

BUDGET PLANNING REPORT FOR CENTRAL SERVICES 2012/13

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REASON FOR ITEM

This is the first opportunity for the Policy Overview Committee to discuss the current stage of development of budget planning work with regard to Central Services. Within the context of the Council's overall financial position, this paper sets out the main financial issues facing the Group's services and the work being undertaken to respond to them. This paper gives a strategic context in which the detailed proposals to be discussed at Policy Overview Committee meetings in January 2012 will need to be considered. An update on the council's performance and risk management arrangements is attached as an appendix.

OPTIONS AVAILABLE TO THE COMMITTEE

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

INFORMATION

- 1 This is the first of two opportunities within the planning cycle for the Policy Overview Committee to consider issues relating to budget planning for 2012/13. The focus of this report is the major issues that have been identified through the service and financial planning process for Central Services. The report to be considered in January 2012 will set out the detailed budget proposals for the Group, those proposals having been included in the report to Cabinet on the Medium Term Financial Forecast (MTFF) on 15 December 2011.

Corporate Summary

- 2 While the focus of the discussion for the Policy Overview Committee should be the specific services within its remit, it is important that this discussion is conducted in the context of the overall corporate financial position.
- 3 Both the Comprehensive Spending Review 2010 and the two-year local government finance settlement in January 2011 clearly set out the financial challenge facing the council over the next few years. Cuts in funding from central government are being front loaded with the most significant reductions happening in 2011/12 and 2012/13. As a result, the budget report to Council in February 2011

identified the savings requirement for 2012/13 as £16.4m. The breakdown of this £16.4m target is currently allocated as follows:

- Social Care, Health & Housing £7.1m
- Central Services £1.6m
- Planning, Environment, Education & Community Services £7.5m
- Other cross cutting savings £0.2m

4 This is in addition to any emerging pressure which may arise throughout this financial year which will have to be provided for in next year's budget. The budget gap will be monitored throughout the year and the budget strategy adjusted accordingly to ensure that a balanced budget for 2012/13 can be set.

Strategy to deal with the budget gap

5 The Council is strongly placed to deal with the challenges ahead. We have a good track record of coming in or under budget each year and have accumulated balances of £17.0m by the end of 2010/11. We have a well established HIP programme that has helped steer the Council from a position of having low balances to one of having healthy balances at the same time as dealing with significant external challenges. This has been enhanced by the development of the BID programme as the main vehicle for delivering the fundamental changes required to the Council's structure and ways of working in order to address the reductions in funding going forward.

MTFF process update

6 The timetable for the budget process was revised last year in order to obtain earlier engagement with CMT and the Leader of the Council in reviewing the MTFF position to develop a robust financial strategy. As the plans for 2012/13 are the next phase of the transformation programme developed during 2011/12, the first MTFF sessions with Groups took place during March to ensure the focus remained on the continuing development of savings proposals. Initial programmes of savings for 2012/13 were identified by each group, which were then developed into detailed budget proposals for the second round of MTFF sessions in June and July. Progress on the development and delivery of these proposals will be monitored monthly by CMT and the Leader of the Council throughout the remainder of the year.

Timetable for 2011/12 Budget

7 The broad timetable is as follows:

Process	Timetable
Initial Scoping Meeting with Leader	March

Monthly CMT updates (March 11 to Feb 12)	Monthly
Monthly Leader MTFF updates (March 11 to Feb 12)	Monthly
Heads of Finance challenge sessions	February
MTFF Group Review (1) – Scoping session	March
MTFF Review (2) – Challenge Session (balanced set of proposals for 2012/13 finalised)	June / July
POC Report on the budget context	July
Joint CMT and Cabinet Awayday	October
MTFF Review (3) – Final Sign-off	November
MTFF reported to Cabinet	December
POC review of draft Group Plans and budget proposals	January
Council Tax setting	February

Budget Planning in Central Services - Summary of Key Financial Issues

- 8 As explained earlier in the report, the significant cuts in funding and the frontloading of those cuts in 2011/12 and 2012/13 was a key driver in the Council transforming the way it operates. Central Services took the opportunity to review each service, both the structure and business processes. Additionally, as part of the council wide transformation several support functions were brought together in the centre of the organisation. In the first phase of this process, Central Services' identified budget savings in 2011/12 totalling £2,634k across all services.
- 9 The 2012/13 MTFF proposals, totalling £1.582k, build on this work, with the most significant savings being proposed by HR £466k, Finance £630k and Policy, Performance & Partnerships £324k. Many of the ongoing restructures are being designed to ensure that the central service functions have the capacity and capability to add the value required by the rest of the council.
- 10 Alongside the development of these savings proposals, potential pressures and emerging issues are being monitored, particularly the potential financial impact of impending Localism Bill, with the provision for local referendums and individual registration, and the impact on income from schools either through opting out of buying council services or through becoming academies. Once any impact from these potential pressures can be quantified this will be fed into the 2012/13 budget.

Next Steps

- 11 The Medium Term Financial Forecast setting out the draft revenue budget and capital programme will be considered by Cabinet on 15 December 2011 and issued for consultation during the remainder of December 2011 and January 2012. This will include detailed consideration by each of the Policy Overview Committees of the proposals relating to their respective services.

SUGGESTED COMMITTEE ACTIVITY

Consider whether there are suggestions or comments the Committee wish to make.

BACKGROUND PAPERS

The Council's Budget: General Fund Revenue Budget and Capital Programme 2011/12
– reports to Cabinet 17 February 2011 and Council 24 February 2011.

London Borough of Hillingdon - Performance and Risk Management Arrangements

1. **The London Borough of Hillingdon** has set out its vision of 'Putting Residents First' and established four priority themes for delivering efficient, effective and value for money services. The priority themes are; 'Our People, 'Our Natural Environment', 'Our Built Environment' and 'Financial Management'. The delivery of these priorities will be achieved through a combination of strategic management tools, which include: the Hillingdon Improvement Programme, Business Improvement Delivery programme and Medium Term Financial Forecast process of service and annual budget planning.

2. **The Hillingdon Improvement Programme (HIP)** is the council-wide transformational programme delivering a range of performance, organisational, culture and process improvements. The programme is led by the Leader of the Council, and the Deputy Chief Executive and Corporate Director for Central Services is the programme director. Cabinet members and directors are also responsible for specific parts of HIP.

3. **The Business Improvement Delivery (BID)** programme is a key part of HIP and has been designed to fundamentally transform the way the Council operates and deliver the council's savings targets of £26.2 million for 2011-12 and more than £60 million over the Comprehensive Spending Review four year period. The BID programme delivery and expenditure is overseen by the Leader of the Council, and the Deputy Chief Executive and Corporate Director of Planning, Environment, Education & Community Services.

4. **The Medium Term Financial Forecast (MTFF)** process is the system of service, financial and annual budget planning. This runs from the preceding spring to February with a robust challenge process involving members, Corporate Directors and the Chief Finance and S151 Officer. Monthly reports on key financial health indicators are produced and communicated through the finance management team.

5. **The Sustainable Community Strategy (SCS) 2008-2018** sets out the Local strategic Partnership aims and ambitions for the London Borough of Hillingdon over the next 10 years. The Local Strategic Partnership (LSP) 'Hillingdon Partners' and its theme groups have overall responsibility for delivering the commitments made in the Sustainable Community Strategy. The partnership is currently in the process of reviewing and updating the SCS to ensure it continues to reflect the changing circumstances of the borough.

6. **The Performance Management Framework** is used to capture and report performance against Council priorities and SCS priorities. Performance is monitored on a regular basis via Senior Management Teams and reported quarterly to the Corporate Management Team.

7. **The Performance and Development Appraisal (PADA)** process is completed by all officers and senior managers. This records employee's key objectives and tasks, sets

targets for when these must be delivered and identifies staff learning and development needs. There are competency frameworks for staff, managers, senior officers and Directors, with descriptors outlining the performance that is expected at each level. Performance reviews are completed on a bi-annual basis against the relevant competency framework and PADA guidance is available to support both staff and managers through the process. The London Borough of Hillingdon has established effective **risk management systems**.