THE COUNCIL'S BUDGET: MEDIUM TERM FINANCIAL FORECAST 2015/16 – 2019/20

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Cabinet Portfolios	Leader of the Council Finance, Property and Business Services
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Papers with report	Appendix 1 to 12 (detailed MTFF proposals)

1. HEADLINE INFORMATION

Purpose of report	This report sets out the Medium Term Financial Forecast (MTFF), which includes Cabinet's proposals for the 2015/16 General Fund and Housing Revenue Account budgets, along with indicative projections for the following four years. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for the next year for all and the next five years (which will extend the freeze to twelve years) for the over 65's, as well as providing significant sums for priority growth initiatives, whilst maintaining balances and reserves well above the minimum recommended level. The proposed General Fund Capital Programmes includes total investment of £350m over the next 5 years with £97m in 2015/16, including significant investment in school facilities. Overall there will be a small reduction in the level of Council Tax as the revenue budget proposals result in a freeze on the Hillingdon element at 2014/15 levels and there is a proposed reduction of 1.3% on the Greater London Authority (GLA) precept. The Housing Revenue Account budget proposals continue to underpin the self financing regime and propose rent increases of 2.2% in line with the Government rent restructure programme. Cabinet are requested to recommend their budget proposals to full Council on 26 February 2015. This is in order to formally set the General Fund Revenue budget, the Housing Revenue Account budget, the Capital Programme and Council Tax for the 2015/16 financial year.
Contribution to our plans and strategies	**Putting our Residents First***: Financial Management; Our People; Our Natural Environment; Our Built Environment.*

	The Medium Term Financial Forecast is the financial plan for the Council and contains the funding strategy for delivering the Council's objectives.

Financial Cost	Zero increase in Council tax for the seventh successive year.

Relevant Policy Overview Committee	Corporate Services and Partnerships Children, Young People's & Learning Residents' and Environmental Services Social Services, Housing and Public Health

Ward(s) affected	All

2. RECOMMENDATIONS

That Cabinet approves for recommendation to Council:

1) **The General Fund and Housing Revenue Account budget and capital programme outlined in appendices 1 to 7;**
2) **The Treasury Management Strategy Statement, Annual Investment Strategy and Minimum Revenue Provision Statement for 2015/16 to 2019/20 as detailed in Appendix 9;**
3) **The proposed London Borough of Hillingdon Pay Policy Statement for 2015/16 set out at Appendix 10;**
4) **The fees and charges, including HRA Dwelling Rents calculated under the DCLG rent restructure policy, included at Appendix 11;**
5) **That it resolves that Cabinet may utilise the general reserves or balances during the MTFF financial years 2015/16 to 2019/20 in respect of those functions which have been reserved to the Cabinet in Article 7 of the Constitution (as set out in Schedule G of the Constitution - Budget and Policy Framework Procedure Rules);**
6) **That Cabinet notes the Corporate Director of Finance's comments regarding his responsibilities under the Local Government Act 2003.**

Notwithstanding the Cabinet's budget proposals above, which be recommended to Council for approval, notes:

7) **That Council officers will be offering the Schools Forum an opportunity to consider public representations in relation to their recommended fees for Full Day Care Provision at 3 Children's Centres in the borough.**
8) **That Cabinet reserves the right to make subsequent changes to the in-year 2015/16 approved budget and the schedule of fees and charges to take account of any comments that Schools Forum may decide to make following its consideration of the public representation.**

SUMMARY

This report contains the output from the latest comprehensive refresh of the 2015/16 revenue budget and medium term projections through to 2019/20. Proposals contained within this report

will enable the Council to deliver a freeze in Council Tax for the seventh successive year for all residents and ninth year for the over 65's. This is a significant achievement in light of continuing funding cuts from central Government, equivalent to 13.6% in 2015/16 alone. Savings proposals have been developed to off-set this loss of Government funding, to manage changes in projected contingency requirements arising from demand led pressures and to provide for further priority growth.

Analysis of the funding settlement for 2015/16 indicates a reduction of £11,278k in government grants, with growth in the Council Tax and Business Rate bases securing an additional £3,042k income to deliver a net reduction in resources of £8,236k. In addition to this reduction in funding, inflationary cost pressures of £2,585k and increased demand for services managed through contingency of £3,291k are projected for 2015/16. In order to present a balanced budget, £9,907k savings proposals and £5,205k corporate items including a £5,000k drawdown from balances, have been developed. This enables Council Tax to be frozen for a seventh year and provide an additional £1,000k Priority Growth to support new initiatives.

In addition to the revenue budget, this report contains a comprehensive update on the Council's capital programme including the continuation of the Council's flagship school expansion programme to the end of the decade as well as details of a number of new proposals for capital investment. Investment of £428,378k is planned over the period 2014/15 to 2019/20, with £350,018k from 2015/16.

A refreshed budget for the Housing Revenue Account is also included, containing the inflationary increase in rents of 2.2% in line with the Department of Communities and Local Government's rent restructuring formula. The HRA capital programme outlined in this report includes provision for delivery of new housing stock to replace properties lost through Right to Buy sales over the period to 2019/20.

Alongside work on 2015/16 budgets, development of a wider financial strategy covering the period to 2019/20 is underway, with a key driver being the maintenance of the Council's focus on 'putting our residents first'. A principal element of the strategy is the Council's response to continuing cuts in central Government funding, with a sustained funding reduction to continue over each year of the MTFF period.

The Localism Act 2011 requires local authorities to publish a pay policy statement annually. This pay policy statement must set out the authorities' policies for the financial year relating to remuneration of its Chief Officers; remuneration of its lowest paid employees; and the relationship between the remuneration of its Chief Officers and the remuneration of those employees who are not Chief Officers. The proposed 2015/16 policy is included as Appendix 10 to this report.

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 2015/16. This includes the impact on the Council Tax and housing rents and service charges.

Cabinet should give full consideration to the Corporate Director of Finance's 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 and housing rents 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 five year period as the statutory framework provides greater freedoms under the Prudential Code to encourage 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.

Recommendations 7 and 8 are included to enable Schools Forum, which will not be meeting until March 2015, to consider public representation on proposed increases to charges in relation to day care at Children's Centres. As these changes form part of a package of revenue neutral measures within the Schools Budget, any subsequent amendment will not impact upon the budget proposals recommended for approval at this meeting.

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 and the loss of the Council Tax freeze grant of £1,157k. A change in the budget requirement of £1,015k either way (increase or decrease) will result in an increase or decrease of 1.0% in the level of the Council Tax equivalent to £11.13 per annum at Band D level.

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 Prudential Borrowing in the first instance. This would have a consequential upward impact on the revenue budget requirement and Council Tax or the level of balances if they are Housing capital projects.

Members could decide to vary the proposed fees and charges outlined at Appendix 11. Any decision to do so could have an impact on the budget requirement. This would need to be reflected in the budgets to be recommended to Council.

If the Council chose to set rents higher or lower than those proposed in line with the Government rents restructuring policy there would be different impacts on the HRA. Lower rents than proposed would result in less income and a detrimental impact upon balances whilst higher rents would have beneficial impact on balances and both would be out of line with the agreed business plan for the self financing regime. Higher rents than those proposed could also be subject to challenge by tenants on the basis the Council would not be implementing the agreed 10 year business plan. Neither option can be recommended.

The Development and Risk Contingency identifies the key risks and uncertain items for which provision is contained with 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 2015/16 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. Whilst further contributions from balances could be made, any reduction in balances to below the lower limit of this range is not recommended.

Legal Considerations

The Corporate Director of Finance has a duty under the Local Government Act 2003 to comment on the robustness of the General Fund budget for the coming year and the adequacy of the Council's reserves. These duties are exercised in this report. The Corporate Director of Finance has recommended that an appropriate level of unallocated balances for the Authority is in the range from £20m to £45m. As described in the report, unallocated balances have been maintained well above the minimum level throughout the current year and are likely to be in excess of £41m at the year end. They will remain well in excess of the £20m minimum level for 2015/16 as a result of the budget recommendations in this report. The budget also contains a Development and Risk Contingency of £10,273k over and above the unallocated balances.

In relation to the Housing Revenue Account (HRA) current legislation requires income from tenants for rents and service charges to be separately shown in the HRA. Under Department for Communities and Local Government (DCLG) guidelines these charges must be reviewed regularly to ensure the HRA does not go into deficit.

Comments of Policy Overview Committee(s)

Each of the Policy Overview Committees has received reports setting out the draft revenue budget and capital programme proposals relevant to their remit. These were approved by Cabinet on 18 December 2014 for consultation at the January 2015 round of meetings.

Each service Policy Overview Committee referred their comments on to the Corporate Services and Partnerships Policy Overview Committee on 5 February 2014. The Committee's comments to Cabinet are contained in Appendix 12.

Following consideration at Cabinet, the December report formed the basis of consultation with Policy Overview Committees during January 2015. Comments from the Policy Overview Committees will be reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee when Cabinet meets on 12 February 2015. Cabinet will then agree a set of budget proposals for recommendation to the annual Council Tax setting meeting of full Council on 26 February 2015.

3. INFORMATION

Supporting Information

Background to the 2015/16 MTFF Process

1. This is the second report to Cabinet on the budget for 2015/16, which refreshes the draft revenue and capital programmes approved by Cabinet in December 2014 for consultation with Policy Overview Committees and other stakeholders to take account of new intelligence, including the provisional local government finance settlement. Changes from this draft budget are outlined below, before outlining the full range of budget proposals developed for 2015/16.

2. A savings requirement for 2015/16 of £20,284k was identified in February 2014, which was to be managed through a planned £5,000k drawdown from balances to smooth the impact of front-loaded funding cuts, reducing the outstanding budget gap to £15,294k. Initial savings targets totalling £7,645k were allocated to individual groups and £7,649k was set against Corporate and Policy Items to manage this opening budget gap.

3. The Council continues to operate within the constraints of the Government's deficit reduction programme, which has seen a reduction of 37% (£58m) in central government funding since 2010/11 and all indications are that funding will continue to decline. The local government finance settlement published in February 2014 confirmed a further 13.6% reduction for 2015/16 alone. When combined with the broad range of demographic and other service pressures impacting upon the Council's finances, this requires the Council to continue to identify savings and efficiencies to protect services to residents.

4. Since February 2014, groups have been developing savings proposals sufficient to deliver targets and to manage any increased cost pressures within their services, alongside continuing to proactively manage delivery of savings from earlier years. In addition, a comprehensive review of the corporate elements of the budget has been undertaken, including funding, inflation and capital financing. During June and early July, and then again during September and October, a series of budget challenge sessions were held covering Administration, Finance, Residents Services, Adult Social Care, Children and Young People, the Capital Programme, the Housing Revenue Account and Corporate Budgets. Each session followed a similar format reviewing:

   - The 2013/14 outturn, particularly any ongoing issues arising.
   - The current position in 2014/15 - both monitoring and savings delivery.
   - Existing and emerging pressures which need to be addressed in the 2015/16 budget and forecasts for future years.
   - Progress on the development of savings proposals for 2015/16.
   - Identification of any potential growth or invest-to-save bids.
   - Capital programme requirements.

5. Alongside these budget challenge sessions, Finance Managers have been leading a number of reviews focused on understanding and simplifying the Council's base budget position in order to ensure that budgets are fully aligned with management responsibility and to improve transparency around the existing cost base. These reviews have removed a significant number of notional internal charges and centralised a number of externally-set levies, enabling operational managers to focus on controllable expenditure and accountants to reduce unnecessary reworking of data.

6. This report collates the output from work undertaken since February 2014 and presents a balanced budget for recommendation to Council by Cabinet. Alongside the 2015/16 position, this report also considers the financial outlook for the Medium Term which considers the likelihood of sustained reductions in funding over the period from 2016/17.

GENERAL FUND REVENUE BUDGET

Update on 2014/15 Budget

7. Development of the 2015/16 budget builds upon the 2014/15 budget and therefore the current monitoring position provides a useful context and manages many of the same

challenges to be expected in the new financial year. In addition, progress towards delivery of existing savings targets is of vital importance in considering both the feasibility of future savings initiatives and the potential need to identify alternative measures where planned savings cannot be secured.

8. As at Month 9 an underspend of £3,254k is reported on normal General Fund activities, with an additional £710k Compulsory Purchase Order compensation for loss of revenue being reported as an exceptional item. A net underspend of £1,908k is reported on Directorate Operating budgets, with an underspend of £59k on Development and Risk Contingency and a £1,287k underspend projected on capital financing costs. A number of compensatory variances are reported within contingency, with an improved outlook on Homelessness and Adult Social Care placements being off-set by increased demand for Children's Social Care and SEN Transport, the medium term impact of which are reflected in this draft budget for 2015/16. The following positions are reported on Directorate Operating Budgets:

    - Administration - an underspend of £428k is reported due to posts being held vacant in advance of restructuring and additional income within the legal service, both of which are included as savings proposals for 2015/16.
    - Finance - a net underspend of £347k is reported at Month 9 with strong performance on recovery of overpaid housing benefit and court costs, detailed in the savings section of this report, being off-set partially by transitional staffing costs.
    - Residents Services - an underspend of £769k is projected as a result of underlying pressures on parking income and facilities management being off-set by the cost reduction resulting from closure of the Victoria Road Civic Amenity Site and posts being held vacant across the group. While this cost reduction will be reflected in full in 2015/16 budgets, cost pressures are expected to be managed out - partially through on-going investment in car parks and contract savings on the outsourced facilities management operation. Within this position, a one-off pressure on the buyer's premium in respect of asset sales in 2014/15 is off-set by a range of one-off underspends across the group.
    - Children & Young People's Services - the reported pressure of £407k is primarily attributable to use of agency staff during the transition to a permanent establishment. This variance is expected to be transitional in nature and not impact upon 2015/16 budgets.
    - Adult Social Care - an underspend of £771k is reported at Month 9, with savings from vacant posts across the group and an improved outlook on income off-setting difficulties in releasing cashable savings from a reduced transport requirement following the realignment of day centre provision.

9. Good progress is being made to date against delivery of the majority of the £16,491k savings included in the 2014/15 budget (£12,802k from 2014/15 and £3,689k brought forward from earlier years) with £14,319k either already banked or on track for delivery in full. A further £1,500k is covered by contingency which is being applied leaving £672k classed as amber due to being more complex or harder to deliver. These remaining amber projects are expected to continue being steadily upgraded to green over the remainder of the year.

10. The reported underspend on capital financing costs is temporary in nature and reflects a combination of early ring-fencing on monies to support the Council's programme of school expansions and an improved outlook on grant funding in support of the same programme.

11. At 31 March 2014 General Fund Balances totalled £35,915k and with the projected underspend for 2014/15, are expected to reach £39,879k by 31 March 2015. Given that there remains significant uncommitted growth and General Contingency at this stage in the financial year, it is likely that balances will reach at least £41,000k at outturn.

CHANGES SINCE REPORT TO CABINET ON 18 DECEMBER 2014

12. The table and narrative below outlines the changes to the recommended budget proposals from the report considered by Cabinet on 18 December 2014. Each of these items is also considered in the relevant section of this report.

Table 1: Changes to Revenue Proposals

	£'000
Balanced Budget Proposals - December 2014	**0**
• Funding Issues	
Provisional Local Government Finance Settlement	137
Additional funding for Welfare, Health & Social Care	(298)
Confirmation of minor grants	94
Transfer of Advocacy Costs into Better Care Fund	(48)
Confirmed New Homes Bonus & Topslice	101
• Inflation Provision	
Vehicle Fuel	(51)
Concessionary Fares Settlement	(194)
Review of other non-staffing inflation	(90)
• Contingency Movements	
SEN Transport	51
Potential Shortfall in Health & Social Care Funding	298
Balanced Budget Proposals - February 2015	**0**

13. The Provisional Settlement published on 18 December 2014 represented a £992k increase of the previous local estimate, however this included the rolling-in of the 2014/15 Council Tax Freeze Grant which had previously been presented as a separate income stream and the bottom-line impact on the Council was an adverse movement of £137k. The final settlement announced on 4 February 2015 included the late addition of £298k to assist authorities managing Welfare, Health and Social Care pressures, given the lateness of this announcement this sum has been added to the contingency held by the Council for such risks.

14. Alongside the settlement confirmation was received on a number of smaller grants which resulted in a headline adverse movement of £94k, although this includes £48k of funding for Independent Mental Health Advocacy which was rolled into the Better Care Fund. The net impact of £46k includes £19k topslice from the Lead Local Authority Flood Grant, £16k in relation to new burdens funding for Community Right to buy & Challenge legislation and a minor £11k movement in Council Tax Freeze Grant assumptions.

15. Confirmation of New Homes Bonus Allocations for 2015/16 has been received, which are £101k lower than previous local estimates. This movement is principally due to higher than anticipated awards to other local authorities reducing the refund element of this funding by

£80k, with the remaining £21k due to minor movements from the previously reported Council Taxbase.

16. The inflation provision has been scaled back to take account of the Concessionary Fares Settlement, which confirmed the 2015/16 levy at £8,562k, and a review of inflation for non-staffing expenditure. Given current market conditions, the £51k provision for inflation on vehicle fuel costs has been removed.

17. Within Development and Risk Contingency, projections for gross risk in a number of areas, including Homelessness, Asylum and SEN Transport, have been updated to reflect latest intelligence on demand for services and available grant funding. With the exception of SEN Transport, for which additional provision of £51k is now included, it is expected that management action will be sufficient to contain pressures within the net contingency requirement reported to members in December 2014. The additional £298k funding announced in the final Local Government Finance Settlement on 4 February 2015 has been applied to increase contingency provision for Health and Social Care funding.

18. In addition, the capital programme outlined from paragraph 116 has been refreshed to take account of the latest cost estimates and capital receipt forecasts, while reflecting the full range of the Council's programme of Town Centre Investment and inclusion of grant funding secured since December 2014. The net borrowing requirement associated with this revised programme is £139,092k, £2,705k lower than outlined in the report to December Cabinet.

19. The Housing Revenue Account budget has been refreshed to reflect the latest projections in relation to new build projects, and reflect an additional £1,000k efficiency savings in repairs and planned maintenance to support future investment in housing stock. These changes are outlined from paragraph 139 below, but do not affect rent payable by individual tenants.

Budget Requirement 2015/16

20. The movement from the 2014/15 baseline to the 2015/16 budget requirement is summarised in the following table. Further details on each of the items accounting for this movement are expanded upon within the report.

Table 2: Budget Requirement

	£'000
Funding Sources	
Council Tax Receipts	104,196
Retained Business Rate Receipts	46,955
Central Government Grant	52,801
Total Resources	**203,952**
Budget Requirement 2014/15	212,188
Inflation	2,585
Corporate Items	(5,205)
Contingency	3,291
New Priority Growth	1,000
Savings	(9,907)
Budget Requirement 2015/16	**203,952**
Surplus / (Deficit)	**0**

21. Appendices 1 to 5 attached continue this presentation over the MTFF period, showing the cumulative impact of the trends in funding and service pressures and the resultant cumulative savings requirement, which is projected to reach £63,352k by 2019/20.

FUNDING SOURCES

22. Previously reported trends are set to continue into 2015/16 on the three principal funding streams - Council Tax rising to reflect a growing population; Business Rates increasing to reflect local economic growth; and Central Government Grant being cut to meet Government's deficit reduction targets. The net impact on these changes will result in an overall reduction of £8,236k in resources in 2015/16 from 2014/15 levels, providing funding sufficient to support a budget requirement of £203,654k.

Table 3: Funding

	2014/15 £'000	Increase / (Decrease) £'000	2015/16 £'000
Council Tax Precept	99,327	2,172	101,499
Council Tax Surplus	3,610	(913)	2,697
Retained Business Rate Receipts	45,172	2,283	47,455
Business Rate Deficit	0	(500)	(500)
Revenue Support Grant	52,006	(12,497)	39,509
Other Government Grant	12,073	1,219	13,292
Total Resources	**212,188**	**(8,236)**	**203,952**

23. While an overall reduction in funding of £8,236k is quoted above, it should be noted that £2,067k of growth in other government grants relates to monies to manage new burdens under the Care Act and will therefore not be available to support existing services. Disregarding this sum the reduction in funding for existing services rises to £10,303k.

24. As a result of continuing cuts to central Government funding locally raised income is expected to account for 74% of corporate funding in 2015/16 (69% in 2014/15).

Council Tax Income

25. Residential development within the Borough is continuing, with current projections for growth in the Council Tax Base remaining unchanged from the position reported to Cabinet and Council in February 2014 with an additional 1,500 Band D properties expected to be added to the base. Collection rates continue to outperform budget assumptions following the introduction of the local Council Tax Reduction Scheme securing revenues equivalent to a further 452 Band D properties. The combined impact of these movements is an increase in gross Council Tax Revenues of £2,172k from 2014/15, bringing total revenues to £101,499k.

26. This draft budget maintains the freeze on Council Tax into a seventh year for all households, with the Hillingdon element on a Band D property remaining fixed at £1,112.93 in 2015/16. Funding set aside in 2013/14 remains sufficient to maintain the discounted Council Tax for over 65s to 2018/19, maintaining the freeze for those households since 2008.

27. As announced by the Chancellor of the Exchequer in Spending Round 2013, Council Tax Freeze Grants will be available to those authorities, including Hillingdon, who do not

increase Council Tax. The current budget assumes that the Council will receive funding of £1,157k for 2015/16 and 2016/17, equivalent to a 1% increase in Council Tax; however the precise mechanics of the grant will remain subject to confirmation.

28. Council Tax income of £101,499k includes provision to maintain the existing Council Tax Support scheme during 2015/16, with the numbers of eligible claimants expected to remain consistent at a cost of 13,247 Band D Equivalent households. Central Government funding for the scheme is contained within the Revenue Support Grant and for 2015/16 remains sufficient to fund the Council's current scheme.

29. A surplus of £2,697k is projected on the Council Tax Collection Fund at 31 March 2015, which will be released to the General Fund in 2015/16. This surplus includes the confirmed £797k surplus secured in 2013/14, and an expected £1,900k in-year surplus attributable to overachievement of current income targets and strong collection rates. When added to the in-year receipts of £101,499k referred to above this results in total Council Tax income of £104,196k.

Business Rate Income

30. Continued strong growth in the Business Rate Base is projected for 2015/16, with development of major sites across the Borough beginning and the full-year effect of Heathrow Terminal 2 expected to be more than sufficient to offset the underlying trend of falling rateable value seen since 2010. Current indications are that this decline is principally attributable to revaluations following appeals, for which provision has been made in this draft budget.

31. Under the Business Rate Retention system, the Council retains only 15% of any growth above a government determined baseline level which is projected to equate to £4,597k in 2015/16, representing an increase of £1,480k of retained growth from 2014/15. Baseline Business Rate income will rise by approximately 2% in line with the liability of local businesses to provide £42,858k of funding for 2015/16, bringing total retained income to £47,455k.

32. In addition to the substantial topslice on growth, the annual inflationary uplift in Business Rates is payable in full to Central Government and is not available to support local services. For 2015/16 this increased cost to local businesses will be capped at 2%, rather than increasing in line with the Retail Prices Index, as confirmed by the Chancellor of the Exchequer in the 2014 Autumn Statement.

33. There remains a level of risk associated with back-dated appeal losses within the partially-localised Business Rates Retention system; however, it is expected that sufficient provision is available within current growth projections to manage the 542 appeals outstanding with the Valuation Office Agency at the end of quarter three, 31 December 2014.

34. A second key risk to this income stream relates to the continuing high level of vacant property relief being granted; however, increased investment in the Council's Corporate Fraud Team agreed in February 2014 is expected to enable this to be proactively managed.

35. A deficit of £500k is projected on the Business Rate Collection Fund at 31 March 2015, with the continuing high level of vacant properties and a number of issues in relation to Heathrow Airport adversely impacting upon revenues in the current financial year. Although these issues are to be managed in the medium term through a range of measures, this deficit will reduce retained Business Rate income for 2015/16 to £46,955k.

Central Government Grant

36. Since 2010, the Government's wide-ranging deficit reduction programme has particularly impacted upon the local government sector, with headline reductions in the Local Government Departmental Expenditure Limit exceeding 35%. This is set to continue over the medium term. While the level of funding available continues to fall, further pressure is being placed upon the Council's budgets as an additional £800m funding will be top-sliced in 2015/16 to support new Government initiatives including the Troubled Families Programme and issues relating to the Care Act.

37. Following publication of the draft budget in December 2014, the provisional 2015/16 Local Government Finance Settlement was published by the Department for Communities and Local Government. This provided an update on 'formula' funding (which includes Revenue Support Grant and Baseline Business Rate Income), representing an adverse movement of £137k on previously announced funding levels for 2015/16 and confirmed a year on year reduction in Revenue Support Grant of £12,795k to £39,211k. The final settlement published on 4 February 2015 included an additional £298k for Welfare, Health and Social Care pressures, marginally improving the funding position. However, there remains a significant funding cut which is masked by the decision to roll-in the 2014/15 Council Tax Freeze Grant, disregarding this presentational change the like-for-like reduction in 'formula' funding of £13,626k (13.6%).

38. Hillingdon continues to experience lower percentage cuts in funding than the majority of London boroughs as a result of historic make up of its formula funding. As a relatively more affluent borough, Hillingdon receives more funding through so-called rolled in grants, such as the former Early Intervention Grant, which have been protected at 2013/14 levels. Although the Council is a relative outlier within London, Hillingdon's funding make-up is closely aligned to the national average for England.

39. Funding in respect of residual Local Education Authority functions continues to be delivered through the Education Services Grant, with income of £2,808k projected for 2015/16. This represents a reduction of £492k, reflecting the 20% cut in funding rates announced by the Department for Education in Summer 2014 marginally offset by the growth in pupil numbers of approximately 2% per annum. Given the limited number of pending or potential Academy conversions, which would further reduce the grant award, the £459k earmarked reserve for such transfers is being released to smooth the impact of these further unexpected Government cuts.

40. It should be noted that this cut in funding rates further exacerbates the disparity in funding levels for maintained schools and Academies within the Education Services Grant, with significant protections built into the 2014/15 £140 per pupil Academy rate against £87 in the maintained sector. As Government's stated intention is to align these two rates there appears to be limited scope for further cuts in the maintained rate and therefore the Council's funding without further consideration of statutory duties falling upon Local Education Authorities.

41. Specific grant funding for the administration of Housing Benefit and Council Tax Support will continue in 2015/16, with allocations being £1,311k and £316k respectively, representing a 10% 'efficiency' saving on 2014/15 funding levels. This level of funding reflects the transfer of anti-fraud functions to the Department for Work and Pensions, however, it is expected that the £100k Corporate Fraud Grant announced in 2013 will compensate for this loss and enable the Council to focus anti-fraud activity on local issues.

42. The introduction of the Better Care Fund is expected to increase resources available to the Council to support a sustainable health and social care system, providing better quality care and improved outcomes for health. A total of £17,991k is available for Hillingdon from the national pooled budget of £3,800m; however it should be noted that this replaces a range of existing funding streams for both the Council and local Clinical Commissioning Group (CCG). The Better Care Fund plan submitted to the Department of Health in January 2015 sets out the elements of this funding, with £10,032k in support of CCG commissioned activity and £7,959k to protect Social Care. The Council share is made up of £4,772k to replace the former Section 256 Agreement in support of Social Care; £838k funds passported to the Council for new burdens funding to meet the costs associated with implementation of the Care Act; and £2,349k of capital funds to support investment in Disabled Facilities Grants and other Social Care priorities. Application of capital funding is detailed elsewhere in this report. The total revenue funding for health commissioned services included in this draft revenue budget total £5,610k.

43. The Care Act 2014 introduces significant changes to Adult Social Care funding arrangements which include the introduction of a number of new duties that the Council will need to implement prior to 1 April 2016. The Department of Health have recently completed a consultation exercise on new burdens funding, which indicates an additional grant of £1,277k to meet the costs of introducing deferred payments and assessing carers for their own needs will be available over and above monies within the Better Care Fund.

44. In addition to the specific grants noted above, there are a number of small corporately managed grants which are expected to total £254k in 2015/16 and are detailed in Appendix 1a. Income in respect of the New Homes Bonus grant is projected to total £7,946k for 2015/16 and is managed within Residents Services budgets. This represents a marginal reduction of £261k on projections reported in February 2014 due to the timing of completion on a number of sites; however, it is expected that this position will be recovered in the medium term.

BALANCES AND RESERVES

45. The Council's Balances and Reserves Policy, which sets the minimum unallocated General Fund Balance at £20,000k, is maintained to manage a broad range of risks. This minimum balance was increased in 2013/14 to take account of new responsibilities transferring to the Council, no further changes to this limit are recommended at this time. However as the full implications of the Care Act and Better Care Fund become apparent it may be necessary to reconsider this minimum balance. Appendix 8 to this report outlines the range of risks requiring cover within unallocated General Fund Balances.

46. General balances are projected to remain well above the minimum balance, forecast to be £39,879k by 31 March 2015. However, given the likelihood of not all contingency and priority growth provision being committed over the remainder of the year actual balances could be higher than this sum. In addition, the Council has earmarked balances of around £20m going into the current financial year and although some is likely to be drawn down this year, and with £730k contributing towards this draft budget, substantial earmarked balances will still be carried forward at the end of 2014/15. Within these earmarked balances, provision is being set aside to support Abbotsfield School by writing off legacy loan balances and ensuring that it is financially secure going forward.

47. The current MTFF strategy assumes £5,000k of balances will be drawn down in 2015/16 to smooth the impact of front-loaded funding cuts. It should be possible to use further general balances and/or earmarked balances to further smooth the impact of future cuts. As such, the provisional MTFF strategy for 2016/17 onwards assumes further allocations from balances of £4m, £3m, £2m and £1m drawn down over a 4 year period to further smooth the impact of funding cuts. These can be revised in light of actual balances and actual funding cuts that materialise over this period.

INFLATION

48. This draft budget contains provision of £2,585k towards inflationary cost pressures, although it should be noted that the Council's general funding streams are not currently linked to inflation and this provision is wholly funded from savings outlined elsewhere in the report. In a number of areas, including Public Health and Asylum, it is assumed that inflationary cost pressures will be managed within available grant monies and therefore not present as a pressure on the General Fund. The inflation provision is based on a range of assumptions and projections, which are outlined below.

Table 4: Inflation

	Rate	£'000
Employees' Pay (including Pension Contributions)	2.00%	2,130
Electricity	5.00%	102
Gas	5.00%	24
Contracted Expenditure	Various	27
Care Placements	0.50%	388
Business Rates	2.00%	53
Levies	Various	63
Gross Inflation Provision		**2,787**
Less: Grant Funded Items	N/A	(202)
Net Inflation Provision		**2,585**

49. This draft budget reflects the 2.2% inflationary uplift in employees' pay from January 2015 agreed by the Local Government Association and unions in November 2014, with 1% of the increase already funded in 2014/15 and the remaining 1.2% included at a cost of £1,278k. Employer's pension contribution rates in respect of the Hillingdon Fund of the Local Government Pension Scheme are set to rise by 1% to 22.1% in 2015/16, which will increase payroll costs for the 80% of employees in the scheme, accounting for a further 0.8% increase in salary expenditure. On the basis of the agreed pay award, the net cost of these inflationary uplifts is expected to be £2,130k.

50. Provision for inflation on energy and fuel costs totalling £126k is included in this draft budget, with electricity and gas increased in line with Department for Energy and Climate Change projections and reflecting local procurement activity in these areas. Given the potentially volatile nature of costs in these areas, and recent reductions in headline inflation rates linked to energy costs, the future inflation requirement will remain under review. Provision for inflation on vehicle fuel costs of £51k was included in the draft budget presented to Cabinet in December, which in light of current market conditions is not expected to be required.

51. A sum of £27k has been set aside to fund the net inflationary cost pressures on a number of externally contracted services, which are linked to the Retail Prices Index (RPI) and Consumer Prices Index (CPI). This level of inflation reflects the current low level of inflation, although it is expected that rates will begin to rise, with CPI returning to the 2% Bank of England target in the medium term Outside these contracts, it is assumed that effective procurement and contract management will contain the remainder of any inflationary pressure within existing budgets for the Council's £38,000k externally contracted services.

52. In addition, specific provision of £388k has been set aside to manage the impact of 0.5% uplift in the cost of Social Care placements with external providers. The unit cost of such placements has been frozen in headline terms since 2011/12 with limited increases seen during 2014/15. Given general market conditions, an increase may be unavoidable for 2015/16. Over and above this inflationary allowance, projected cost increases associated with a growing population and savings linked to reducing demand for residential care placements are detailed elsewhere in this report.

53. Provision of £53k is included to fund the 2.0% increase in Business Rates on Council property in 2015/16 in line with the retention of the 2.0% cap announced in December's Autumn Statement.

54. In line with recent experience it is assumed that all levies other than those for Concessionary Fares and the London Traffic Control System will not be subject to inflationary increases and that minor changes in amounts payable due to relative changes in Hillingdon's Council Taxbase will be managed within existing budgets. The increase of £63k outlined above is principally linked to the 2015/16 Concessionary Fares settlement, which is driven by growth in the eligible population and inflation on transport fares within the capital.

CORPORATE ITEMS

55. There are a range of issues impacting upon the Council's overall budget and therefore managed corporately, including the implications associated with new burdens transferring to the Council, revenue implications of capital investment and the application of balances. Further details on these items included in the 2015/16 budget are explained below.

Table 5: Corporate Items

	£'000
New Burdens associated with the Care Act	2,067
Adjustments to Funding, Financing & Corporate Budgets	
Increase in Council Tax Older People's Discount	10
Drawdown from Earmarked Reserves to finance Older People's Discount	(10)
Rephasing of Capital Financing Costs	(250)
Savings Earmarked for Future Capital Investment	(442)
Review of Minimum Revenue Provision	(600)
Drawdown from General Balances	(5,000)
Drawdown from Earmarked Reserves	(730)
Overhead costs chargeable to the Housing Revenue Account	(250)
Total Corporate Items	**(5,205)**

56. From 2015/16 the Council will take on additional responsibilities within Adult Social Care as a result of the 2014 Care Act, with a corresponding increase in funding detailed in the Government Grants section of this report. The Council will be required to introduce the option of deferred payment for those individuals who face having to sell their home to pay their care home fees; undertake additional assessments for eligibility; provide advice and information to all clients irrespective of how their care is paid for; and ensure there is a wide range of care and support services available that enable local people to choose the care and support they want. From April 2016 the cap on costs, to be set at £72k, is to be introduced to meet eligible needs for care.

57. While early local modelling suggesting that such costs can be contained within the £2,067k revenue resources available through the Better Care Fund and specific Department of Health grant funding, work will continue to refine projections. Given the level of uncertainty around both funding and the cost of rolling out a new service and broader care pressures, a separate contingency of £1,000k has been retained to manage the risk of any funding shortfall or increased cost pressure.

58. The marginal increase in the cost of the Council Tax Older People's Discount due to demographic growth is projected to be £10k, which will be funded in full from the Earmarked Reserve established in 2013/14. Current balances within this earmarked reserve are sufficient to support the scheme until 2018/19.

59. Provision for financing costs remains sufficient over the MTFF period to support the existing capital investment programme, however, it is appearing increasingly likely that new physical borrowing can be deferred until 2016/17 at the earliest, enabling the further rephasing of capital budget as detailed in the Month 9 monitoring position. The net impact of this realignment is a £250k reduction in cost for 2015/16.

60. In addition to the rephasing of borrowing, there is scope to review the Council's annual provision for the repayment of debt, thereby ensuring that costs are spread over the full lives of assets purchased. It is expected that this review will secure a £600k reduction in annual costs from 2015/16, rising to £1,000k from 2016/17.

61. Following a review of charging policies for the appropriated garage stock, from the HRA to the General Fund, and a programme of investment to reduce the 43% of units currently vacant, the potential additional £442k rental income per annum will be ring-fenced to fund financing costs of the St Andrew's Park Theatre.

62. As set out in the February budget report a drawdown of £5,000k from General Balances, principally funded from the 2013/14 underspend, is included in this draft budget to smooth the impact of front-loaded funding cuts. This use of balances to smooth savings targets over the MTFF period will allow sufficient time to implement savings proposals and avoid unnecessary risk associated with front-loaded savings requirements. A further £730k is being drawn down from earmarked reserves to support Priority Growth initiatives outlined below.

63. In addition, a further £250k being released as a result of a reduction in management overheads being borne by the General Fund reflects increased activity in a number of service areas, including counter-fraud activity, which benefits tenants through the Housing Revenue Account.

DEVELOPMENT & RISK CONTINGENCY / SERVICE PRESSURES

64. The Development & Risk Contingency is used to manage budgets relating to volatile or demand-led services, where there will remain uncertainty of the level of resources required until actual demand for services is known at outturn. Rather than inflating Directorate Operating Budgets to cover all potential risk items, these are collated and budgeted for in the round.

65. Work has been completed to fully refresh projections for all contingency items and initial reviews have reduced the demand on a number of significant contingency items. The budget approved in February 2014 assumed a net increase of £2,898k would be required, which has since been revised upwards by £398k to £2,993k. In addition, a sum of £17,756k has been released to Directorate Operating budgets to reflect those areas where demand is more certain and should therefore be provided for within base budget.

Table 6: Development & Risk Contingency

	£'000
2014/15 Contingency Budget	24,738
Releases to Operating Budgets	(17,756)
Increase to Contingency Requirement	3,291
2015/16 Contingency Budget	**10,273**

66. Within this net movement, increases to contingency requirements include £1,965k of items linked to demographic changes, £2,591k in relation to Government policy, £615k reduction due to local management of risk and a further £650k from items no longer being provided for in contingency. Growth in Council Tax revenues from increased population noted earlier in this report is expected to total £1,669k, thereby providing a mechanism for supporting an element of growth in demand for services in the short-term, although trends in areas such as SEN Transport are currently outstripping general population growth. Adverse movements in relation to Government policy includes £1,298k against Social Care and Health funding risks and the incremental increase in landfill tax on waste disposal costs.

67. Appendix 3 to this report provides a breakdown of the draft Development and Risk Contingency for 2015/16, with an explanation of key assumptions and risk factors on each item set out below:

- **Uninsured Claims (£400k - no change from 2014/15)** - Provision of £400k is contained within this draft budget to supplement the existing £359k base budget for uninsured claims. Actual experience in 2013/14 exceeded the available budget and contingency by £137k, which was met from the significant earmarked balances (currently £1,063k), held to manage insurance risk over and above this contingency sum. Latest projections for 2014/15 suggest that claims will exceed budget and contingency by approximately £20k, to be met from these earmarked balances. Given recent experience it is likely that the requirement for 2015/16 will be at least £400k.

- **Carbon Reduction Commitment (£236k - £4k reduction from 2014/15)** - A sum of £236k is included within the Development and Risk Contingency to meet the projected cost of carbon allowances for energy used in 2015/16. This level of contingency assumes that the Council manages down demand for energy to mitigate the increase RPI uplift in tonnage tariffs from £15.60 per tonne.

- **Impact of Welfare Reform on Homelessness (£1,836k - £308k reduction from 2014/15)** - As the Council's measures to increase supply and affordability of temporary accommodation available to manage homelessness come into effect, the resulting pressure and gross contingency requirement is projected to fall to £2,031k in 2015/16. A number of key assumptions within this provision will be carefully monitored given continuing high levels of demand, with a range of measures to manage down this pressure and flexibility through a specific earmarked reserve expected to contain costs within the £1,836k net provision.

- **Special Educational Needs Transport (£520k - £291k increase from 2014/15)** - Growth in pupil numbers and resultant demand for SEN placements is feeding through to increased transport requirements, with a gross risk of £701k reflecting a combination of growing population, more complex needs and related growth in more costly out-of-borough routes. Given the range of initiatives, such as travel training and investment in local SEN provision, alongside a wider review of transport within the Council, it is expected that this gross risk can be managed down to £520k.

- **Waste Disposal Levy (£2,211k - £1,400k increase from 2014/15)** - Population growth within the Borough will continue to place an upward pressure on the cost of waste disposal driving growth in projected waste tonnages, with a 10% increase in the landfill tax from £80 in 2014/15 to £88 per tonne compounding this service pressure. Alongside waste tonnages routed through the West London Waste Authority, the Council continues to divert waste through alternative disposal contracts where this offers better Value for Money. The risk associated with increased tonnages through these contracts and broader market factors, which are impacting upon the cost of processing mixed recyclables, is also managed through this contingency.

- **Asylum Funding Shortfall (£1,272k - £14k increase from 2014/15)** - The Home Office is reviewing the level of funding for 2015/16 to reflect a national fall in the number of Asylum Seeking Children that require support. This review, coupled with broader issues linked to the Council's status as a gateway authority, could lead to a gross pressure in excess of £1,947k. As funding levels are yet to be confirmed, the service is undertaking a review, seeking to reduce the current cost of Asylum including establishment costs, which may provide scope to reduce the call on Development and Risk Contingency. This draft budget assumes that further reduction in funding will be managed within Asylum services and not be offset by cuts to core Council services.

- **Children's Social Care Demographic Pressure (£465k - £465k increase from 2014/15)** - Projected costs for the provision of Children's Social Care are expected to rise in line with the growing population in the Borough, with an increase in Looked after Children cost of £299k due to 2.1% population growth in 2015/16. In addition to this underlying growth, there are two other factors driving this increased contingency requirement - with Government extending the upper age limit for foster care placements from 18 to 21 adding £66k to costs and an additional £100k included in this forecast in respect of Secure/Remand accommodation.

- **Early Support Cost Avoidance (New - £117k reduction from 2014/15)** - Implementation of the new Early Support structure within Children and Young People's Services is expected to reduce both the number of children being referred and those requiring more intensive Social Care interventions. The expected cost reduction has been estimated through a locally developed model, with the financial impact primarily arising from a reduced number of re-referrals.

- **Adult Social Care Demographic Pressures (£129k - £129k increase from 2014/15)** - Regular reviews of current Adult Social Care commitments have been performed over the past twelve months to build up a clear view of the underlying demand for and cost of providing care placements. From this baseline position, financial modelling has been undertaken which indicates that contingency of £129k over and above base budgets will be required to fund placement costs, representing growth of £129k from 2014/15.

- **Transitional Children (£380k - £380k increase from 2014/15)** - The latest projections for children transitioning into Adult Social Care indicate a contingency requirement of £380k, with 44 children identified for 2015/16. This estimate has been derived on the basis that the service can manage down the cost of care upon transition by 6%, taking account of experience in recent cohorts of children.

- **Winterborne View Report (New - £393k increase from 2014/15) -** The transfer of financial responsibility for a number of clients from National Health Service to the Council following the recommendations of the report into Winterborne View is expected to result in £393k pressure on the Council's budgets from 2015/16. To date four clients have transferred, with a further eleven having been assessed and expected to transfer between 2015/16 and 2017/18. As these placements reflect Continuing Health Care needs of clients, it is expected that 50% of the gross cost will be borne by Hillingdon Clinical Commissioning Group and this has been reflected in the £393k pressure.

- **Potential Shortfall in Social Care and Health New Burdens Funding (New - £1,298k increase from 2014/15)** - Given the residual uncertainty around financial impacts of the Better Care Fund and broader issues associated with Social Care costs noted above, this draft budget includes £1,298k provision within Development and Risk Contingency to manage any potential shortfall in funding or unavoidable service pressure in these areas. This provision includes the £1,000k identified in the December 2014 draft budget and an additional £298k reflecting the late confirmation of government funding in the final Local Government Finance Settlement on 4 February 2015.

- **BID (£250k, £250k reduction from 2014/15)** - A sum of £250k is retained in this budget to support the Council's Business Improvement Delivery programme and pump prime work required to deliver savings proposals contained within this budget.

- **General Contingency (£1,000k, no movement from 2014/15)** - This draft budget contains £1,000k General Contingency to manage unforeseen risks and pressures, no change from 2014/15.

68. Specific provision for challenges to High Speed 2 and Heathrow Expansion totalling £400k were included in the 2014/15 Development and Risk Contingency, however, these are not required in 2015/16 as there is sufficient capacity with the specific earmarked reserve, which currently totals £510k, to manage 2015/16 expenditure in these areas.

69. In addition to specific risk items being managed through the Development and Risk Contingency, there are a number of other issues being closely monitored across the Council's budget and subject to management action to avoid these issues becoming unavoidable pressures impacting on the base budget requirement.

    - The recurrent pressure reported on the Parking Revenue Account is expected to continue into 2015/16 with a gross risk of up to £485k, due to changes to Government policy on use of CCTV in parking enforcement and an expected reduction in enforcement income following completion of improvements to Hayes Town Centre. Action needs to be taken to ensure that the ongoing shortfall is addressed within the PRA otherwise this will fall as a pressure on the General Fund.

- An additional pressure of approximately £240k per annum is reported on off-street parking revenues, principally attributable to Uxbridge Town Centre car parks. However, with the opening of a new flagship store in the Pavillions Shopping Centre and Council-funded investment outlined in the capital section of this report it would be expected to increase usage and potentially revenues.

- The abolition of the Department of Work and Pensions' Independent Living Fund will see additional responsibilities transfer to the Council from 30 June 2015. Current indications are that the expected new burdens funding of £260k will be sufficient to manage the financial impact of this transfer in 2015/16, with the on-going level of Government support likely to be determined during 2015. The impact of this transfer will remain under review and any movement from this position reported to Cabinet through the monthly budget monitoring process.

PRIORITY GROWTH

70. This draft budget includes provision of £2,452k of Priority Growth, including £1,452k of brought forward uncommitted monies and £1,000k increase planned for 2015/16. A range of initiatives totalling £1,648k are detailed below, leaving a balance of £804k to support further investment during 2015/16. An element of growth monies is earmarked from 2016/17 to support expanded Youth Centre provision, leaving £384k available to fund ongoing commitments.

Table 7: Priority Growth

	£'000
Available Priority Growth	2,452
Additional Primary School Expansions Capital Funding	(750)
Additional Ward Budget Funding	(440)
Support for Police Tasking Team (Full Year Effect)	(62)
Expansion of Rogue Landlord Taskforce	(130)
Adult Education ICT Investment	(97)
Ruislip Lido - Peak Season Support	(24)
Development Control Officer	(55)
Defibrillators for Schools	(90)
Remaining Priority Growth	**804**

71. Initiatives being supported from unallocated Priority Growth include:

- A further £750k of growth is allocated to capital financing budgets to support the Council's investment in Primary School Expansions, with a further £1,700k set aside from 2017/18 to support subsequent Secondary School Expansions. This will bring total revenue provision for this programme to £6,700k per annum.
- £440k is provided to support a continuation of the Ward Budget Scheme, providing a sum of £20,000 for investment in each ward.

- An additional £62k growth to fund the Police Tasking Team is included in this budget, representing the full year effect of monies included in the 2014/15 budget and bringing this funding to £134k per annum.
- £130k Priority Growth is included in this budget to provide increased investment in tackling Rogue Landlords and Beds in Sheds across the Borough.
- An additional £97k is to be provided in support of new ICT Infrastructure at the Council's Adult Education Centres.
- In order to ensure that the benefits of recent investment in the Ruislip Lido site are maximised, £24k is being earmarked to fund additional staffing in the peak season.
- Following introduction of the Prior Approvals system in May 2013 there has been a sustained growth in the number of planning applications lodged by residents. Funding of £55k per annum is therefore proposed to provide capacity in the team to manage these applications.
- In addition to the growth items outlined above, proposals are in development to install defibrillators in all the Borough's schools at an estimated cost of around £90k.

CONTINUING INITIATIVES

72. In addition to the new funding outlined above, the Council retains significant provision within revenue budget provision for existing member priority initiatives which include:

    - £200k revenue funding for Older People's Initiatives, with an additional £200k within the capital programme supporting provision of Burglar Alarms for the Elderly,
    - £500k First Time Buyers' Initiative, providing support for local residents to get on the property ladder,
    - £400k Sport & Activities Fund for All ages, which supports initiatives to improve activity levels amongst residents and improve health more generally,
    - £400k Social Care Initiatives Fund, which supports service provision for local residents requiring care and support.

SAVINGS

73. The savings proposals contained within this draft budget have been developed by services through the HIP Business Improvement Delivery Programme (BID), the Council's programme to transform all services, review all working practices and enable delivery of savings in response to Central Government's austerity programme. In February 2014 the General Fund Savings Requirement for 2015/16 totalled £15,294k after allowing for the £5,000k drawdown from balances to smooth the impact of funding cuts. £7,645k of this sum was allocated to services, with £7,649k to be delivered through Corporate and Policy Items.

74. As explained above, progress on 2015/16 budget development to date has adjusted the overall savings requirement through corresponding movements in funding, inflation and demographic cost pressures, while group savings targets have remained the same. Work is ongoing to fully develop savings proposals and to reflect further savings.

Group Savings

75. Included in the 2015/16 budget is £3,133k of full year effects of prior year savings for each of the groups and £6,774k of savings within group budgets, totalling £9,907k. The following

sections focus on the development of new savings proposals, noting where initiatives have reduced pressures discussed elsewhere in this report

Table 8: Group Savings

	Initial Savings Target £'000	New Savings Proposals £'000	Cont. & Corporate Changes £'000	Variation on target £'000
Administration	(264)	(317)	0	53
Finance	(543)	(926)	(20)	403
Residents Services	(3,145)	(3,041)	101	(205)
Adult Social Care	(2,645)	(1,583)	(684)	(378)
Children & Young People's Services	(1,048)	(907)	(244)	103
2015/16 Group Savings Proposals	**(7,645)**	**(6,774)**	**(847)**	**24**

Administration

76. The Administration Group has identified £317k of new savings proposals, exceeding the £264k target allocated to the group in March 2014 by £53k. Proposals identified within Administration are primarily based on identifying more efficient approaches to meeting existing service levels and generation of additional income. Further detail on all proposals is set out within Appendix 5a.

77. The most significant proposal relates to increased legal fees on Section 106/CIL and other planning agreements which is expected to secure £140k. Restructuring proposals within Human Resources and an increase service offer in registrars make up a further £74k of proposals in the Group, with the remainder of proposals expanded upon in the appendix.

Finance

78. Within the Finance Group, new proposals totalling £926k have been identified towards the 2015/16 savings target of £543k, representing an overachievement of £403k. Proposed savings totalling £926k are principally secured from efficiencies and improved processes within the Revenues and Benefits Service, alongside restructures elsewhere in the Group, with an additional £20k reduction in insurance costs. Full details on progress to date on all Finance saving proposals are set out in Appendix 5b.

79. Significant improvements in the management of Housing Benefit since its transfer into the Group has reduced risk around Local Authority Error in the subsidy claim, which would allow the annual £200k provision for loss of subsidy due to high error rates to be released. Improved processes around collection of court costs in relation to Council Tax arrears will secure £125k per annum. The re-tendering of both the Revenues and Benefits Administration Contract and Council's Banking Contract will secure savings of £261k and £47k respectively, with the full year effect of the former rising to £760k p.a. or 41% of the contract sum by 2019/20. Additionally, proposed restructures within Internal Audit, Procurement and Revenues & Benefits contribute a further £151k towards delivery of the savings target while a review of other budgets has secured a further £142k.

Residents Services

80. Residents Services have identified new savings proposals totalling £3,041k, which along with £442k additional rental income from appropriated garages to be ring-fenced to fund financing costs of the St Andrew's Park Theatre and impact of additional counter-Fraud being under taken in support of the Housing Revenue Account, exceeds the £3,145k initial savings target for the group. Current proposals have been focused on the significant revenue streams managed within Residents Services, alongside a range of efficiency proposals intended to reduce the Council's cost base while maintaining standards of service delivery to residents.

81. A proposed review of Fees and Charges across the group is expected to secure £150k through non-routine charges such as bereavement services, while reviews into budgeting for existing income such as commercial properties and development control could release a further £180k. Efficiencies of £50k in 2015/16, rising to £250k by 2017/18, are to be secured from consolidation of facilities management operations for corporate and housing estates. A review of residual Education budgets has identified a further £240k of savings arising from the Council's reduced role in the sector and efficiencies.

82. Reviews of the Highways operation, energy usage and further ICT rationalisation are to secure another £220k. Proposals in relation to the outcome of zero-based reviews across the group are expected to contribute £375k towards delivery of the savings target, while the budgetary impact of West London Waste Authority's closure of the Victoria Road Civic Amenity site would release £406k.

83. The centralisation of technical administration and business support functions into Residents Services has resulted in a proposal to further rationalise the service and release £284k savings. Further reviews of middle management across the group and the performance service are expected to secure an additional £506k in efficiencies.

Adult Social Care

84. Work on development of savings within Adult Social Care has identified £1,583k of new proposals against the £2,645k original target, with a further £684k secured through managing down contingency provisions through better preventative work. Proposals are focused on the effective commissioning of care, including a fundamental review of existing contracts alongside zero based reviews of existing budgets and outcomes of new models of service delivery. The strategy for the service is to move away from direct provision of Adult Social Care services through exploring options for service delivery through private, not for profit, and voluntary sector organisations.

85. Alongside the range of new proposals for 2015/16, the service continues to progress the Supported Living Programme, promoting independence for Social Care clients and avoiding costly residential placements. The current implementation programme is expected to secure efficiencies of £5,195k by 2019/20, although slippage in start dates on a number of schemes will result in corresponding slippage of £53k in savings previously earmarked for 2015/16. This temporary adverse movement has been offset against new proposals set out below.

86. The commissioning proposals include additional savings identified within the new contracts for Homecare Services and pre-paid cards of £162k; a further focus upon renegotiating the cost of historic residential and nursing packages (£410k); reviewing the use of Day Care facilities by clients who already receive 24 hour support through Residential and Nursing

packages (£37k); and £383k from more frequent reassessments of Learning Disability service users and where appropriate reducing the volume and cost of taxi transport to take these users to and from placements.

87. Work is underway to consider the operational and financial implications of rationalising a number of contracts which are currently provided for non assessed support and care needs. There is scope to secure savings of £193k from an overall budget of £1,600k. In addition, the strategy to move away from direct provision of services includes investigating new models of service delivery for in house provision for older people and users with Learning Disabilities giving estimated savings of £768k over the next 2 years.

88. The group is also undertaking a detailed zero based budget review and has identified a number of budgets which, following reviews of service delivery and future plans are not considered necessary for 2015/16; these total £199k per annum.

Children and Young People's Services

89. Children and Young People's Services have developed new savings proposals totalling £907k to date, with a £244k managed reduction in contingency to exceed the initial target of £1,048k by £103k. The principal focus of activity to date has been in the development of a new approach to Adoption and Fostering.

90. Implementation of a new structure for the placement and management of Looked After Children has been developed, which seeks to lever in transitional Government funding to support an initial major investment in Social Care capacity to ensure that children can be placed in suitable placements. In addition to improving outcomes for Looked After Children, this approach is expected to secure savings of £712k per annum from 2015/16.

91. Further savings proposals relate to additional benefits secured from effective procurement of accommodation at Bedwell Gardens, which is set to deliver £45k in 2015/16 in excess of the £27k included in 2014/15 budgets. Work to date on zero based reviews within Children and Young People's Services have identified £35k of surplus budgets in relation to translation and interpretation services. The on-going review of commissioned activity within Children and Young People's services is expected to secure an additional £115k of procurement savings during 2015/16.

Corporate and Policy Items

92. The Corporate and Policy Items saving target of £7,649k has been secured through refreshed assumptions across corporate budgets and funding, with movements totalling £7,673k. These refreshed assumptions consist of:

- Release of £2,197k surplus from the Council Tax Collection Fund,
- Adverse net movement of £103k on projected Council Tax and Business Rate Revenues,
- Favourable movement of £161k on Revenue Support Grant due to further topslices being included in the December 2014 provisional local government finance settlement and late inclusion of additional Welfare, Health and Social care funding in the final February settlement;
- Adverse movement of £340k in grant funding due to cuts in the Education Services Grant and lower than expected New Homes Bonus allocations for 2015/16

- Reduced inflation provision for contracted expenditure and levies, partially off-set by a small increase in staffing inflation releasing £606k,
- Release of £730k from uncommitted earmarked reserves,
- Rephasing of £1,150k of capital financing costs in 2015/16 due to delayed date for requiring physical borrowing (now 2016/17),
- £600k from a review of Minimum Revenue Provision policies for spreading the cost of capital investment,
- £298k additional contingency provision for Health and Social Care, reflecting additional funding confirmed in February 2015,
- £500k of additional growth monies,
- £250k investment in the Council's Business Improvement Delivery Programme,
- A reduction in the assumed New Homes Bonus topslice of £904k to reflect latest estimates of funding payable to the Local Enterprise Partnership and grant projections across London,
- Recovery of the remaining £2,500k New Homes Bonus topslice.

93. Overachievement of the Corporate & Policy Saving target by £24k therefore offsets the minor shortfall on group targets and balances the 2015/16 budget.

FEES & CHARGES

94. The Council is empowered to seek income from fees and charges to service users across a wide range of activities. Some of these fees and charges are set by the Government or other stakeholders, but many others are set at the discretion of the Council, based on Cabinet's recommendations. The Council continues to operate a system of differential charges through the Hillingdon First card, which enables preferential rates to be offered to local residents.

95. In addition to preferential rates for residents the Council froze almost all Fees and Charges, including Parking, for residents during 2013/14 and 2014/15, with modest increases proposed for a small number of charges in 2015/16. Where increases are recommended, charges have been benchmarked against those of neighbouring authorities and shown to remain competitive.

96. Appendix 11 to this report provides a full schedule of recommended charges, with increases proposed in the following areas:

- Registrars Service - aligning charges with those of neighbouring authorities, and reflecting a number of new services on offer,
- Highways - minor increases in skip licensing charges, remaining significantly lower than neighbouring boroughs,
- Breakspear Crematorium - maintaining charges at current levels and making cremations for under 18s free of charge,
- Cemeteries - uprating of internment fees, which remain below those of neighbouring authorities,
- Arts / Theatre Services - inflationary uplift to charges, which remain lower than other local providers, while simplifying charging arrangements for equipment rental,
- Trade Refuse - increase to fees for commercial bulk bin hire and trade services at civic amenity sites, reflecting the annual increase in landfill tax,

- Homes in Multiple Occupancy (HMO) Licensing - aligning charges to those of neighbouring authorities
- Children's Centres - the level of any increase in charges is decided by Schools Forum, as any subsidy is provided by the Dedicated Schools Grant
- Minimum client contributions in Adult Social Care - uplifted in line with the annual benefit uprating process.

97. In addition to existing fees & charges, there is a new administrative charge in relation to setting up deferred payments for Social Care costs under the 2014 Care Act. This charge is to be set on a cost recovery basis at £300, with the level of charge to remain under review.

MEDIUM TERM IMPACT OF PROPOSALS

98. The immediate focus of this report is on delivery of a balanced budget in 2015/16, however, this must be considered in the context of an on-going reduction in funding to at least the end of the decade. In order to effectively manage funding cuts expected over this period, while continuing to 'put our residents first' and maintaining current levels of service provision, it will be necessary to take account of this medium-term outlook.

99. As previously reported the key pressure on the Council will continue to be managing the impact of the Government's austerity programme, particularly in light of continuing announcements from all parties on the need to eliminate the national deficit. The extent of future cuts on the basis of the current government's outline plans has been established following a range of announcements since December 2014 and is now expected to result in a front loading of cuts into 2016/17 and 2017/18.

100. Latest projections of resource available to support existing services will continue to decline, with Revenue Support Grant expected to fall by £43,372k by 2019/20 and other corporate grant funding streams to decline by £3,275k over the same period, a total cut of £46,647k over five years, after accounting for new burdens. Given the commitment of the current government to deliver a £23bn national surplus by 2018/19, approximately 70% of this reduction is expected to impact on Council funding by 2017/18.

101. The scenario outlined above assumes a continuation of existing trends to the end of the decade, however, this raises a number of issues as the level of Government funding to support core Council services falls to almost zero over this period.

102. Firstly, while current projections assume there is no material rise in the cost of providing the Council Tax Support Scheme beyond 2015/16, the scheme will be fully reviewed during next year and a new scheme developed for 2016/17. In addition, next year's Comprehensive Spending Review may revisit the level of funding available for this scheme.

103. Secondly, as the prospect of Revenue Support Grant falling to zero for some councils by 2019/20 has become a real possibility, when combined with the policy intention announced by the Secretary of State for Communities and Local Government to raise the retained portion of Business Rates from 50% to 90%, this raises the spectre of wider funding reform during the next Parliament.

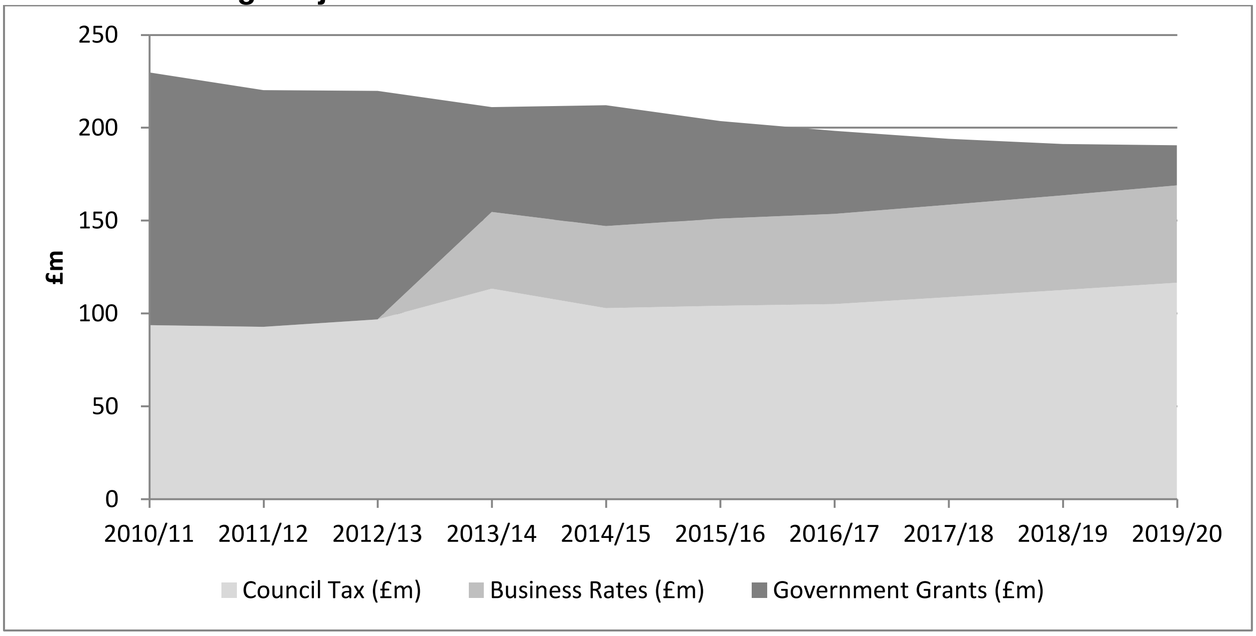
104. Finally, there are questions around the future of specific grant funding streams such as Housing Benefit Administration Subsidy Grant which would be expected to cease if

Government seeks to integrate the benefit into Universal Credit. While there would be a corresponding reduction in required expenditure, the implications of any such change would be managed through the wider MTFF process. The Council's role with respect to Education also raises similar issues around the Education Services Grant.

105. While an element of this reduction is off-set by £7,237k growth in retained Business Rates income over the same period, this takes account of the expected outcomes of local efforts to promote economic growth, without which the financial impact of austerity measures would be even greater. Strong growth in the Council Tax base over the MTFF period is expected to increase tax revenues with the addition of 7,100 Band D equivalent properties by 2020, which could generate an additional £13,675k. For planning purposes it has been assumed that the Hillingdon share of Council Tax increases by 2% per annum from 2016/17 onwards, with each 1% increase or decrease either decreasing or increasing the budget gap by approximately £1,000k. It should be noted that where Council Tax Freeze grants have been awarded in 2014/15 and 2015/16 this has directly resulted in a further loss of Revenue Support Grant.

106. The net impact of funding projections is a reduction of £25,735k in resources available to support provision of existing services, before taking account of unavoidable cost pressures over this period. It is notable that by 2019/20 the Council will be raising 89% of its funding locally, an increase from 69% in 2014/15 and almost double the 48% seen in 2010/11, and therefore more acutely affected by changes in local circumstances and demand for services. This fundamental shift in funding is demonstrated graphically below.

Chart 1: Funding Projections

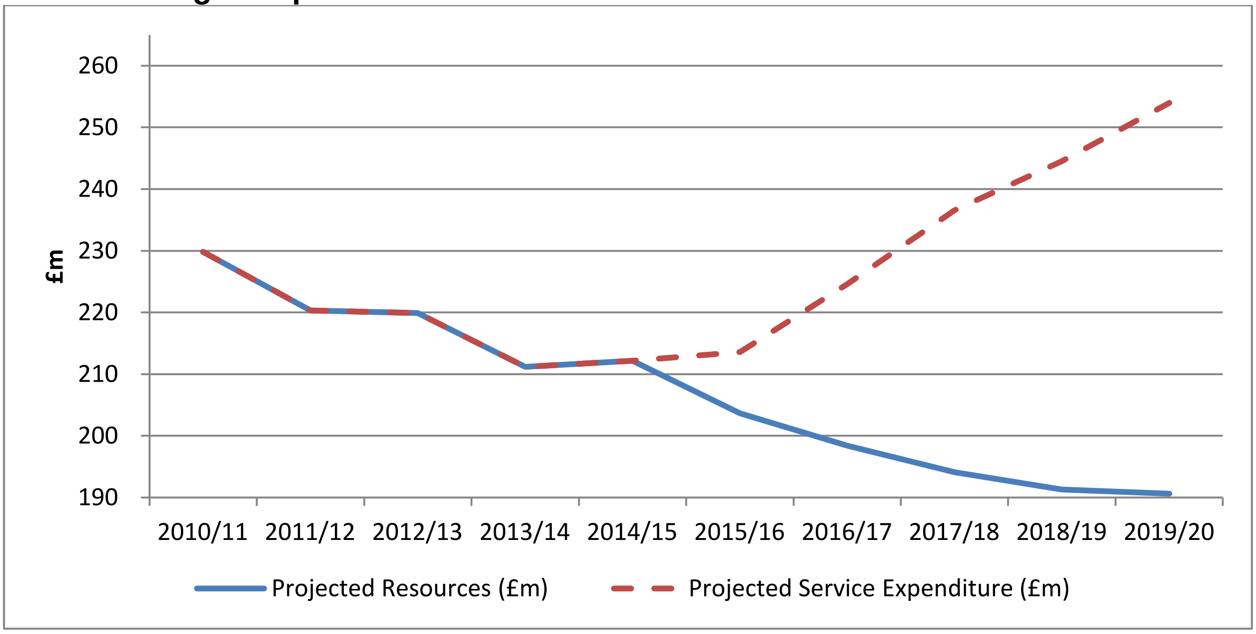


107. In addition to the decline in available funding, there will be a requirement to manage inflationary cost pressures over the period to 2019/20, expected to total £17,165k. The largest single component of this sum is employees' pay, with the current assumptions of a modest 1% per annum pay award from 2016/17 onwards. Every 1% award over this period adds approximately £1,000k to the budget gap. Current assumptions also include an annual increase in employer LGPS contribution rates, which is expected to reach 25.1% by 2019/20. However, at this stage, further reductions in staffing numbers, either through efficiency or alternative service delivery mechanisms have not been factored into inflation assumptions.

108. Growth in the Borough's population, estimated to rise by approximately 8% over the period to 2019/20 in line with growth in the Council Tax base, will have a corresponding impact on the cost of many demand-led services, such as Waste Disposal. Alongside this headline growth in population, projected changes to the makeup of the Borough's population are expected to increase demand for services such as Social Care and SEN Transport. The net impact of these costs is contained within the £16,209k growth in Development and Risk Contingency.

109. Current projections indicate that the cumulative savings requirement will rise to £63,352k by 2019/20, with only £9,907k of this sum identified through the 2015/16 budget setting process. The scale of the required expenditure reduction is set out graphically below, against the 2014/15 budget requirement of £212,188k.

Chart 2: Budget Gap



110. An analysis of this £63,352k savings requirement identifies £18,974k or 30% being the result of inflationary and demographic growth in the cost of delivering services which could potentially be managed through a combination of cost avoidance and efficiency measures equivalent to approximately 9% of current expenditure. The remaining £44,378k, representing almost three quarters of the savings requirements, is the result of the current austerity programme and scaling back of public expenditure. A sustainable approach to bridging this element of the budget gap while continuing to meet statutory responsibilities is the principal financial challenge facing the Council.

111. There remains considerable uncertainty in terms of both funding and pressures arising from demand for services over the MTFF period, however baring any significant change of Government policy the overall quantum of savings required is expected to remain broadly consistent.

112. In terms of funding, until the expected Comprehensive Spending Review 2015 following next May's parliamentary elections, is underway, confirmation of both the extent and phasing of reductions in Central Government funding will remain unknown. Although the risk associated with additional front-loading of cuts could be managed, in the short term, through

further planned drawdown of balances, further savings will continue to be needed to manage reductions in a sustainable manner.

113. With respect to Central Government policy, there remains a significant risk that the Council may have to bear the additional National Insurance costs associated with abolition of the Second State Pension from 2016/17, which could be in the region of £2,500k. However, while Treasury have previously indicated they may be willing to fund Councils for this burden, they are not in a position to confirm any future Government would do so.

114. In a number of areas, there remains uncertainty around future cost pressures, for example the financial impact of introducing the Better Care Fund and new burdens associated with the Care Act, which are still to be quantified and any shortfall in funding may exceed the £1,298k sum included in Development and Risk Contingency. Alongside the specific new responsibilities in relation to Adult Social Care, there remains broader risks in relation to delivery of demand-led statutory services which such contingency funds could support.

115. Such risks will continue to be tracked through the MTFF process and their impact included as information becomes available.

GENERAL FUND CAPITAL PROGRAMME

Background to Capital Programme

116. The Council's Capital Programme, as approved by Cabinet and Council in February 2014, continues to be focused on the provision of sufficient school places to meet rising demand across the Borough. In addition, provision for major investment on the St Andrew's Park site in Uxbridge is included in the current programme alongside the recurrent programme of works to maintain local infrastructure.

117. This report explains the development of the existing programme, including addition of new projects, extension of the programme to cover 2019/20 and refresh financing assumptions. The updated programme outlined in this report has been contained within the resource envelope of the budget approved by Cabinet and Council in February 2014, with increased investment being off-set by additional capital receipts to leave a net borrowing requirement of £139,270k over the period 2014/15 to 2019/20. As a result there is no requirement for additional revenue provision over and above sums already earmarked for school expansions and the St Andrew's Park projects.

118. This draft programme has been developed within reference to the Prudential Framework, with proposed schemes and the overall programme being tested for affordability, sustainability and prudence. Given the need to consider the full extent of the Council's commitments, financing and borrowing projections outlined below take account of the latest 2014/15 forecast outturn. All associated revenue implications have been factored into revenue budgets through the MTFF and reflected elsewhere in this report.

119. The following sections of this report focus in turn upon the school expansion programme, new schemes proposed for inclusion in this programme and a refresh of expenditure forecasts on the remainder of the approved programme. The report goes on to provide an update on capital income streams, including capital receipts, Community Infrastructure Levy and Government grants.

Changes since report to Cabinet on 18 December 2014

120. The table and narrative below outlines the changes to the recommended capital programme from the report considered by Cabinet on 18 December 2014. Each of these items is also expanded upon below.

Table 9: Changes to Proposed Capital Programme

	£'000
Prudential Borrowing Requirement - December 2014	**141,797**
• Revisions to Draft Capital Programme	
Hearing Impaired Resource Provision	178
Revised Scope for Dementia Centre	1,000
Town Centre Improvements	3,153
Revisions to Funding Projections	(1,800)
• Revisions to Forecast Capital Receipts/CIL	(2,283)
• Projected Outturn Variance 2014/15	(2,775)
Prudential Borrowing Requirement - February 2015	**139,270**

121. Since December 2014 the capital programme has been revised to include funding for the expansion of the Hearing Impaired Resource Base at Vyners School, an increased scope for the Dementia Centre project and present the full range of Town Centre Improvement projects outlined in paragraph 132. These increased expenditure projections are off-set by revised grant funding assumptions to result in a net decrease in borrowing of £2,532k. In addition, this programme includes the additional funding for Universal Infant Free School meals recommended for acceptance in the budget monitoring report on this agenda.

122. Projections for increased capital receipts arising from higher valuations on surplus sites and a minor reduction in Community Infrastructure Levy income has reduced the borrowing requirement by £2,283k, with latest projections on live capital projects releasing a further £2,775k. These movements are expanded upon in the Month 9 Budget Monitoring report also included on this agenda.

Update on Current Programme

123. As at Month 9, a net underspend of £5,656k is reported on the current capital programme, with pressures on a number of legacy projects being off-set by underspends across a number of projects - including £4,433k on the School Expansion Programme and £795k on the £2,300k Disabled Facilities Grant budget. There remains £7,259k of unallocated General Contingency within the programme, which is available to manage new projects or emergent pressures on existing schemes.

School Expansion Programme

124. The Council's flagship School Expansion Programme remains at the centre of the capital programme, with investment to secure additional places estimated to total £309,590k over the period from 2010 to 2020. In order to ensure sufficient high quality places across the borough are delivered the Council is continuing to supplement Department of Education (DfE) grants and Developer Contributions with Prudential Borrowing. The ongoing costs of £6,700k per annum have been factored into the revenue aspect of the Council's MTFF.

125. While the programme to date has concentrated on meeting demand in the Primary sector, the focus is now shifting to the Secondary sector with provision in this draft budget to deliver 19 forms of entry across the Borough by September 2019 at a total cost of £121,071k. In

the absence of any firm indication of Government support beyond 2015/16, it has been assumed that funding levels will remain broadly consistent and support 75% of investment in expanded capacity and 25% for re-provision projects. The residual £50,603k will be met from Prudential Borrowing and ultimately funded by residents through Council Tax. The profile of this projected demand and investment is outlined below.

Table 10: Secondary School Needs Analysis

	Sept-15	Sept-16	Sept-17	Sept-18	Sept-19
Projected Year 7 Pupil Numbers	3,288	3,325	3,582	3,767	3,890
% Growth in Pupil Numbers	9%	1%	8%	5%	3%
Need Profile (Forms of Entry)	1	4	3	2	9
Delivery Profile (Forms of Entry)	0	6	5	3	6
Cumulative Surplus / (Deficit)	**(1)**	**1**	**3**	**4**	**0**

126. Within the programme outlined above, projects at Abbotsfield and Northwood include re-provision of the existing schools partially funded through the Department for Education's Primary School Building Programme (PSBP). In early May 2014, the Government announced its intention to launch a second phase of this programme over the period 2015 - 2021 and the Council submitted expressions of interest for the re-provision of a further eight schools. Confirmation of any funding is yet to be received from the DfE, however if successful, these projects will supplement the expansion programme and potentially provide scope to secure additional capacity where required. As with the existing PSBP, the Government would look to manage the delivery of any identified schemes.

127. Following completion of the major expansion of the Primary sector completed since 2010, current projections indicate that a further three forms of entry will be required over the MTFF period to meet growth in pupil numbers. A budget of £13,500k is included in this programme on the basis of costs associated with completed expansion projects, with the first expansion required in the Ruislip area by September 2017. Feasibility work is currently underway to address the specific geographical challenges of delivering these expansions in the north of the borough.

128. In order to reflect the inherent uncertainty in both pupil number projections, and the practicalities of delivering such an extensive programme of expansion, a contingency of £28,929k is contained within this programme. This contingency, supported through a combination of Prudential Borrowing and assumed grant funding, will also provide scope to contribute to any Primary School Building Programme projects should a Council contribution be required.

Proposed New Schemes and Changes to Existing Schemes

129. The existing approved programme includes a number of major schemes commencing in 2015/16, the funding for which has already been earmarked within the Council's broader MTFF. Key highlights include commencement of the 1,200 seat theatre project at St Andrew's Park, a borough museum and a new Youth Centre in Harefield. In addition there is significant funding in support of Town Centre Investment, including the continuation of the shop front grants scheme and major improvement projects at centres across the borough.

130. This programme includes a number of proposed new schemes totalling £16,903k and a range of updates in relation to the scope and financing of existing schemes which will add

£4,545k to the existing programme. Alternative funding streams have been identified to support £1,680k of this sum, leaving a residual amount of £19,768k to be funded from Council capital resources. Taking into account substantial movements in capital receipts outlined below, borrowing within the refreshed programme will not increase and therefore no additional revenue provision is required. Each of these new schemes and amendments are outlined below:

- **Battle of Britain Bunker, a Heritage Civic Pride project** - A restoration project on the former RAF Uxbridge Site. Plans include the replacement of a building near the Bunker known as the ASU building with potential for it to act as a visitor centre, the overall project is estimated to cost in the region of £4,850k with a target completion date of September 2015.

- **Highways Structural Works & Pavements Priority Growth** - £3,000k additional investment is included in this budget to continue the Council's programme of investment in these areas.

- **Dementia Centre** - As part of wider investment in Social Care, a new resource centre is proposed at an estimated cost of £2,000k.

- **Environmental and Recreational Initiatives** - £1,000k of funding to support a range of investments in environmental and recreational sites across the Borough.

- **Capital Priority Growth** - £1,000k provision to support additional schemes identified during 2015/16 and respond to new priorities.

- **Cedars & Grainges Car Park Improvements -** An extended scope has been outlined for the previously planned investment in Uxbridge Town Centre car parks, which will support economic development in the area. An increase of £2,155k, bringing total investment to £3,075k and partially funded from £200k of Developer Contributions, is therefore included in this budget.

- **Borough-wide Car Park Improvements & Rural Activities Garden Centre Car Park** - An additional £500k of investment in off street car parks across the boroughs, including an enhancement of parking facilities at the Council's Rural Activities Garden Centre.

- **Ruislip Lido Boathouse** - Refurbishment of the Boathouse at Ruislip Lido for service use at an estimated cost of £210k.

- **Hearing Impaired Resource Base at Vyners** - Provision of £178k is included in this capital programme to expand the existing facility at Vyners school to increase capacity from sixteen to twenty three pupils.

- **Investment in Bowls Clubs** - £900k provision for the refurbishment of two existing bowls clubs and construction of third is included in this programme and intended to support the Council's broader Public Health responsibilities, by encouraging activity in the Borough's older population.

- **Haste Hill Golf Club Investment** - A set of two projects to refurbish the club house for use as a function room at a cost of £80k and a replacement of the irrigation system for £450k. An invest-to-save business case is in development around the updated clubhouse and improved parking provision, with financing costs associated with the project to be met from future revenue streams.

- **Department of Health funding for Social Care Investment -** There is a further £580k available through the Better Care Fund to support broader investment in Adult Social Care, which has been included in this draft budget.

131. The above schemes at a net cost to the Council of £15,945k are principally focused on extension of service provision and, with the exception of refurbishment works at Haste Hill Golf Club, will not generate revenue savings or additional revenue streams. Investment in sports clubs will contribute towards the Council's Public Heath duties and therefore, can be funded from £900k earmarked grant monies. As a result, Council resources of £15,223k will be required to support these new projects.

132. In addition to these new projects, the draft capital programme has been updated to include 2019/20 Programme of Works and funding assumptions have been refreshed. The following updates increase the Council resourced element of the programme by £4,545k:

- **Town Centres Improvements -** The programme has been refreshed since to outline continued investment in the shop front grants scheme, alongside a number of major investment projects funding from a range of resources including New Home Bonus monies topsliced to support the Local Enterprise Partnership, Greater London Authority / Transport for London funding and the Council's own resources. Including New Homes Bonus funds, the Council's additional contribution to these schemes is £3,153k over the period to 2019/20.

  Specific projects within this programme of improvements are; major investment in Uxbridge Road, Hayes and Uxbridge High Street to provide 'Gateways' to the borough and promote economic growth; a continuation of the Shop Front Grants scheme and major investment in the new Crossrail interchanges at Hayes & Harlington and West Drayton stations.

- **Vehicle Replacement Programme -** In order to take account of inflationary cost pressures, the 2015/16 budget for replacement of Council fleet has been increased by £374k to £2,215k. This project is wholly funded from Prudential Borrowing, the on-going revenue impact of which will be offset by savings against hire and maintenance costs.

- **Civic Centre Works Programme -** An additional £800k has been included in this draft programme for urgent projects at the Civic Centre, which are required to maintain the building in a safe condition and provide a comfortable environment for visitors. This increases total investment for 2015/16 to £1,300k, and includes a new security office at the Members' car park entrance.

- **Department of Health funding for Disabled Facilities Grants** - From 2015/16 onwards Government support for this reablement programme will be routed through the Better Care Fund and is expected to total £1,569k per annum. This represents a small increase on previously assumed levels and therefore reduces required borrowing by £496k over the MTFF period, while maintaining annual investment of £2,500k in grants to residents.

- **Schools Capital Programme funding update -** An updated projection including Department for Education Capital Maintenance Grant and confirmation of available Section 106 Contributions has reduced the borrowing requirement on school projects by £1,800k.

- **2019/20 Programme of Works and General Contingency -** In order to reflect current levels of expenditure, budgets in support of programme of works have been reprofiled over the MTFF period and £1,000k Chrysalis funding and £1,500k General Contingency added to this draft programme in 2019/20. The net effect of these changes is an increase of £2,514k in Council resources.

Capital Financing and Revenue Implications

133. In considering the financing strategy for the updated capital programme and its associated revenue implications, it is necessary to include commitments in the current financial year in order to capture a comprehensive view of the Council's programme of investment. As such the following financing overview covers the period from 2014/15 to 2019/20.

134. Projections in respect of capital income streams have also been refreshed - with an additional £35,301k of capital receipts from asset sales and a reduction of £3,000k Community Infrastructure Levy payments expected over the period to 2019/20. Changes to budgeted grant income, other external funding and direct revenue financing is detailed alongside changes to the relevant projects above. Table 12 below provides a summary of the capital expenditure and financing included in this recommended programme.

Table 11: Capital Financing

	2014/15 £'000	2015/16 to 2019/20 £'000	Total £'000
Main Programme	52,441	176,977	229,418
Programme of Works	24,489	65,577	90,066
Future Projects	0	71,035	71,035
Development & Risk Contingency	1,430	36,429	37,859
Total Capital Expenditure	**78,360**	**350,018**	**428,378**
Prudential Borrowing	19,194	120,076	139,270
Capital Receipts	6,355	60,665	67,020
Community Infrastructure Levy	0	20,000	20,000
Council Resources	**25,549**	**200,741**	**226,290**
Government Grants	44,848	142,509	187,357
Other Contributions	7,963	6,768	14,731
Total Capital Financing	**78,360**	**350,018**	**428,378**

135. Capital receipts of £67,020k over the period from 2014/15 to 2019/20 are now forecast, with movement of £35,301k from existing budgets resulting from increased valuations on a number of sites and projections for new assets to be sold from 2017/18 onwards. This sum includes remuneration for the transfer of a number of sites to the Housing Revenue Account for use in the Supported Living Programme, which is outlined in the HRA section of this report.

136. Projections in respect of Community Infrastructure Levy have been refreshed to take account of the slower than anticipated rollout of the scheme which is expected to add £3,000k to the Council's borrowing requirement in 2014/15. Income targets have been reprofiled over the remainder of the MTFF period, with receipts expected to increase as new developments start on site and the Sui Generis category of planning applications is brought into the scope of the Levy.

137. As a result of the programme changes outlined in this report, the Council's borrowing requirement over the period to 2019/20 is expected to reduce from £157,459k to £139,270k - principally as a result of expected income from asset sales. Movement in this position is set out below.

Table 12: Prudential Borrowing Requirement

	2014/15 £'000	2015/16 to 2019/20 £'000	Total £'000
Approved Capital Programme	41,536	115,923	157,459
Forecast Outturn Variance 2014/15	(10,718)	5,062	(5,656)
Forecast Rephasing from 2014/15	(23,872)	23,872	0
New & Amended Schemes	(44)	19,812	19,768
Forecast Capital Receipts / CIL	12,292	(44,593)	(32,301)
Draft Capital Programme	**19,194**	**120,076**	**139,270**

138. If borrowing can be contained within the £139,270k sum included in this draft budget, there is scope for significant savings to be secured from capital financing costs. However, given the inherent risk in relying on securing additional capital receipts to reduction in borrowing, it is recommended that the existing revenue provision is maintained at this stage.

HOUSING REVENUE ACCOUNT

139. The budget proposals for 2015/16 are based on the fourth full year of self-financing for the Housing Revenue Account and follow on the same methodology and layout as the General Fund. Under self-financing the regulations maintain a ringfence around the Council's provision of housing, with the costs of providing housing fully supported by rental income.

Changes since report to Cabinet on 18 December 2014

140. The table and narrative below outlines the changes to the recommended Housing Revenue Account budget and associated capital programme from the report considered by Cabinet on 18 December 2014. All changes from December relate to a refreshed programme of delivery for delivery of new dwellings over the MTFF period, and do not materially affect projected HRA balances or rents payable by individual tenants.

Table 13: Changes to Proposed Capital Programme

	£'000
Balanced Budget Proposals - December 2014	**0**
Additional Dwelling Rental Income	(12)
Additional Revenue Contribution to Capital	685
Reduction in Contribution to General Balances	(673)
Business Transformation of Repairs & Planned Maintenance	(1,000)
Budget Surplus - February 2015	**(1,000)**

141. A marginal increase of £12k in rental income and an additional £685k revenue contributions to capital are projected for 2015/16 to take account of the addition of Acol Crescent to the Supported Housing Programme and other minor changes to the phasing of projects. This movement is balanced by reducing the budgeted contribution into General Balances by £673k to £663k.

142. Changes to the 2015/16 - 2019/20 HRA capital programme decreases total expenditure by £2,359k, of which £1,400k is to be financed from Prudential Borrowing, £1,055k from additional Right to Buy Receipts and £4,815k reduction in revenue contribution to capital. This increase is principally due to an uplift in projected costs for the Supported Housing Projects. Within the Works to Stock programme, a sum of £2,000k has been set aside as contingency to support transition to the new standard.

143. A review of business processes across repairs and planned maintenance, which is expected to secure £1,000k efficiencies, has been included in this budget. This will enable a surplus of £1,000k to be generated on the Housing Revenue Account, which can support future investment in housing stock.

Update on 2014/15 Budget

144. Development of the 2015/16 Housing Revenue Account budget builds upon the 2014/15 budget and therefore the current monitoring position provides a useful context, highlighting areas of uncertainty which will impact upon the future of the HRA. As at Month 9, an underspend of £4,948k is projected on the HRA, increasing forecast unallocated general balances to £27,768k at 31 March 2015.

145. The most salient variances within this underspend are: £3,281k underspend on planned maintenance due to procurement efficiencies and slippage; £1,222k underspend on Housing Management due to a number of posts remaining vacant pending restructuring; £601k underspend on Tenant Services and £412k underspend on interest and investment income.

146. Although there were 155 properties sold under Right to Buy (RTB) arrangements between April and December 2014, no material variance is reported on income in the current year, with a combination of improved void turnaround rates and administration income offsetting RTB rental losses. The medium term implications of the continuing high level of demand for RTB are outlined below, including the significant investment required to replenish housing stock and avoid repayment of retained receipts with punitive interest charges.

HRA Budget Requirement 2015/16

147. The movement from the 2014/15 baseline to the 2015/16 budget requirement is summarised below, with rental income projections and saving proposals refreshed from the position

included in the February budget report. The draft budget includes the contribution of £3,434k to support capital investment and £663k to General Balances.

Table 14: HRA Budget Requirement

	£'000
Funding Sources	
Dwelling Rents	57,560
Other Income	4,154
Total Resources	**61,714**
Budget Requirement 2014/15	62,692
Inflation	372
Corporate Items	115
Contingency	(17)
Savings	(2,448)
Budget Requirement 2015/16	**60,714**
Surplus / (Deficit)	**1,000**

148. Appendix 7 to this report continues this presentation over the MTFF period, with annual surpluses set to reach £10,872k by 2019/20, primarily due to inflationary growth in rental income outstripping the adverse impact of both inflationary cost pressures and the loss of rental income from Right to Buy sales.

Rental and Other Income

149. Rental income projections have been fully refreshed to take account of revised estimates for the numbers of properties being sold under the RTB scheme. The current exceptional level of sales is being driven by changes to the maximum level of discount during 2013/14, and this draft budget has been prepared on the assumption that there is a decline from this peak over the medium term. For 2015/16 it is assumed that the loss of these 140 properties through RTB sales will be partially off-set by 25 new properties coming on stream through the Buy Back Scheme and initial Supported Housing projects.

150. This draft budget has been prepared on the assumption that the Council continues to follow the DCLG's national rent restructuring approach with increases of CPI + 1% from 2015/16. On current projections this will result in a 2.2% inflationary increase in rents. At this stage it is assumed that the 1% provision for income losses arising from void properties will remain at this level, resulting in net dwelling rents of £57,560k. The reduction in net rental income of £1,655k from the position reported to Cabinet in February 2014 is principally attributable to the continuing high number of sales.

151. Other income is expected to total £4,154k for 2015/16, mainly relating to service charges which are expected to be uplifted in line with rents.

Balances and Reserves

152. Housing Revenue Account general balances are projected to reach £27,768k by 31 March 2015 (£22,820k at 31 March 2014), representing 47% of rental and other income for 2015/16. While there remains no formal balances strategy for the HRA, this level of balances provides a significant level of flexibility within the HRA, providing both cover for emerging risks and scope to support new developments without recourse to Prudential Borrowing.

153. In addition to General Balances, the Major Repairs Reserve is projected to hold a balance of £12,499k at 31 March 2015 (£11,379k at 31 March 2014) however, this sum includes monies earmarked to support the capital programme approved by Cabinet and Council in February 2014.

Inflation

154. The inflation provision of £372k included in this draft budget is unchanged from that included in the February report to Council and has been estimated using the same assumptions for the General Fund provision outlined above. This sum includes £115k in respect of employees' salaries and pension contributions, £149k provision for utilities inflation and £106k inflation on contracted expenditure within the HRA. The latter sum will be reviewed as procurement work progresses and the future position on a number of significant contracted workstreams becomes clearer.

Development & Risk Contingency

155. The Housing Revenue Account budget includes contingency budgets totalling £1,540k to meet emerging risks and pressures during 2015/16. Within this sum £860k is identified as General Contingency with a further £680k provisionally earmarked for costs within the Repairs Service. At present there are no specific commitments against these sums.

Corporate Items

156. Movements contained within Corporate Items include changes in provision for capital financing costs, direct contributions to support capital investment, changes in balances and other presentational changes. The net movement of £115k shown in table 14 consists of £4,119k additional contributions to capital, a payment of £663k into balances, release of £2,627k following the zero-basing of HRA budgets and a £2,040k technical adjustment to show income against resources rather than the budget requirement.

157. The capital programme and funding strategy remain broadly consistent with the position approved in February, with an increase of £4,119k to bring total revenue contributions into capital for 2015/16 to £19,810k. The application of these sums is expanded upon below.

158. On the basis of current projections, it is expected that £663k will be available to supplement General Balances in 2015/16.

159. A review of existing budgets within the Housing Revenue Account has identified a number of areas where historic budgets no longer reflect current activity. Removing these budgets has provided capacity to manage the true cost of the Independent Living Service after removal of the £200k Council Tax-payer funded subsidy and to release a further £2,627k for other priorities.

160. £2,040k income targets in respect of service charges have been transferred from Housing Management budgets to other income, to facilitate a consistent approach to monitoring and presentation of income and expenditure within the HRA. This change in presentation has no impact on the bottom line for the HRA and is included in this draft budget as a technical adjustment.

Savings

161. Current savings proposals are focused on aligning budgets to actual levels of demand for service and therefore implementation of these savings proposals would not impact on the level of service received by tenants. Over delivery of the 2013/14 savings in respect of remodelling back office functions and closure of the housing offices will secure £650k. In addition, reducing budgets for responsive and planned maintenance to reflect new approaches to working and procurement efficiencies would secure £123k and £675k respectively. This budget also includes a sum of £1,000k from efficiency savings arising from business transformation across repairs and planned maintenance expenditure, which will be available for reinvestment within the HRA.

Medium Term Outlook

162. On the basis of current assumptions and projections, the financial standing of the Housing Revenue Account is expected to remain sound over the MTFF period. The following paragraphs outline the key assumptions included in this draft budget and highlight potential risks which could adversely impact upon the HRA budget to 2019/20.

163. The current draft budget assumes that rental income will reach £62,976k by 2019/20, with an additional £4,370k generated through service charges and other income. It has been assumed for planning purposes that rents will rise by projected CPI + 1%, equivalent to 2.2% per annum, in line with expected DCLG guidelines. A 1% movement in this inflationary increase would either increase or decrease income by approximately £600k per annum. Over this period it is assumed that 1% of potential yield will be lost to void properties between tenancies.

164. There remains scope for volatility in rental income over the MTFF period as uncertainty around timing of additions to the housing stock and the loss of revenue associated with Right to Buy sales. This draft budget assumes that 580 dwellings will be sold over the five years to 2019/20, with the Council's current capital programme delivering an additional 402 units through new build and buy-back mechanisms. It is expected that the 2014/15 will represent a peak in demand following the recent discount changes, falling to approximately two thirds of this level over the remainder of the MTFF. The net impact of these movements will be a reduction of 178 properties to leave 9,991 properties. A movement of 100 properties would be equivalent to approximately £600k of income.

Table 15: Projected Movement in Housing Stock

	2015/16	2016/17	2017/18	2018/19	2019/20
Projected Opening Stock	10,169	10,054	10,044	10,152	10,087
Forecast Right to Buy Sales	(140)	(115)	(115)	(105)	(105)
New Build Supported Housing Units	4	38	147	0	0
Properties Secured via Buy Back Scheme	11	8	8	9	9
Council-provided New Build Property	10	59	68	31	0
Projected Closing Stock	**10,054**	**10,044**	**10,152**	**10,087**	**9,991**
Projected Average Stock	10,111	10,049	10,098	10,119	10,039

165. The Housing Revenue Account cost base is projected to remain fairly steady over the MTFF period, with inflationary growth of £1,731k, attributable to contracted repairs and

maintenance expenditure, energy costs and staffing, and temporary increased contributions to fund capital projects before reducing by £1,250k by 2019/20.

166. As reported through monthly budget monitoring, the Council's current 1:1 Replacement Agreement with DCLG enables the local retention of Right to Buy sale proceeds provided the Council replaces lost units within three years and provides 70% match funding. The increases in contributions to capital over the MTFF period are sufficient to meet this commitment, but will be kept under review given the increase in RTB sales during 2014/15.

167. Alongside provision for investment in new stock this draft budget includes annual contributions towards the Work to Stock programme of between £14,993k and £11,659k. This level of provision remains consistent with the budget approved by Council in February 2014, with any efficiencies or adoption of the 'Warm, Safe, Dry' standard potentially releasing funds for other purposes within the HRA.

168. While there is sufficient capacity to finance the current approved HRA capital programme from direct revenue contributions and avoid use of Prudential Borrowing, annual provision of £15,412k is included in this draft budget for the servicing and financing of existing debt. There may be scope to review this provision and reduce the annual contribution, particularly in light of the substantial additional provision for repayment of debt made during 2013/14.

169. Finally, the current HRA budget includes the savings proposals detailed above expected to secure £2,696k of efficiencies by 2019/20. Assuming that these savings are delivered and the assumptions noted above with regard to rental income and capital investment are unchanged, the HRA will generate a £9,872k surplus from revenue activity by 2019/20. Given that balances within the HRA are already over 40% of turnover, options around the use of these surpluses to support investment could be considered. Table 16 below sets out the latest projected balances for both General Reserves and the Major Repairs Reserve.

Table 16: Projected Housing Revenue Account Balances

	2015/16 £'000	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
General Balances	27,863	12,397	9,201	14,947	26,951
Major Repairs Reserve	10,000	10,000	10,000	10,000	10,000
Total HRA Reserves	**37,863**	**22,397**	**19,201**	**24,947**	**36,951**

Housing Revenue Account Capital Programme

170. The Housing Revenue Account capital programme remains focused on the twin objectives of maintaining existing stock and construction of new dwellings. Within the new build element of the programme, provision of supported housing to support the Council's Adult Social Care Reablement programme and associated revenue savings is a key strand. An overview of the revised draft capital programme is contained at Appendix 7d.

171. The draft capital programme contains provision of £90,511k to fund delivery of 402 new homes within the Housing Revenue Account and a further 100 properties through partner organisations over the period to 2019/20. These new build units will be financed from a combination of capital receipts from Right to Buy property sales retained under the 1:1 Replacement Agreement and direct revenue contributions from the Housing Revenue Account. This Supported Housing new build programme consists of five key separate projects, and provision for transfer of land from the General Fund: The cost of this land will be met from Prudential Borrowing and financed over the life of these schemes.

- **Purchase & Repair of Housing Stock -** A budget of £9,578k to fund the buyback of 45 properties previously sold under Right to Buy arrangements. To date more than 200 expressions of interest have been received and it is expected that this will provide the quickest approach to replenishing stock numbers.

- **General Needs Housing (HRA) -** Provision of £30,276k to support construction of 168 new properties within the HRA is also included in this programme, funded through 30% Right to Buy proceeds and 70% revenue contributions. Delivery of this programme will require identification of sites to accommodate these new units.

- **General Needs Housing (RSL Partners) -** In order to supplement developments within the HRA, this budget assumes that £5,400k of Right to Buy receipts will be passported to Registered Social Landlords in exchange for nomination rights on 100 further properties.

- **Supported Housing Programme** - Finally, £37,231k is included to fund delivery of 189 Supported Housing units across a number of sites in the borough, which will be funded from 30% Right to buy Receipts and 70% revenue contributions. As noted within the Adult Social Care savings section of this report, these projects will support the wider reablement agenda and reduce the Council's reliance on residential care placements.

- **Appropriation of Land** - A sum of £8,026k is included within the programme to fund the purchase of land from the Council's General Fund in order to enable the developments outlined above.

172. Although the Council is able to utilise Prudential Borrowing to finance delivery of new housing stock, the financial standing of the HRA is such that all new development in this draft capital programme can be funded from revenue contributions and capital receipts, thereby avoiding the cost of servicing new debt. While the appropriation of land is to be initially financed from borrowing, this will be managed within the existing provision for servicing and repayment of debt and therefore not impact upon the rents payer. In the event that a more ambitious programme of development is required, current indications are that £124,030k borrowing headroom is available to support further projects.

173. In addition to provision for new developments, continuation of the existing programme of Works to Stock is included in this budget at an annual cost of between £12,993k and £9,694k, which is fully funded from revenue contributions. The adoption of the new 'Warm. Safe, Dry' standard will require a reappraisal of this budget provision, however, a fully developed programme will not be in place for February 2015 and the 2015/16 budget has therefore been prepared on a largely provisional basis. As this budget will need to be revised during the new financial year, £2,000k is included within contingency to provide flexibility in implementing the new standard.

SCHOOLS BUDGET

174. The Council receives funding for Schools' Budgeted Expenditure through the Dedicated Schools Grant (DSG), which is a ring fenced grant. The DSG funds both the delegated individual schools budget and items which the School and Early Years Finance (England) Regulations allow to be retained centrally by the Council, including Special Educational Needs, Alternative Education provision and Early Years provision.

175. Proposals in relation to the Schools Budget are presented to Cabinet in a separate report on this agenda, with no cost falling upon the Council Taxpayer for those services funded from the Dedicated Schools Grant unless the Council chooses to supplement the Schools Budget from the General Fund.

OVERALL BUDGET FOR COUNCIL TAX SETTING 2015/16

Corporate Director of Finance's Comments Regarding Responsibilities under the Local Government Act 2003

176. Under Section 25 of the Local Government Act 2003 the Corporate Director of Finance 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.

177. The Corporate Director of Finance 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 further strengthened through the continued development of the Business Improvement Delivery programme.
- The inclusion within the base budget of a £9,975k Development and Risk contingency.
- 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 are in line with the assumptions in the revenue budget.

178. The Corporate Director of Finance 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 2014/15, the Corporate Director of Finance set a recommended range of balances. This was between £20m and £35m, 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

179. The Corporate Director of Finance 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.

180. To assess the adequacy of general reserves, the Corporate Director of Finance 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.

181. 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.

182. 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 2015/16 is £20,000k to £45,000k, including £15,000k to fund planned drawdowns to smooth the impact of funding reductions over the MTFF period. Ideally the Council should avoid having balances below the minimum level of £20,000k, or above the maximum level of £45,000k. The current MTFF is structured to deliver balances within this range. Details of the risk assessment are included in Appendix 8.

183. The range of issues that impact on the need to hold balances and reserves has been reviewed since last year's budget setting process and the level of cover against each risk criteria refreshed. To take account of the continuation of Central Government's austerity programme and increasing reliance on locally raised income, provision against these risks has been increased, while the continuation of a low interest rate environment has enabled a reduction in the provision held against the interest and inflation rate risk. The range of risks against which unallocated earmarked reserves to be held is therefore maintained between £15,000k and £30,000k.

184. A further £15,000k has been earmarked to smooth the impact of exceptional funding reductions forecast from 2015/16 and has therefore been included with the optimum level of reserves detailed in this report. As £5,000k of this sum is required during 2015/16, this has been factored into the lower limit for balances.

THE COUNCIL TAX REQUIREMENT FOR 2015/16

185. The budget proposals included in this report represent Cabinet's budget strategy for 2015/16 and beyond. The revenue budget proposals have been developed to deliver a zero increase

in Council Tax for the sixth successive year. The approved Council Tax level for 2015/16 is subject to Members' final choices in the budget setting process.

Council Tax Referendum

186. The Localism Act 2011 introduced a power for the Secretary for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax including proposed limits. If the Council proposes to raise its Council Tax above the proposed limits set, a referendum will need to be held. The result of the referendum will be binding upon the Council.

187. The Council Tax increase above which local authorities would be required to hold a referendum for 2015/6 as directed by the Secretary of State for Communities and Local Government is 2%. As the budget proposals outlined in this report maintain Council Tax at the same level as in 2014/15, the referendum threshold will not be triggered for the financial year 2015/16.

Greater London Authority Precept

188. The Mayor of London's draft budget proposals for 2015/16 are scheduled for consideration by the London Assembly from 20 January 2015 and approval by 23 February 2015. The draft proposals result in a 1.3% decrease in the element of Council Tax that relates to the GLA precept. This is analysed across the relevant functional bodies as follows:

Table 17: Change in Proposed GLA Precept by Functional Body

Functional Body	Band 'D' Council Tax 2014/15 (£)	Band 'D' Council Tax 2015/16 (£)	Percentage Change (%)
Metropolitan Police Authority	218.88	214.52	-2.0
London Fire & Emergency Planning Authority	52.51	52.42	-0.2
TFL	2.33	2.28	-2.15
GLA	25.28	12.61	-50.2
Share of Collection Fund Surplus - Council Tax	0	-2.12	N/A
Share of Collection Fund Surplus - Council Tax	0	15.29	N/A
Total	**299.00**	**295.00**	-1.3

189. The largest element of the GLA Group's budget relates to the Metropolitan Police Authority and this aligns to the Mayor's primary responsibility in making London Safer. Whilst there is a reduction in the Metropolitan Police's budget requirement the Mayor is continuing to protect operational capacity and police numbers to be at or around 32,000 during his administration.

FINANCIAL IMPLICATIONS

190. 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?

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

192. The draft budget has been developed with due regard to on-going reductions in central Government support to the Council, while minimising any impact on the level of service provision to Residents. Overall the package of proposals is designed to secure the most effective combination of service outcomes across the whole of the Council's business, by improving the value for money offered by services and by maximising funding, procurement, efficiency and service effectiveness gains.

Consultation Carried Out or Required

193. Each of the Policy Overview Committees has received reports setting out the draft revenue budget and capital programme proposals relevant to their remit. This was approved by Cabinet on 18 December 2014 for consultation at the January 2014 round of meetings. Comments on the budget from each of the service Policy Overview Committees were referred to the Corporate Services and Partnerships Policy Overview Committee, who met on 5 February 2015 to consider the comments received from the three other Policy Overview Committees on the budget proposals relevant to their remit. The comments from that Committee will be presented to Cabinet in appendix 12.

194. The Council also has a statutory responsibility to consult on its budget proposals with business ratepayers and residents in the Borough. A budget consultation survey was published on the Council's web-site in relation to the Cabinet's draft budget proposals after the meeting on 18 December 2014. The majority of respondents (65%) are either satisfied or fairly satisfied with the Council's budget proposals for 2015-16. The majority of respondents (68%) either strongly agree or tend to agree that the proposals provide value for money to local people and businesses and the majority of respondents (67%) feel either well informed or fairly well informed about the budget proposals. Of those that are not satisfied with the budget proposals and disagree that they provide value for money, there was no common theme on the reason for dissatisfaction. There were another 43 responses, all expressing dissatisfaction with the proposed 58.5% increase in fees for children's centres to subsidise concessionary places at the centres. The proposal has now been amended to an increase of 16.7% effective from 1 September 2015, as the 58.5% increase had been included in the original consultation document in error. Any subsequent amendment proposed by School's Forum can be approved by Cabinet at a later date. This increase and related budget proposals within the Schools Budget are revenue neutral, so any subsequent amendment will not impact upon the budget proposals recommended for approval at this meeting.

195. The draft budget reported to December Cabinet has been available to view on the Council's website and additionally, Schools Forum has been consulted on those budget proposals that have a potential impact on schools budgets.

CORPORATE IMPLICATIONS

Corporate Finance

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

Legal

197. 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 proposals are set out in this report for the consideration of full Council.

198. 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 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.

199. The Corporate Director of Finance's 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 earlier in this report, the Corporate Director of Finance has given a number of positive assurances in relation to this issue.

200. The second duty for Members to note is the duty imposed on the Corporate Director of Finance to comment on the adequacy of the Council's reserves. Members will note that a Statement of Reserves and Balances is contained within paragraphs 179 to 184 of the report which discharges this duty.

201. As the Council's Section 151 Officer, it is the Corporate Director of Finance's 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 to ensure the lawfulness and financial prudence of decision-making.

202. 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's 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.

203. 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.

Relevant Service Groups

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

BACKGROUND PAPERS

Report to Council 20 February 2014 – General Fund Revenue Budget and Capital Programme 2014/15 to 2018/19.
Report to Cabinet 18 December 2014 - Draft General Fund Revenue Budget and Capital Programme 2015/16 to 2019/20.

Appendices

Appendix 1 - General Fund Corporate Summary
Appendix 2 - General Fund Corporate Items
Appendix 3 - General Fund Development & Risk Contingency
Appendix 4 - General Fund Priority Growth
Appendix 5 - General Fund Savings
Appendix 6 - General Fund Capital Programme
Appendix 7 - Housing Revenue Account Budget and Capital Programme
Appendix 8 - General Fund Balances & Reserves Policy
Appendix 9 - Treasury Management Strategy Statement and Investment Strategy
Appendix 10 - Pay Policy Statement 2015/16
Appendix 11 - Fees and Charges
Appendix 12 - POC Comments on the budget proposals