimised impact on the budget strategy. However, there may still need to be some recognition of the predicted loss in the year end accounts for 2010/11. In the meantime this risk has been accounted for within the calculation of the recommended range of unallocated balances set out at paragraphs 137 to 142.
- 62 The draft Development and Risk Contingency is set out in Appendix 6. Items with a total potential risk outturn of £17.8 million are included in the contingency for 2010/11. When the probability of occurrence is applied to these amounts, the total for which funding would need to be provided stands at £11.2 million.

- 63 The value of the risks covered in the Development and Risk Contingency is determined by multiplying the value of the potential adverse risk by the probability of that risk outcome occurring. This approach is sensitive to the accuracy of the percentages applied. Owing to the nature of this exercise this approach in itself contains risks. For example, if the risk of each item in the contingency occurring were to increase by 5 percentage points, the additional contingency provision required would be £0.75 million.

## **Fees and Charges**

- 64 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. However many others are set at the discretion of the Council, based on Cabinet's recommendations.
- 65 Cabinet agreed a fees and charges policy for the Council in February 2009. This 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.
- 66 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
- 67 For other service users such as businesses and visitors from other local authority areas, discretionary charges have also been 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.

- 68 Changes to the fees and charges proposals since the report to Cabinet on 17 December 2009 include a correction to the charge rate for trade waste delivered to Civic Amenity Sites, the inclusion of charges to schools for services delivered by Hillingdon Grid for Learning, and changes to several adult social care charge rates to other local authorities and some residents where these are necessarily linked to the increase in the basic rate of state pension set by the Department for Work and Pensions.
- 69 Schedules detailing the proposals relating to fees and charges for 2010/11 are attached at Appendix 7.
- 70 The fees and charges for Adult Education and for leisure services reflect the extension of the differential pricing policy, with different rates for residents and non-residents. This was introduced in the current year along with the Hillingdon First card.

### Central Government Grant

- 71 The final Local Government Finance Settlement for 2010/11 was announced on 20 January 2010. This 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.
- 72 The average grant increase nationally for 2010/11 is 2.8% for local authorities with education and social care responsibilities. The minimum 'floor' increase is 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.
- 73 Following the provisional settlement in November 2009 the Government 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 reflects transfers of existing specific grants into the Area Based Grant. It also reflects 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 10: Area Based Grant Funding Transfers

<b>Funding Transfer</b>	<b>Transfer 2010/11 (£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>

- 74 For the 2010/11 budget the Government has provisionally moved the specific grant for Supporting People into the Area Based Grant. It also has provided 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.
- 75 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. This requires local authorities to undertake a Councillor Call for Action and establish Overview and

Scrutiny Committees for crime and disorder matters. This is seen as part of strengthening the local accountability framework.

- 76 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 budgets. This results in an overall net reduction in grant for these allocations of £138k.
- 77 There were no changes announced to revenue specific grants in the final settlement as compared to the provisional settlement in November 2009. Hence the only reductions in specific grant allocations that have been confirmed so far due to the deterioration in the Government's finances have been the reduced funding for the Local Authorities Business Growth Incentives (LABGI) scheme and in Housing and Planning Delivery Grant. This is as described in paragraph 31 above. However, there was a reduction in Government specific capital grant funding for this reason, to which paragraph 104 below refers. No assumptions have been made in the budget proposals around any in-year reductions in Government grant during 2010/11.

### **Balances and Reserves**

- 78 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.
- 79 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 9 budget monitoring report to be £13.5 million as at 31 March 2010.
- 80 The strategy now proposed is to maintain balances so that they remain at or above the £12 million target. This 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.

### **Medium Term Impact of Proposals**

- 81 The immediate focus on the 2010/11 budget needs to be balanced with key developments over the medium term.
- 82 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.
- 83 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.
- 84 Projections of future inflation beyond the short term rely on sound economic forecasting. In the current context this 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. This 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 these have historically run ahead of CPI inflation in periods of economic growth. This is largely because they take into account the associated costs of increasing housing and property market prices.

- 85 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 2.9% as at December 2009 (compared to a low point of 1.1% in September 2009). The Bank of England's projections see this indicator continuing above 2% in the first half of 2010. They see it then falling back to around 1% again by early 2011, before stabilising at around 2% from the latter part of 2011.
- 86 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. Accordingly the medium term forecast assumes that inflation will remain relatively muted throughout the next 3-year settlement period.
- 87 There will continue to be ongoing pressures on key Council services such as demographic pressures on adult social care, and escalating waste disposal costs. These are also included in the medium term forecast. The overall resulting effect of these assumptions is that additional savings of around £46 million will need to be addressed over that 3 year period, comparing 2013/14 to 2010/11.
- 88 This medium term position has been a key driver in the establishment through HIP of the BID programme. Savings of £4.4 million from BID are included in the delivery of the budget strategy for 2010/11. Nevertheless 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.

## **SCHOOLS BUDGETS**

- 89 The Schools Budget consists of all budgets which are devolved to maintained schools. This also includes 'centrally retained' items such as early years expenditure, education of children out of school, and Special Educational Needs (SEN). It is financed entirely by the Dedicated Schools Grant (DSG) unless the Council chooses to supplement this from the General Fund.
- 90 The 2010/11 financial year is the final year of a three-year funding period. For the most part the method of distribution of funding to schools for 2010/11 was fixed by the decisions that were taken by Cabinet after extensive consultation in March 2006. The 2008-11 Schools Funding Consultation Paper sought confirmation from schools that the same methodology should apply for 2008-2011. This was agreed, as were variations to the previously agreed arrangements in relation to the distribution of funding in relation to deprivation.
- 91 The detailed consultation paper on the Schools Budget for 2010/11 was published on 16 December 2009. Stakeholders have been consulted on the issues in the paper. Schools Forum has articulated its advice to Cabinet on the issues for consideration. These are contained in separate report on this Cabinet agenda. The Schools Forum also has powers

to agree two areas of centrally retained expenditure (CRE), increases in the total of the CRE over the original estimate for 2010/11, and any breach of the Central Expenditure Limit (CEL). Cabinet will make the final decisions on the arrangements for schools funding for 2010/11 from the recommendations of this report.

## **CAPITAL PROGRAMME**

### **Background to the Capital Programme**

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

### **Changes Since Report to Cabinet on 17 December 2009**

- 96 The table below summarises the changes to the recommended budget proposals from the report considered by Cabinet on 17 December 2009. Each of the items is considered in more detail in the following section.

Table 11: Changes to Capital Programme Proposals Since Cabinet on 17 December 2009

Paragraph	Item	Amount 2010/11 (£000s)
	<u>Capital Expenditure</u>	
97	Guru Nanak Expansion	+5,710
98	Arundel Road HIP Project	+3,000
99	Children's Centres - Phase 3	+1,989
99	New Years Green Lane Civic Amenity Site	+1,200
100	Hayes End Library Development	+900
101	Local Implementation Plan (funded by Transport for London)	+693
102	Environmental Assets	+500
103	General Contingency	+500
103	ICT Single Development Plan	+450
99	Estates Improvements (HRA)	+450
99	Longmead Section 106	+389
99	Leisure Development - Botwell Green	+275
99	Hillingdon Sport & Leisure Centre	+250
100	Major Construction Projects Fees	+220
99	Children's Centres – Phase 2	+215
99	Minet Cycle Club	+214
101	Town Centres Initiatives	+200
99	New Young People's Centres	+200
99	Targeted Capital – Uxbridge High	+111
99	Botwell Multi Use Games Area	+100
99	Queensmead Fitness Centre Refurbishment	+50
99	Heathrow Primary	+9
99	Pinkwell New Classrooms	+9
99	Brookfields - Second Floor	+8
99	Colne Park Caravan Site - Refurbishment Works - Phase 2	+1
104	Safer Stronger Communities Fund (Youth Awareness)	-50
105	New Build – Extra Care Sites Phase 1	-87
105	New Build - HRA Pipeline Sites Phase 1	-292
105	Redevelopment Schemes (HRA)	-500
	Increased Capital Expenditure	16,714
	<u>Capital Financing</u>	
	Government Specific Capital Grants	+3,264
	Capital Receipts (HRA)	-266
	Other External Funding	+7,245
	Unsupported Borrowing Funded by Revenue Savings (Invest-to-Save)	-1,296
	Unsupported Borrowing Funded by Council Tax	+7,767
	Increased Capital Financing	16,714

97 The full year effect of the Guru Nanak school expansion project has been added to the programme, although this project is not directly managed by the Council. This in total has £13.2 million of special Government grant awarded to it over the life of the project.



- 98 The Arundel Road HIP Project is a new project to relocate the Council's depot operations. The cost estimate for this was not sufficiently developed for inclusion in the draft capital programme reported to December Cabinet. This project will enable the achievement of future capital receipts.
- 99 The proposed capital programme has also been updated to reflect the amended phasing of the capital programme. Several projects are projected to run over into the new financial year. This is as reported in the capital programme section of the budget monitoring report considered elsewhere on this Cabinet agenda.
- 100 The increased value for the Hayes End Library Development project reflects the latest cost estimate developed by the Major Construction Projects team. In addition, the Major Construction Projects team have reviewed the pattern of team activity. It has been concluded that a higher level of fees should be recovered directly from capital projects.
- 101 Transport for London confirmed an increased funding settlement for the Council for local transport improvements in December 2009. This has now been reflected in the proposed capital programme. This also includes the first £0.2 million towards an area based scheme in Yiewsley and West Drayton. This will be taken forward as part of the Town Centres Initiative.
- 102 Funding for the Environmental Assets programme has been increased from £1.5 million to £2 million.
- 103 Funding for the ICT Single Development Plan has increased to cover the costs of projects required to deliver the BID programme. A general contingency of £0.5 million has been included within the capital programme for 2010/11.
- 104 On 20 January 2010 as part of final local government finance settlement the Home Office announced a national 50% reduction in the previously announced level of funding for the Safer and Stronger Communities Fund capital allocations. This reduced Hillingdon's allocation from £100k to £50k. The reason given was the "considerable pressures on all public expenditure". This can be taken as giving a general indication of the direction of travel of future Government capital grant allocations.
- 105 The tender approval for Phase 1 of HRA Pipeline Sites new build housing programme was given by Cabinet on 21 January 2010. The phasing of expenditure on this programme and the Extra Care programme has been reviewed. Some expenditure is now projected to fall into 2011/12. The precise funding packages for the Councils' match funding to Homes and Communities Agency funding for these programmes has yet to be confirmed. However in line with the tender report are expected to be from a mixture of borrowing, HRA balances and HRA capital receipts. For the purposes of this report it is assumed that the match funding will be in the form of capital receipts and borrowing covered by future rental income in the HRA. The HRA Redevelopment Schemes programme which funded smaller scale developments has been scaled back. This is to enable HRA resources to be focused on these larger programmes.

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

- 106 The Council has a range of key funding sources for the capital programme that are summarised in Table 12 below:
-

Table 12: Capital Programme Funding

<b>Funding Source</b>	<b>Funding 2010/11 (£m)</b>	<b>Funding 2011/12 (£m)</b>	<b>Funding 2012/13 (£m)</b>	<b>Funding 2013/14 (£m)</b>
Government Specific Capital Grants	40.8	18.2	13.8	13.8
Capital Receipts	9.0	13.7	8.2	-
Supported Borrowing	2.1	11.7	6.5	5.6
LAA Reward Grant	2.2	1.0	0.1	-
Other External Funding	14.1	6.9	6.1	2.1
Unsupported Borrowing (Invest-to Save)	9.8	5.1	0.2	-
Unsupported Borrowing (Growth / Council Tax Funded)	21.7	19.3	11.8	17.9
<b>Total</b>	<b>99.7</b>	<b>75.9</b>	<b>46.8</b>	<b>39.4</b>

- 107 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. This was 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. However 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 (£15.8 million) and the Major Repairs Allowance for the Housing Revenue Account (£8.2 million).
- 108 Capital receipts reflect the disposal programme of surplus Council assets identified through the Strategic Property Group review process.
- 109 Supported borrowing is notionally funded by central Government through the Revenue Support Grant formulae. However the precise level of grant support actually received in any particular year is masked by other aspects of the grant distribution process. 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.
- 110 In addition to the specific capital grants referred to above, the Council and its partners will also have access to over £3 million of capital LAA Reward Grant from 2010/11. The reward grant from the 2007 Local Area Agreement is split equally between capital and revenue. Consequently almost £1.5 million of this grant will be shared with partners or partnership groups. Almost £1.6 million will be retained exclusively within the Council as described in paragraph 27 above. The Council's share of capital reward grant will provide

an immediate source of funding for key capital commitments. These include Chrysalis, the Town Centres Initiative and the Leader's Initiative in 2010/11.

- 111 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 £4.2 million in 2010/11 for local transport improvements funded by Transport for London, grant from the Homes and Communities Agency for new build housing projects (£6.3 million), as well as identified funding from Section 106 agreements and the Housing Revenue Account.
- 112 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. These are 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. In the draft capital programme they include the Council's strategy for replacing leased vehicles with outright purchase. They also include the upgrade of Highgrove Pool funded from savings made through the outsourcing of leisure management. This heading also includes funding of £4.2 million in 2010/11 towards the new build housing programme part-funded from future housing rent income.
- 113 The second type of unsupported borrowing is for key capital developments that involve service enhancement. This is in cases where the resulting revenue financing costs are effectively equivalent to a growth item. These then impact 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. These then can 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.
- 114 In developing the capital programme the aim has been to minimise the level of unsupported borrowing. This has been in order to avoid significant increases in the financing costs of the capital programmes. These otherwise impact on the revenue budget over the medium term. This would be broadly achievable except for one significant issue. This is the growth in demand for new primary schools places in the borough. This is 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. This 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. 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. It is hoped however that this central funding will be provided. Some funding was found by the Government for the current year pressure for other authorities with more immediate pressures.

## New Capital Schemes

- 115 The draft capital programme includes funding of £22.3 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 13: New Capital Projects 2010/11

<b>Project</b>	<b>Capital Expenditure 2010/11 (£000s)</b>
South Ruislip Development	4,661
Highgrove Pool Phase II	4,100
New Year's Green Lane Civic Amenity Site	3,800
Arundel Road HIP Project	3,000
Hayes End Library Development	2,600
Environmental Assets	2,000
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>22,289</b>

- 116 The South Ruislip new development is on the former Swallows site. This includes 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.
- 117 The Phase II refurbishment programme of Highgrove Pool forms part of the Council's overall review of leisure assets. An aim of this is to reduce revenue expenditure. The aim is to do this through the introduction of energy efficiency measures and upgrading the pool plant equipment. This equipment 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.
- 118 Funding through to completion for the redevelopment of the New Years Green Lane Civic Amenity Site has been included in the draft capital programme. This will lead to a significant improvement in facilities available for recycling for residents of the borough.
- 119 Through the Hillingdon Improvement Programme there is a project to develop a site in Arundel Road. This aims to create a new depot facility for the Council's operations.
- 120 There will also be a new library at Hayes End which will be funded 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. A further five libraries plus the Central Library are being upgraded over the next three years.

- 121 The Environmental Assets project heading will fund improvements at key sites that are used by residents of the borough. This includes Ruislip Lido and Little Britain Lake.
- 122 Funding has also been included in the draft programme to refurbish the stables at Manor Farm to develop catering and bar facilities. It also aims to improve the Winston Churchill Hall adjacent to the Manor Farm site. It aims to improve William Byrd Pool by refurbishing the changing rooms and constructing a martial arts studio. It also aims to replace the roof at the North Hillingdon Adult Education Centre.

### Ongoing Capital Programmes

- 123 In addition to the new schemes set out above, the capital programme for 2010/11 provides over £10 million of funding for the following key ongoing programmes:

Table 14: Ongoing Capital Programmes 2010/11

<b>Project</b>	<b>Capital Expenditure 2010/11 (£000s)</b>
Chrysalis	1,000
Leader's Initiative	300
Town Centres Initiative	525
Disabled Facilities Grants	3,000
Vehicles Replacement	1,500
ICT Single Development Plan	1,378
Highways Structural Works	1,100
Street Lighting Programme	300
Highways Localities Programme	258
Road Safety Programme	250
Property Enhancements Programme	500
Private Sector Renewal Grants	450
<b>Total Programmes of Works</b>	<b>10,561</b>

- 124 The Housing Revenue Account capital programme also includes £10 million ongoing works to the Council's housing stock managed through Hillingdon Homes. It includes the first phase of new build schemes for general needs of £7.7 million. It also includes extra care schemes for vulnerable residents of £7.0 million. Both of the latter are partly funded through grant successfully obtained from the Homes and Communities Agency.
- 125 The schools capital programme includes funding from the Government and schools of £4.9 million in 2010/11 for the upgrade of school kitchens. It also includes continuation of the expansion of Guru Nanak school, and the completion of the children's centres programme. It is also for the first stage of investment in expanding primary school places. In 2010/11 this at least is entirely funded through existing capital grants and unused supported borrowing.

### Revenue Impact of the Capital Programme

- 126 Revenue financing costs for 2010/11 are set to reduce by £1.2 million. This is 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 £1.3 million in 2011/12. This is as new borrowing will be required to fund the capital programme for 2010/11 and beyond. This increase will be kept under review. On an ongoing basis opportunities for improving the funding of the capital programme such as through external funding bids will be sought. The aim of this is in order to minimise any further increases in revenue financing costs.

## Summary of the Capital Programme

- 127 A summary of the Council's proposed capital programme by project themes is set out in Table 15 below:

Table 15: Summary of Proposed Capital Programme

<b>Programme Type</b>	<b>Proposed Programme 2010/11 (£000s)</b>	<b>Proposed Programme 2011/12 (£000s)</b>	<b>Proposed Programme 2012/13 (£000s)</b>	<b>Proposed Programme 2013/14 (£000s)</b>
Major Construction Projects	14,695	1,005	850	850
Schools Projects	26,631	40,165	21,166	19,757
Housing Revenue Account Projects	22,568	13,973	10,526	10,350
Programmes of Works	10,561	9,569	7,323	7,323
Partnership Projects	720	670	140	0
Other Projects	24,549	10,522	6,754	1,115
<b>Programme Total</b>	<b>99,724</b>	<b>75,904</b>	<b>46,759</b>	<b>39,395</b>

## PRUDENTIAL INDICATORS

- 128 The Prudential Code was introduced from April 2004 under the local Government Act 2003. In carrying out unsupported borrowing, local authorities must follow the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities. The key objectives of the Code are to ensure:
- Capital investment plans are affordable, prudent and sustainable;
  - Treasury Management decisions are taken in accordance with good professional practice;
  - Prudential Indicators must be set and monitored in order to demonstrate that these objectives are being met.
- 129 The Local Government Act 2003 requires the Council to produce prudential indicators to support and record local decisions made under the Prudential Code. Updated indicators reflecting the capital investment proposals in this report are included at Appendix 9 within the Annual Investment and Treasury Strategy. This is for consideration and approval of them, for then recommendation to Council.
- 130 There is a requirement under the Local Government Act 2003 for local authorities to have regard to the CIPFA Prudential Code when setting and reviewing their Prudential Indicators. It should be noted that CIPFA undertook a review of the Code in early 2008, and issued a revised Code in November 2009.

- 131 In addition to the revised Prudential Code, the Code of Practice for Treasury Management in Public Services (the “CIPFA TM Code”) was also revised in November 2009.
- 132 Included within the Prudential Indicators Code (PI No. 8) is the requirement that the Council adopts the CIPFA Code of Practice for Treasury Management.
- 133 Appendix 10 therefore explains the basis for the recommendation that Council adopt the revised CIPFA Treasury Management code.

## **OVERALL BUDGET FOR COUNCIL TAX SETTING 2010/11**

### **Corporate Director of Finance & Resources Comments Regarding Responsibilities under the Local Government Act 2003**

- 134 Under Section 25 of the Local Government Act 2003 the Corporate Director of Finance and Resources, as the Council’s nominated section 151 officer, has a responsibility to comment on:
- The robustness of the estimates for the coming year
  - The adequacy of the Council’s reserves
- 135 The Corporate Director of Finance and Resources is able to give positive assurances on the robustness of the estimates in general for the coming year. This view is based on:
- The use of an established, rigorous process for developing the budget through the Medium Term Financial Forecast (MTFF) process. This includes close alignment with the service planning process. This has been strengthened through the development of the Business Improvement Delivery programme
  - The inclusion within the base budget of a £10.8 million Development and Risk Contingency to cover known risks and unexpected items within the year
  - Provision for the likely main pay award within the budget
  - Prudent assumptions made about general inflation
  - Additional budgetary provision for areas where prices are expected to rise by more than inflation
  - Service managers having made reasonable assumptions about demand pressures and taken a prudent view of volatile areas
  - Risk based financial monitoring being undertaken during the year and reported to Cabinet on a monthly basis. This includes the agreement of recovery plans to ensure that the budget is delivered in overall terms
  - Procedures in place to capture and monitor procurement and other efficiency savings
  - Prudent assumptions made about interest rates
  - The recommended increases in fees and charges in line with the assumptions in the revenue budget
  - The use of the Council’s project management approach to monitor delivery of the material savings in the revenue budget. This is used where there are management actions in their implementation.

- 136 The Corporate Director of Finance and Resources also has a duty to comment on the adequacy of the Council’s reserves when the budget is being set. At the time of budget setting for 2009/10, the Corporate Director of Finance and Resources set a recommended range of balances. This was between £10 million and £17 million, based on an analysis of

the risks facing the Council. The recommended range has been updated following a review of the risks facing the Council. This is set out in the next section.

## **Statement on Balances and Reserves**

- 137 The Corporate Director of Finance and Resources has undertaken a review of the risks currently facing the Council. This has enabled an update to the recommended range of balances that the Council should hold. This forms the basis of the guidance provided above in relation to his responsibilities under the Local Government Act 2003.
- 138 To assess the adequacy of general reserves, the Corporate Director of Finance and Resources has taken into account the strategic, operational and financial risks facing the Council. The Council should retain adequate reserves to cover unexpected expenditure and avoid costly short-term borrowing. Equally the Council wishes to utilise the maximum resources available to achieve its objectives therefore it plans to maintain reserves at the lowest prudent level.
- 139 To determine the recommended level of reserves the Council has assessed risk against the criteria as specified in Local Authority Accounting Panel (LAAP) Bulletin 77 (November 2008). This assessment includes the following:
- The robustness of the financial planning process (including the treatment of inflation and interest rates and the timing of capital receipts)
  - How the Council manages demand led service pressures
  - The treatment of planned efficiency savings / productivity gains
  - The financial risks inherent in any major capital projects, outsourcing arrangements or significant new funding partnerships
  - The strength of the financial monitoring and reporting arrangements
  - Cashflow management and the need for short term borrowing
  - The availability of reserves, Government grants and other funds to deal with major contingencies and the adequacy of provisions
  - The general financial climate to which the Council is subject and its track record in budget and financial management
- 140 The assessment, although based on the Council's procedures and structures, does have an element of subjectivity and to allow for this the optimum level of reserves incorporates a range. The recommended range for reserves for 2010/11 is £12 million to £23 million. Ideally the Council should avoid having balances below the minimum level of £12 million, or above the maximum level of £23 million. The Council's aim to maintain balances at £12 million is therefore within this range.
- 141 The range of issues that impact on the need to hold balances and reserves has changed since last year's budget setting process, driving up the assessment of the minimum level of balances. The main positive changes include the effect of significantly reduced interest rates being contained in the budget proposals. This has been more than offset by the reliance on capital receipts in funding the capital programme, and the need to hold balances to assist in managing the impact of significantly reduced Government grants settlements after 2010/11 as set out in paragraph 83 above.



- 142 The projected level and recommended range of balances vary depending on the budget proposals that are put forward by Cabinet, and the current projected position in terms of the year end level of unallocated balances is set out at paragraph 79 above.

### **The Council Tax Requirement for 2010/11**

- 143 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 the second successive year.
- 144 The Council Tax level is subject to Members' final choices in the budget setting process, and any capping criteria announced by Government. The Government have not yet announced any capping criteria for 2010/11, although the Minister for Local Government wrote to all Council Leaders on 9 December 2009 stating that "[the Government} expects the average Band D council tax increase in England to achieve a 16 year low in 2010/11, and [we] remain prepared to take capping action against excessive increases by authorities".
- 145 The zero Council Tax increase for Hillingdon residents proposed by both the Council and the Mayor of London through the Greater London Authority precept (see below) is considered to comply with any reasonably defined capping criteria.

### **Greater London Authority Precept**

- 146 The Mayor of London's budget proposals for 2010/11 were approved by the London Assembly on 10 February 2010. The proposals result in a zero increase in the element of Council Tax that relates to the GLA precept. This is analysed across the relevant functional bodies as follows:

Table 16: Increase in Proposed GLA Precept by Functional Body

<b>Functional Body</b>	<b>Band 'D' Council Tax 2009/10 (£)</b>	<b>Band 'D' Council Tax 2010/11 (£)</b>	<b>Percentage Change (%)</b>
Metropolitan Police Authority	223.27	217.09	-2.8%
London Fire and Emergency Planning Authority	53.15	59.65	+12.2%
Greater London Authority	29.36	29.05	-1.1%
Transport for London	4.04	4.03	-0.2%
London Development Agency	0.00	0.00	0.0%
<b>Total</b>	<b>309.82</b>	<b>309.82</b>	<b>0.0%</b>

- 147 The largest element of the GLA Group's budget relates to the Metropolitan Police Authority. The overall increase in the Metropolitan Police's budget requirement is 1.25%, as compared to increased general Government grant of 2.5%. This thereby allows the reduction in the Police element of the Council Tax. The effect on Council Tax of the increase in the London Fire and Emergency Planning Authority's (LFEPA) draft budget primarily reflects one thing. This is that the LFEPA is on the grant distribution floor for fire authorities in 2010/11. It received just a 0.5% increase in Revenue Support Grant. The actual increase in the LFEPA budget requirement from £416.2 million to £437.3 million is

5.1%. This is as compared to the 12.2% increase in its share of the proposed GLA precept.

148 The GLA budget includes the budget and Council Tax implications of the Olympics Delivery Authority. The contribution from Council Tax payers towards the Olympics remains at £20 per Band 'D' property in 2010/11, unchanged from 2009/10. The GLA budget includes additional funding for the community safety programme. This includes the provision of three new rape crisis centres across London. There is a slight reduction in the Council Tax contribution to Transport for London's budget. The London Development Agency budget has no direct impact on Council Tax levels.

## **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 budget proposals in this report result in no change in the Council Tax for 201/11 as set out in paragraph 143 above. The budget proposals contain the funding strategy for delivering the Council's objectives as set out in the Council Plan. The effects are therefore extremely wide ranging. They will be managed through the performance targets and outcomes that will be delivered through the resources approved in the revenue budgets and capital programme.

The revenue budget and capital programme include growth in some new service areas as set out at paragraphs 37 to 40 and 115 to 122 of the report. These proposals will result in improved outcomes for residents and service users. Overall the package of proposals is designed to secure the most effective combination of service outcomes across the whole of the Council's business. This will be by improving the value for money offered by services and by maximising funding, procurement, efficiency and service effectiveness gains.

### **Impact on Partnerships**

The budget proposals in this report extend and develop key partnerships in delivering outcomes for Hillingdon's residents and diverse communities.

Hillingdon Primary Care Trust (PCT) is the key local agency with which the Council works in partnership across a range of service areas. The General Fund revenue budget includes funding for a jointly appointed Director of Public Health with the PCT. This is in order to drive forward the public health agenda within Hillingdon.

The budget proposals reflect the impact of Reward Grant funding for the 2007 Local Area Agreement (LAA). The budget proposals reflect the shares of LAA Reward Grant agreed with partners at the outset of the agreement. They also reflect a creative re-negotiation by partners of the use of the Reward Grant. This was through the London Fire Brigade (LFB)'s share of reward grant being retained by the Council in return for funding fire prevention work. The phasing of Reward Grant payments to partners has also been considered in line with the timetable for cash receipt of grant by the Council. The Council initially receives the funding as the principal partner for the agreement with the Government Office for London.

The Council has also sought to extend its partnership with the voluntary sector. It has increased the voluntary sector grants budget by £50k in the new financial year.

The Council has consulted with Schools Forum on the allocation of the Dedicated Schools Grant. It will work with all schools to use this resource to drive up educational attainment and opportunities for young people across the borough.

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

Each of the Policy Overview Committees have received reports setting out the draft revenue budget and capital programme proposals relevant to their remit. This was approved by Cabinet on 17 December 2009 for consultation at the January 2010 round of meetings.

Each of the service Policy Overview Committees referred their comments on to the Corporate Services and Partnerships Policy Overview Committee. The Corporate Services and Partnerships Policy Overview Committee met on 10 February 2010 to consider the comments received from the three other Policy Overview Committees on the budget proposals relevant to their remit.

The Corporate Services and Partnerships Policy Overview Committee and the Social Services, Health and Housing Policy Overview Committee noted the budget proposals as they related to the service areas within their remits and did not submit any comments to Cabinet.

Residents' and Environmental Services Policy Overview Committee and Education and Children's Services Policy Overview Committee submitted the following comments which were noted by Corporate Services and Partnerships Policy Overview Committee and it was agreed to submit these comments to the Cabinet meeting:

#### Residents' and Environmental Services Policy Overview Committee

- 1 "That Members noted the Budget Proposals Report and asked for their concerns at the part year saving by the reduction of 1 post from the Local Development Framework Team to be noted."

#### Education and Children's Services Policy Overview Committee

1. "The Education and Children's Services Policy Overview Committee would like Cabinet to note that the Committee welcome the 0% increase of specific fees and charges in some schools in the Borough.
2. The Committee would like to highlight their concerns over the significant issue of the availability of additional funding of the Asylum Service through the government's grant regime and hope the Cabinet note the Committee's concerns."

The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers in the borough. Twenty-five of the largest businesses in the borough were provided with Cabinet's draft budget proposals after the meeting on 17 December 2009. They were invited to attend the Policy Overview Committee meetings. No specific responses were received from the business community arising from this consultation. The draft budget reported to December Cabinet has also been available to view on the Council's website and for comments.

Schools Forum has also been consulted on those budget proposals that have a potential impact on schools budgets. The consultation process with Schools Forum that concluded on 18 January 2010 is summarised at paragraphs 89 to 91 above.

## **CORPORATE IMPLICATIONS**

### **Corporate Finance**

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

### **Corporate Procurement**

Not applicable.

### **Legal**

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

The Cabinet is free to amend the proposals in this report as it wishes. However it must have regard to the need for the budget to be soundly based, balanced and adequate to fund the expected level of service provision in the financial year 2010/11. It needs also to provide for unexpected events through the identification of adequate contingences and the creation of sufficient balances.

The Cabinet's proposals will be put to the full Council at its meeting on the 25 February 2010 which is the annual budget-setting meeting.

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

The Corporate Director of Finance and Resources' duties under the Local Government Act 2003, insofar as they relate to budget setting are set out in the body of the report. Of importance to members is the duty for him to comment on the robustness of estimates for the forthcoming year. Members will note that in paragraph 135 of the report, the Corporate Director of Finance and Resources has given a number of positive assurances in relation to this issue.

The second duty for Members to note is the duty imposed on the Corporate Director of Finance and Resources to comment on the adequacy of the Council's reserves. Members will note that a Statement of Reserves and Balances is contained within the body of the report which discharges this duty.

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

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

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

Finally, Members will note from paragraph 61 of the report that the Council is challenging the Government's decision to refuse its application for a Capitalisation Direction. It is instructing Leading Counsel, in conjunction with a consortium of other authorities, to send a 'pre-action protocol letter' to the Government. If the response to it is considered to be unsatisfactory, Leading Counsel will be further instructed to commence Judicial Review proceedings in the High Court.

### **Corporate Property**

The Head of Corporate Property Services advises that there are no decisions with direct property implications for individual properties arising from the recommendations of this report.

### **Relevant Service Groups**

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

### **BACKGROUND PAPERS**

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

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

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)