



Report for: DECISION
Item Number: 12

Contains Confidential or Exempt Information	NO
Title	BUDGET STRATEGY 2010/11
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Portfolio	Finance and Performance – Cllr David Scott
For Consideration By	Cabinet
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Affected Wards	All
Area Committees	All
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Purpose of Report:

It seeks Cabinet approval of the Revenue budget proposals and Capital programme for recommendation to full Council. It seeks approval of new capital proposals. It provides a summary of all previous savings and growth proposals agreed at Cabinet meetings on 1st December 2009 and 26th January 2010. It provides Cabinet with an update on performance against council priorities, the economic climate and reminds Cabinet of the previously reported Local Government finance settlement details for Ealing. The report also sets out the Dedicated Schools grant and Parking Places Reserve Account for 2010/11.

The report includes the legislative requirement for the Chief Financial Officer to report formally on the robustness of estimates, the adequacy of the reserves and on the risks in the Council's budget strategy. The report also includes information on prudential borrowing and the resolutions the Council must approve in order to comply with statutory requirements. The medium term financial strategy projects forward three years and takes account of risk assessments, financial contingency planning and sensitivity analysis.

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1. Recommendations

It is recommended that Cabinet endorse and approve the following recommendations and recommend to the Council on 9th March that it:

- 1) Consider and approve the amended Medium Term Financial Strategy (MTFS) for 2010/11 and beyond (**Appendix 1**);
- 2) Notes the latest position on the 2009/10 revenue and capital budgets as set out in section 4.1, showing a forecast balanced outturn,
- 3) Approve the one-off virement of £1.95m in 2009/10 from the contingency to adult services as set out in section 4.1
- 4) Agree the amendments to the 2009/10 Capital programme, set out in section 4.1
- 5) Considers the advice by the Executive Director of Corporate Resources on the levels of reserves and robustness of estimates in setting the budget as required by Section 25 of the Local Government Act 2003 (Paragraphs 4.5 to 4.8);
- 6) Notes the financial pressures out in 3.2.
- 7) Note the growth proposals of £5.011M for 2010/11 previously agreed at Cabinet on 26th January (**Appendix 2**);
- 8) Note the savings proposals of £8.353M previously approved at Cabinet on 1st December have been reduced by £30k to £8.323M as set out in paragraph 3.4 (**Appendix 3**);
- 9) Note and considers further comments from Overview and Scrutiny Committee as set out in paragraph 3.4.
- 10) Approve the draft Schools budget of £215,505,420 and that any changes to the budget as a result of the final DSG announcement in June 2010, are delegated to the Executive Director of Children and Adults Service in consultation with the Executive Director of Corporate Resources;
- 11) Note that there is no draw down from or addition to the General Fund balances planned for 2010/11;
- 12) Approve the use of the £1.507M 'line-by-line' savings which arose from the reviews in July 2009 to assist the 2010/11 budget position;
- 13) Approve the proposed use of the Parking Places Reserve Account set out in **Appendix 8**;
- 14) Approve the revised Treasury Management code of practice and the revised Treasury Management Policy Statement (Appendix 5).
- 15) Approve the treasury management strategy and prudential indicators as set out in **Appendix 5**, for the period 2010/11 to 2012/13, which includes the revised code of practice;
- 16) Approve the Minimum Revenue Provision (MRP) statement contained in the Treasury Management Statement (**Appendix 5**);

- 17) Approve the capital programme set out in Table 13 and **Appendix 11** including the new capital projects recommended for inclusion set out in Table 12 and detailed in **Appendices 6a, 6b and 7**, the revised capital strategy set out in **Appendix 9** and the disposals programme set out in **Appendix 10**;
- 18) Reminds services that inclusion of a budget for a project in the capital programme implies no automatic approval for progression and is subject to a detailed report to Cabinet for formal approval for all programmes over £250K and the Finance Strategy Group in consultation with the portfolio holder for programmes under £250K;
- 19) Note the final GLA Band D precept of £309.82 for 2010/11, a 0% tax increase ;
- 20) Instruct services that any early in-year or future savings arising in 2010/11 should be retained as a first call towards reducing the potential budget gap in 2011/12;
- 21) To note that the Executive Director of Corporate Resources has calculated under delegated authority on 25th January 2010 the amount of 117,035.54 as the Council Tax Base, (the number of properties in Bands A-H in the Borough expressed as an equivalent number of Band D units for the year 2010/11) in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) made under Section 33(5) and 34(4) of the Local Government Finance Act 1992.

Reason for Decision and Options Considered

This report is the latest in a series of reports to Cabinet on developing budgets for 2010/11. The main purpose of this report is enable Cabinet to consider further budget proposals before Council finalises the budget and sets the council tax on 9th March 2010. Due to a number of uncertainties, for example, changes in the inflation figures and levy figures still awaited, the recommendations around the total general fund budget requirement and the council tax level for 2010/11 will be reported for approval at the Council meeting on 9th March.

2. Budget overview

Process

This report is the final budget report to Cabinet before the budget and Council tax is set at full Council on 9th March 2010. It brings together a number of significant issues for Member decision.

On the 1st December 2009 and 26th January 2010, the Cabinet received reports on the overall financial situation of the Council and the developing budget proposals for 2010/11. This report updates the position for Members, and full Council will make the final decision on council tax at its meeting of 9th March 2010, taking account of the recommendations from this Cabinet meeting.

The 2010/11 budget process and timetable was agreed by Cabinet on 2 June 2009, based on cash efficiency targets of 4.2% of net departmental budgets for 2010/11.

The budget for 2010/11 has been prepared on the basis of the principles and policies set out in the Medium-term Financial Strategy, namely that:

- Services are resourced in line with Council priorities
- Council tax is maintained as low as possible
- Delivery of value for money is embedded in all activities
- Financial standing is further strengthened
- Capital investment is affordable, prudent and sustainable and directed towards residents priorities
- Risks are identified and mitigated

Over the last three years the Council has achieved £40 million of savings and the financial position of the Council is strong. This is against a background of efficient and effective service provision. The Council has delivered strongly against its priorities. Major achievements include reductions in crime, improved levels of street cleanliness, recycling and improving services for vulnerable older people and children and young people.

The Ealing Residents' 2009 Annual Survey revealed that 81 per cent of residents think the Council is doing a good job, (up 3% from last year) and 71% think the Council are making the local area a better place to live (up 9% from last year).

The Council has made significant progress in improving and strengthening its financial position, which has been endorsed via external inspection in the Use of Resources CPA assessment,. The council's excellent financial standing provides a strong base from which to enable the Council to respond to the challenges of delivering services during the current economic climate.

The Capital Programme has been reviewed to confirm that spend is directed to the Council's priority areas, following Residents' concerns about the streetscene, problems of litter, rubbish and graffiti, and concerns about crime.

This report also sets out the latest position on the 2009/10 budget, which shows that the Council is on course to deliver a balanced outturn in 2009/10 and meet its targets for the level of balances, demonstrating the continued strength of financial management across the Council.

Financial outlook

The budget for 2010/11 and going forward has been reviewed taking into account the effects of the national economic situation. The level of Government debt is forecast to grow to nearly 80% of GDP. It is widely acknowledged that public expenditure will need to be reduced significantly, certainly for the period of the MTFs and probably longer i.e. at least two CSR spending rounds. The Government announced in the Pre-Budget Report (PBR) that some services would be protected but local government has not been mentioned in this context and can expect to bear the full impact of any reductions. This is likely to translate into a reduction in Formula Grant and an even greater reduction in specific grants related to specific initiatives and in capital funding, which will impact upon the resources available for the Council to deliver services.

The Government's decision to bail out the banks was exceptional and could not have been foreseen. The expected fallout of this decision is that there will be widespread reductions to the level of formula grant received from 2011/12. Other major income streams are also under pressure whilst the demand from the public for a diverse range of good quality services will continue.

Despite the current economic situation, which has created additional pressures and uncertainties, the budget proposals for 2010/11 are balanced and robust. The proposed budget put forward is able, through using the significant cash backed efficiencies identified through the budget review process to deliver service improvements and at the same time deliver a low council tax. The budget also includes a significant but affordable increased level of capital investment this year that will drive service improvements still further.

Investing in Council priorities

The Council continues to increase its investment in cleaner streets and community safety and services for young people, including a significant investment in increasing provision for additional places at primary schools. The table below sets out the investment made in cleaner streets and communities over the past two years and further investment expected to be made over the next financial year and beyond.

Table 1: Investment in cleaner streets, community safety and young people

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12- 2012/13 £'000	TOTAL £'000
Revenue					
Streets	121	33	0	0	154
Community Safety	298	1,000	0	0	1,298
Young People	0	2,000	1,911	840	4,751
Sub Total	419	3,033	1,911	840	6,203
Capital					
Streets	10,484	6,500	6,500	1,000	24,484
Community Safety & CCTV	635	1,080	0	0	1,715
Additional school places	565	2,086	28,277	40,484	71,412
Sub Total	11,684	9,666	34,777	41,484	97,611
GRAND TOTAL	12,103	12,699	36,688	42,324	103,814

NB: The revenue budget figures are presented as incremental changes.

More detail is set out in the table below, which sets out significant planned capital investments during 2010/11 to 2012/13.

Table 2: Examples of Key new Capital Investments

	2010/11-2012/13 £000
Infrastructure renewal footways and roads	6,500
Schools - electrical and mechanical works	2,040
Parks and Open Spaces	1,000
Shopping parades and infrastructure renewal programme	1,500
Improvement Grants and Disabled Facility Grants	7,830
Acton Town Hall - new community and leisure facility	12,000
Greenford Hall refurbishment	1,000
Gunnersbury Park heritage development	5,000

In addition, over £40m will be spent on Primary Schools expansion to ensure the borough has sufficient spaces for the borough's young children and the BSF (Building Schools for the Future) project is a programme of circa £250M, which will begin in future years.

The financial challenge still remains over the medium term with significant projected savings requirements in 2011/12 and in 2012/13. The Council faces further challenging budget rounds with the need to continue to drive out new efficiencies and make further choices with regard to service priorities.

3. Budget planning assumptions review

3.1 Policy framework –the context for the budget decisions for 2010/11 and beyond

The context in which the Council's Budget is set is influenced by:

- a. The Council's Vision, Corporate Plan and strategic Priorities;
- b. The Council's Medium Term Financial Strategy (MTFS);
- c. The Local Government Finance Settlement; and
- d. External drivers – e.g. demand for services and inflationary pressures

The corporate plan is structured around the Council's vision and long-term goals for the borough developed with Ealing's Local Strategic Partnership. The plan demonstrates the Council's commitment to delivering improved quality of life in the borough in conjunction with local partners. It also incorporates the improvement priorities of the organisation. The Council's vision is expressed as follows:

'In 2016 Ealing will be a successful borough at the heart of west London, where everyone has the opportunities to prosper and live fulfilling lives in communities which are safe, cohesive and engaged.'

The Council's Medium Term Financial Strategy (MTFS) is set within the wider policy framework of Ealing's Corporate Plan 2007-2011, which aims to improve the quality of life for the people of Ealing with three key universal priorities:

- Cleaner Streets;
- Safer Communities; and
- Value for Money.

Policy direction in terms of balancing the gap between income and expenditure has centered on:

- Prioritising those policy and service areas central to Ealing’s Corporate Plan
- Negating the impact of reduced expenditure upon service recipients
- Maximising value for money across service areas

Service Performance against key Council priorities

The Council has prioritized investment in the following areas and redirected resources to drive significant performance improvement:

Improving environmental services: “**cleaner streets**”; and
 Tackling anti-social behaviour: “**safer communities**”;

Performance against council priorities

Cleaner Streets:

Street cleanliness indicator is measured by reporting on four different elements; litter, detritus, graffiti and fly posting. Inspections tranches occur three times a year at random intervals. Working closely with the Tidy Britain Group (TBG), the service has impacted positively on performance. Future work with the TBG is planned and it is anticipated should help to further improve performance in future. Provisional Tranche 2 figures show improved performance in each element of this indicator. It should be noted that the assessment methodology for this does not allow the Council full and consistent control over contributory elements. The indicator is not only a measure of street cleansing standards it includes pieces of land that might include areas away from the public highway.

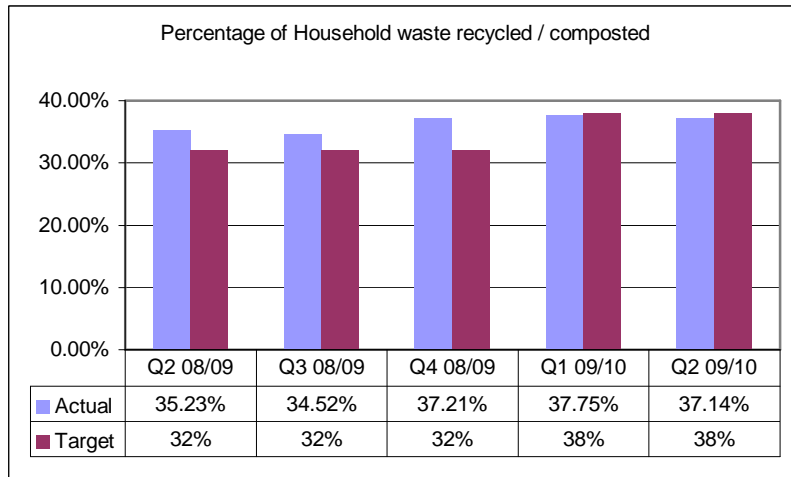
NI 195	Yr End Ave 08/09	Yr end Target 08/09	T1 09/10	T2 09/10	Yr End Target
Litter	11%	12%	10%	6%	9%
Detritus	25%	17%	25%	13%	15%
Graffiti	6%	5%	4%	3%	3%
Fly posting	3%	3%	3%	1%	2%

In 2009 residents in Ealing recycled more than 40,000 tonnes saving over £3m in landfill taxes. Latest figures (November 09) show that residents are now recycling and composting 37% of their household waste. Following the success of last year (2008/09), the service has continued to innovate and introduced a range of new initiatives to further encourage resident participation in household waste recycling.

These initiatives include:

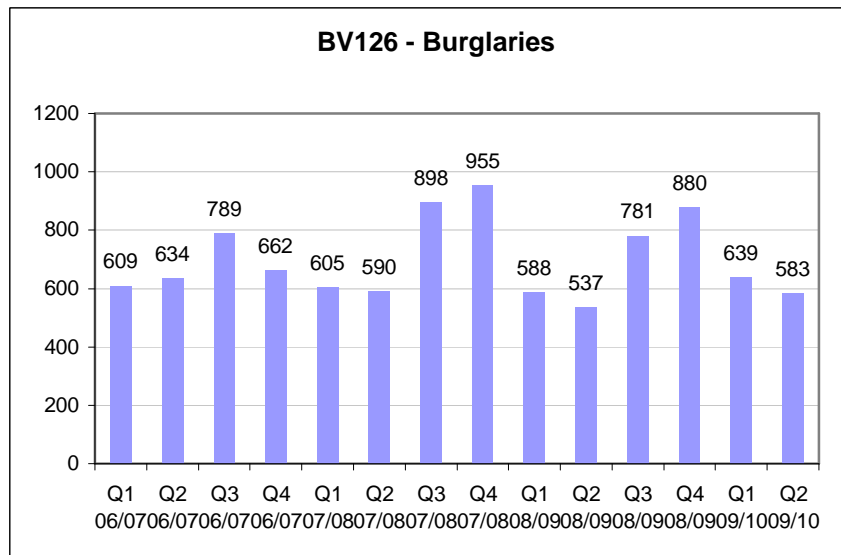
- Working for the first time with schools to introduce and embed food waste and cardboard recycling services, and
- Expanding / enhancing the service to flats and ‘hard to access’ recycling collections across the borough to achieve a higher percentage of household coverage.

These initiatives and ongoing and recycling outreach work will help increase participation and capture rate of recyclable materials.

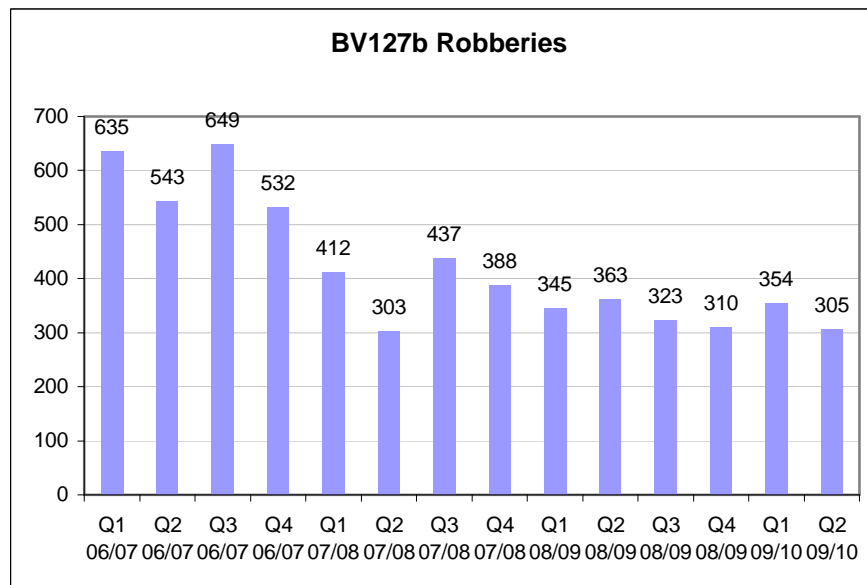


Safer Communities:

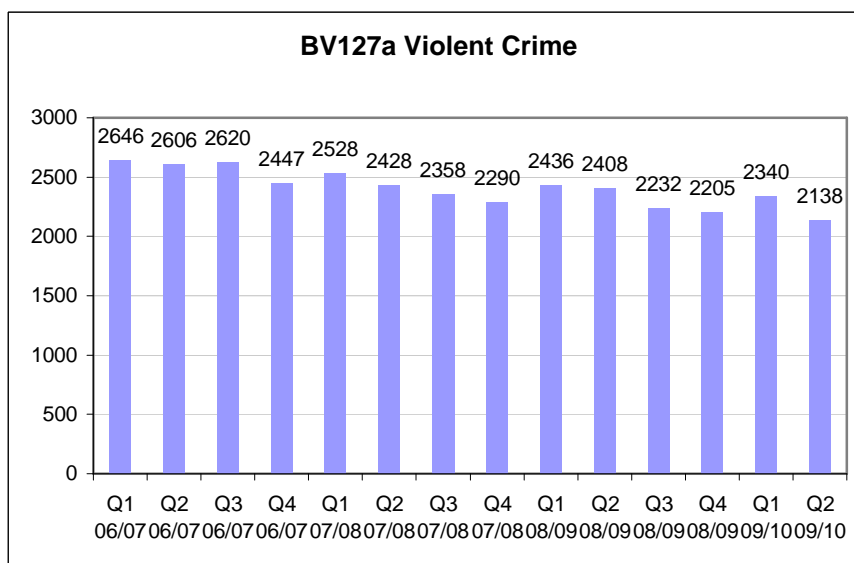
Although the National Indicators replaced Best Value Performance indicators in April 2008, we have used previous Best Value Performance indicators to report crime to allow direct comparison analysis in the charts below. Burglaries, robberies and violent crime have all shown an improvement since the end of 08/09 financial year.



Reported burglaries have increased slightly in second quarter of 2009/10 from 537 to 583 compared with the same period in 2008/09. However burglaries have fallen by just over a third (880 to 583) since the last quarter of 2008/09.



The second quarter 2009/10 figures for robberies show a fall of just under 16% to first quarter compared to the same period last year (363 to 305). The current figure is the lowest reported quarter figure since the second quarter of 2007/08, and represents an improvement of over 50% since robberies peaked in third quarter of 2006/07.



Violent crime levels have been fluctuating since the start of 2006/07 there has been a general downward trend and the quarter two 2009/10 figures are the lowest for over 3 years. Compared to the same period last year (2008/09), violent crime has decreased by just over 11% (from 2,408 to 2,138).

Recognition

Children's Services won the Council of the Year for Children's Services, Corporate Parent and Youth Work categories at the 'Children and Young People Now Awards'.

- The **Council of the Year Award** in recognition of its wide-ranging work, which included an engagement and consultation with more than 6,300 children and young people, asking them directly what they wanted to see improved

- The **Corporate Parent Award** for promoting opportunities for 400 children and young people and 225 of Ealing's care leavers.
- The **Youth Work Award** for the outstanding work that the W13 Youth Centre undertakes, with particular emphasis on the skills youth workers demonstrate in their work with children with special needs.

Ealing recently received the annual performance assessment (APA) services provided by Children's services.

Ealing Council 2009 – Scored 3. This means the council **performs well** that is – it is an organisation that exceeds minimum requirements.

In particular, good performance has been noted in respect of:-

- strong provision in secondary schools with above average proportions 6 out of 8 being judged as good or outstanding,
- Improved performance at Key Stage 4 – an increase in the percentage achieving 5A*-C *(currently 69.7%),
- Narrowing the attainment gap for vulnerable groups at aged 19 reflected in the attainment of level 2 and 3 qualifications September 07 to July 08.
- Majority of primary schools are good or better.
- Achievement at Key Stage 2 in line with area and national averages for Level 4 attainment - English (80%) and mathematics (80%).
- 87% of pupils achieved level 4 or above in science, in line with 2008
- The attainment gap for children eligible for free school meals at key Stage 2 is closing with improved levels of attainment.
- Strong provision for vulnerable groups in pupil referral units.
- Improvement in performance times for the completion of initial and core assessments of children and young people referred to the services.
- 87% of young offenders are in suitable education, employment or training (quarter 1 09/10).
- Majority of early years nurseries are judged as "good" or "better".
- Provision for looked after children is strong with all judged as "good" or "better".
- Children's homes, the adoption agency and private fostering arrangements are good with the fostering agency – outstanding.
- At the end of 2008/09 70.8% care leavers were in employment, education or training and all are in suitable accommodation.

Within the CAA assessment Ealing received a **Green Flag** indicating 'exceptional Performance or innovation that others can learn from'. Ealing achieved a green flag for:

'Supporting looked after children and care leavers into Further and Higher Education in Ealing'.

"Impressive numbers of Ealing's looked after children and care leavers go into Further and Higher education. This is the result of making these young people a high priority across the Council combined with imaginative ways of supporting and engaging with them. For example, older care leavers are trained to be positive role models for 15 years old, just about to do their GCSEs. This results in children becoming more strongly motivated to learn.

Looked after children and care leavers achieved very good results in 2009. 14 young people were offered places at University in September 2009 and Ealing now has a total

of 43 young people supported in Higher Education, three studying at Masters Degree level. Ealing has one of the highest national levels of care leavers attending university, 17 per cent, compared with a national rate of six per cent.”

Health & Independence:

Ealing recently received the Care Quality Commissions annual performance assessment (APA) for Adults Social Care Services.

Overall Grade Awarded for Delivery of Outcomes - ‘Performing well’.

Performing well meaning ‘an organisation consistently delivering above the minimum requirements for people’.

This	Delivering Outcomes	Grade Awarded
	Improved health and well-being	Excellent (4)
	Improved quality of life	Well (3)
	Making a positive contribution	Excellent (4)
	Increased choice and control	Well (3)
	Freedom from discrimination or harassment	Well (3)
	Economic well-being	Excellent (4)
	Maintaining personal dignity and respect	Well (3)

result for Ealing Adult Social Care Services, builds upon the “3 stars” awarded under the regime that ended in 2008. The assessment resulted in an improved grade for three of the seven outcomes areas, now recognised as Excellent:

- Improved health and well-being – the council provides personalised advice and information, supports people in planning for independent living, offers the option of individual budgets and provides local services that can meet the needs of a range of people.
- Making a positive contribution – the council supports people to take part in community life, to participate in voluntary activities and contribute to the development of services.
- Economic well being – the council provides improving access to information and advice and helps people prepare for and find employment.

The remaining outcome areas have retained the grade 3 and are recognised as performing well.

A brief summary of performance and progress notes that:

- The council has a clear vision for the future of adult social services, there is strong political support and recognition of the changing needs of social care and there is a cohesive strategy which includes staff and health partners as well as the views of people who use services.
- There are well developed performance management systems and the council is also able to base its reporting around outcomes for service users.
- the joint strategic needs assessment (JSNA) was undertaken in partnership with health services and through this the council has identified local priorities which formed the basis of the Commissioning Strategy
- The council is undertaking substantial work with providers to manage the changing needs of the market as a result of the transformation agenda and the introduction of Individual Budgets by 2010.

3.2 Pressures Facing the Council

3.2.1 External factors

2010/11 is the final year of the current 3-year funding settlement. The Council therefore has been planning on the basis that Ealing would receive £144.4M for 2010/11 and notwithstanding the difficult position on public finances the Government reaffirmed its commitment to pay this level of grant, when the level of grant funding was confirmed on 21st January 2010.

We have no certainty over our grant levels for 2011/12 and 2012/13: these years fall into the period of the next national spending review, and spending plans for local government have not yet been made available. This means the major restraint in public spending will begin in 2011/12. For the next Spending Review covering the period 2011/12 to 2013/14, it is prudent to assume cash reductions in formula grant instead of a flat cash floor over that period.

In common with all Councils, the medium term outlook is very challenging and an on-going programme of efficiencies will continue to be required. Other policy options are being discussed on a National level about Council Tax increases.

In addition to pressures on formula grant, it is also likely that there will be pressure on the amount of specific grants the Council receives and if the level of specific grants falls, services will need to reduce expenditure accordingly, which will create additional pressures on services.

The Icelandic bank issue along with the changing face of placing investments in the current climate will place pressure on the Treasury Management Budget in 2010/11 and beyond, as the interest rates received on investments have tended to closely follow the downward path of the Bank of England base rate.

The base rate started falling in February 2008, falling from 5.5% to its current level of 0.5% the lowest in history. The change in the base rate since January 2008 to now is set out below:

Date	Bank Rate %
January 2008	5.5
February 2008	5.25
April 2008	5.0
October 2008	4.5
November 2008	3.0
December 2008	2.0
January 2009	1.5
Feb 2009	1.0
March 2009	0.5
Feb 2010	0.5

Inflation has also had some significant movement this year. The Government's target is CPI based. CPI does not include mortgage payments or house price movement. The following chart sets out the movement in both CPI and RPI:

Period End	RPI	CPI
	%	%
Nov 2008	3.0	4.1
April 2009	(1.2)	1.2
May 2009	(1.4)	1.1
June 2009	(1.6)	1.8
July 2009	(1.4)	1.8
Aug 2009	(1.3)	1.6
Sept 2009	(1.4)	1.1
Oct 2009	(0.8)	1.5
Nov 2009	0.3	1.9
Dec 2009	2.4	2.9

Since the start of the current financial year, CPI has moved from 1.2% to its current level of 2.9%, whilst RPI has moved from (1.2%) to 2.4.

The following forecast of RPI and CPI is based on information from Sector who is the Council's treasury management advisors:

Period End	RPI	CPI
	%	%
Jan 2010 – Mar 2010	3.0%	2.7%
Apr 2010 – Jun 2010	2.8%	2.1%
Jul 2010 – Sep 2010	2.4%	1.8%
Oct 2010 – Dec 2010	1.8%	1.2%
Jan 2011 – Mar 2011	1.1%	0.5%
Apr 2011 – Jun 2011	0.8%	0.1%
Jul 2011 – Sep 2011	0.6%	-0.2%
Oct 2011 – Dec 2011	0.7%	-0.1%

3.2.2 Internal Factors

In addition to the external pressures, there are a number of internal factors, which are highly likely to impact on both the cost of services and our customers' ability to pay for services. These pressures are listed below:

- Demand led services (Children and Adults) – despite delivering a balanced outturn for 2008/09 overall, these budgets remain under pressure due to the demand led nature of the services.
- Adult Services – Free Personal Care Bill 2009/10 – the aim of the Bill is for those with the greatest care needs to be offered free personal care at home. Existing powers allow local authorities to provide certain community care services free of charge for up to six weeks. The Bill removes this time limit for those in greatest need. There will certainly be a reduction in client income, as well as increased costs associated with the Bill and although a specific grant may be provided to cover these costs, the details are currently unclear and therefore there is a risk of these costs falling on the Council.
- Officers are monitoring the effect of the current tendering of Housing Management Services, which once completed will result in the closure of Ealing Homes.

- Parking Account – there remains a risk on parking income due to a number of issues (more detail in section 4.1)
- Private Sector Leasing – The level of Housing Benefit subsidy available for users of this service has been scaled back over the last few years and further reductions will occur 2010/11 with the introduction of the Area Housing Allowance. Although the estimated loss of income in 2010/11 is already allowed for in the provision made as part of the 2009/10 budget, it is likely that further real term reductions will occur in the coming years.
- Capital Receipts shortfall (more detail in section 4.10.4)
- Building Schools for the Future (BSF) and Primary places capital programme. Significant projects with inherent risks. e.g. Government funding
- The majority of the council's IT assets are approaching 5 years old and will need to be refreshed in the short to medium term.
- Levies that we pay to external bodies, particularly West London Waste Authority and the London Pension Fund Authority, which can have significant above inflation pressures outside our control that we have to meet from our budget requirement (more detail in section 4.9)
- Ongoing annual savings to balance the budget – Whilst the council continues to find savings within its operations and budgets (a total of £40M identified so far), it anticipated that services are likely to find it more and more difficult to identify significant savings going forward.
- Pension Fund Valuation - The next actuarial review will take place on the Fund position as at 31st March 2010. The outcome of this will be factored into the 2011/12 Budget process.

Financial Position

The Council's financial position has continued to strengthen and improve, with the general fund balance at 31 March 2009 reaching £15.2M, matching the target agreed in the Medium Term Financial Strategy (MTFS) enabling the Council to respond to unexpected events and opportunities.

During the process of closing the accounts for the 2008/09 financial year, it became apparent that the Council had achieved a particularly strong budget position and the Council took the opportunity presented by this to respond positively to the downturn by using £6.2M funding to fund the Value For Money cashback scheme, in which qualifying council tax paying households in Ealing were given a £50 one-off payment in December 2009. The scheme was designed to help residents directly and to create an economic stimulus to offset the impact of the recession locally.

The 2009/10 revenue and capital expenditure forecasts for period 9 (December 2009) show overall projected expenditure to produce a balanced outturn as at the end of December (section 4.1).

The Council has made strong and significant progress in the achievement of its financial priorities. External inspection has endorsed the progress being made. For 2009 the use of resources assessment was changed so that it formed part of the Comprehensive Area Assessment (CAA). The assessment was broadened to include sustainable and natural resources and commissioning and procurement capabilities. There were three new

themes of: managing finances, managing the business and managing other resources. The theme of managing finances embraces most of the components of the old Use of Resources.

Within the Comprehensive Performance Assessment, the Council was scored at 3 out of 4 for the Managing Finances Use of Resources assessment for 2009. This is a test of the Council's financial arrangements, asset management, value for money and risk management.

A score of 3 was a very good achievement as each year the bar is raised on the criteria and within the overall score for 2009 the Council achieved the top score of 4 for Financial Planning and Financial Health, a score achieved by relatively few authorities.

Theme	<u>2009 Score</u>
Financial Planning and financial health	4
Understanding costs and performance	3
Financial reporting	3
Overall score	3

3.3 Approach to budgeting - the Budget Review Process

This year's budget and Business Planning round for 2010/11 saw the continuation and further development of the strategic finance and performance review process introduced in August 2005. Budget challenge meetings took place in September/October where departments' business planning and budgeting for the next three financial years were presented and rigorously reviewed.

In the guidance to this process Corporate Board advised services that for any spending pressures and potential growth items these should be accompanied by alternative savings proposals. These Budget meetings were challenge sessions on the direction of travel of service divisions, in terms of finance and performance. The sessions were for both frontline and support services. The Leader of the Council chaired each session with the portfolio holder for Finance and Performance, supported by a team comprising the Chief Executive, the Executive Director of Corporate Resources, the Director of Corporate Finance and Audit and the Director of Policy and Performance.

The Council's approach to setting the budget involves detailed consideration of financial risk, so that they can be factored into the budget decisions. Risks arising in the current year must also be considered in the budget-setting process. These are detailed in a separate section below, and have been considered in the budget proposals.

3.4 Previous reports

The Cabinet considered reports on 1st December 2009 and 26th January 2010 on budget planning, which updated Members on the latest position on the budget planning framework. This report presents the latest budget position for Cabinet consideration before final decisions on Council tax and the budget by full Council on the 9th March 2010.

Overview and Scrutiny Committee 3rd December 2009

At this meeting the OSC considered the Budget Strategy report to Cabinet on 3rd December and also agreed to consider the budgets of Parking Services and Children and Families for further investigation at the 4th February 2010 budget meeting.

At the meeting on 3rd December, OSC reviewed the budget savings agreed by Cabinet on 1st December. As a result of the review carried out by OSC, a recommendation came from the meeting in connection with one of the savings proposals. The proposal in question was to reduce the number of Scrutiny Panels within the current Scrutiny structure by up to a third, to enable a reduction of one Scrutiny officer post, and a subsequent saving of £30k in 2010/11, increasing to £45k in 2011/12. OSC felt that the saving was disproportionate, and one which is likely to adversely affect the Council's Scrutiny function.

OSC therefore requested that Cabinet reconsider this proposal. Following the 26th January Cabinet, it was agreed that the saving should not be taken. Therefore this saving has been deleted and will not result in a budget saving of £30k in 2010/11, increasing by a further £15k in 2011/12.

Overview and Scrutiny 4 February 2010

The OSC considered the draft budgets for Parking Services and Children and Families in detail at this meeting. There were no resolutions from OSC to Cabinet on the 2010/11 budget.

Overview and Scrutiny 18th February 2010

Overview and Scrutiny Committee considered the Cabinet Budget report at its meeting on 18 February. Any recommendation will be tabled at the meeting.

3.5 Annual Review of the Medium Term Financial Strategy (MTFS)

This document (Appendix 1) is the cornerstone for the delivery of the Council's financial services and plans, providing a robust financial framework to support achievement of the Council's overall objectives and delivery of services.

The MTFS is reviewed and updated at least annually. Cabinet last reviewed the MTFS on 24 February 2009. The aim of the MTFS is to ensure a stable and sustainable financial position that will allow the Council to achieve its vision and strategic objectives and external inspections such as the CPA, use of resources and external auditors' assessments require formal and separate endorsement of the financial strategy underpinning the budgets of councils.

By necessity the strategy is fluid and moves to reflect such matters as the changing circumstances faced by the Council, up-dated priorities and ambitions, the latest financial situation, external factors such as national settlements. Members are asked to consider and agree the amended MTFS for 2010/11 and beyond as set out in Appendix 1, noting that the Council, in common with all authorities, faces a challenging financial outlook. Financial planning over the medium term will help meet those challenges in a structured way, ensuring that resources are directed to priority areas.

The draft revenue budget has been developed based on 10 key aims, which remain unchanged.

- **Deliver investment in safer communities**
- **Deliver low council tax increases**
- **Deliver investment in clean streets**
- **Provide a robust framework to assist the decision making process**
- **Prioritise resources to align spending plans with the Council's vision and strategic goals**
- **Maintain a balanced budget position and to set a medium term financial plan maintaining and strengthening that position**
- **Deliver value for money to local taxpayers**
- **Exercise probity, prudence and strong financial control**
- **Manage risk, including strengthening reserves as appropriate and sustainable levels of debt.**
- **Continually review budgets to ensure that resources are targeted on key objectives.**

3.6 The Government's Grant Settlement

The level of grant support the Council receives from the Government is a key driver in the setting of the Budget.

Formula grant

The Final settlement was announced on 21st of January. The table below shows the final position:

Table 3a	2009/10 Adjusted £M	2010/11 Final £M
Formula grant	142.3	144.4
Table 3b	2010/11 % Increase in grant	
Ealing	1.5%	
Inner London	1.6%	
Outer London	2.1%	
England	2.6%	

Ealing received a below average grant increase as it is a floor authority, receiving the minimum (adjusted) increase of 1.5%, which was below both the inner and outer London average, as well the England average.

The increase in formula grant of 1.5% represents the minimum (floor) increase within the grants system. £15.568m of the 2010/11 grant allocation is 'damping' grant to prevent the full scale of losses arising from the grant formulae being felt in one year. For 2011/12, against a background of significant public expenditure reductions, it is very likely that the level of damping protection will be reduced sharply and possibly withdrawn altogether.

Out of a total of 33 London Boroughs (including the City of London), 24, are floor authorities. (The 24 include Wandsworth, Westminster, Croydon, Harrow, Hounslow, Tower Hamlets and many more). Floor authorities received a minimum increase in formula grant, just 1.5% increase for 2010/11.

Dedicated Schools Grant (DSG)

Ealing's provisional DSG allocation for 2010/11 has been set at £215.995m, which equates to a cash increase of £12.886m (6.3%) on the 2009/10 grant. (Section 4.3 sets out more detail)

The DSG does not directly impact on the council's revenue budget position as it is now provided as a specific and ring-fenced grant.

3.7 GLA Precept 2010/11

The Greater London Authority (GLA) was announced on 10 February 2010. The precept for 2010/11 has been frozen at its 2009/10 level of £309.82 per Band D Council Taxpayer. As the precept represents some 23% of the overall headline council tax bill in 2010/11 this is welcome news for residents.

The amount of GLA precept per Council tax band is set out below.

	A	B	C	D	E	F	G	H
£	206.55	240.97	275.40	309.82	378.67	447.52	516.37	619.64

4. Budgets and business plans 2010/11 to 2012/13

The draft Capital Programme (Appendix 11) and Revenue Budget have been produced as a result of work that has been underway since June 2009 on producing Budgets and service plans in the Budget and service review process. Service plans, including savings proposals, have been developed based on agreed financial guidelines and the information about the financial settlement.

The Housing Revenue Account (HRA) must be operated for all local authorities with a retained housing stock and is "ring-fenced" from the General Fund. The Budget for this is for approval by Cabinet elsewhere on this agenda.

This report also includes a budget update on the 2009/10 position.

4.1 Budget update for 2009/10

This is the fourth budget update report to cabinet on the 2009/10 position, with the last update presented to Cabinet in November. This budget update is based on actual spend to 31st December and forecast expenditure for the remaining 3 months of the year to 31st March 2010.

Revenue Budget

The high-level revenue budget forecast is projecting a balanced outturn position as at the end of December. Although, the revenue budget is projected a balanced outturn, within this figure services are projecting an overspend of £2.323m. This overspend is offset by underspends on corporate budgets, which provide for a forecast balanced outturn. Where services are overspending, action plans have been worked up to mitigate these overspends where possible. The table below sets out the major variances over £100k:

SUMMARY OF REVENUE VARIANCES OVER £100K:

	Forecast
Service Budgets	£'000
Adults Services*	-
Property and Regeneration	(104)
Parking Account Contribution	1,905
Parking – Off Street	156
Environment and Leisure	633
Corporate Budgets	
Contribution to capital reserve	2,069
Interest and Finance charges	(1,845)
Council Wide	(2,547)
Other services in total	(267)
Total variance (underspend)/overspend	-

- Subject to Cabinet agreeing virement from contingency of £1.95m.

Adults Services – in response to additional demand for services in relation to placements, it is proposed that a one-off virement of £1.95m should be made from the contingency to these budgets. Cabinet are therefore asked to approve this one off 2009/10 virement from the contingency to adult services for £1.95m, which would leave an unallocated balance of £1.05m in the central contingency.

Property and Regeneration - £104k underspend – mainly relates to an underspend in the grants budget and salaries.

Parking Account Contribution - £1.905m overspend – this relates to reduced income from enforcement activity.

Parking Off-Street - £156k overspend – again this overspend is in relation to reduced income levels.

Environment and Leisure – £633k overspend – this relates almost entirely to additional costs associated with the recent bad weather (gritting costs and pot hole repairs.)

Contribution to capital reserve - £2.069m provision – This is a reserve, which has been established to fund capital expenditure in 2010/11. The reserve was established after being agreed at Cabinet on 10th November, so that underspendings can be transferred to this reserve to create an alternative source of capital funding to borrowing.

Interest and Finance charges - £1.845m underspend – This relates in part to additional investment income where the Council has secured improved short term investment rates, but the majority relates to savings made on borrowing costs where, due to relatively slow capital spend, we have been able to defer taking out borrowing in 2009/10.

Council wide and other savings, growth items - £2.547m underspend – as we go through the year, it is becoming evident that a number of one off provisions held

centrally, will not be required. For example, growth held to cover possible utility price increases, risk provision for the non-delivery of savings etc.

Capital Budget

The 2009/10 capital budget agreed in March 2009 and subsequently adjusted for capital additions agreed at cabinet since March 2009, totals £188M.

The current forecast is showing a variance of £34M, with estimated spend of £154M against a budget of £188M. The bulk of the variance relates to slippage of £31M. In addition to this there have been underspends declared on the HRA of £2.4M.

The main variances, totalling (£34M), are as follows:

Service	Variance £M	Variance on budget %
Schools Service	(10.0)	(29.7)
Adult services	(0.4)	(21)
Children and Families	(0.4)	(15)
Direct Reports	(0.7)	(21.5)
Environment and Leisure	(1.6)	(5.0)
Customer Services	(2.0)	(29.7)
Corporate Resources	(1.5)	(23.0)
Housing GF	(0.7)	(12.6)
Safer Communities	(0.9)	(53.9)
Property and Regeneration	(9.4)	(58.4)
HRA	(6.2)	(8.1)
Other	(0.2)	-
Total variance	(34)	(18%)

The Reasons for the Main Variances are: -

- a) Schools Service – Mostly due to Slippage of Primary School Expansion programme to sites including Brentside, Fielding, Little Ealing, Oldfield and Selborne Primary and Wood End Infant Schools due to various issues. Children Centre Phase 3 also slipped to 2010-11.
- b) Property & Regeneration – Due to slippage on the Town Centre Regeneration programme to 2010-11. The Town Centre Regeneration programme was scrutinised in detail during November (and updated subsequently to be consistent with Queen of the Suburbs reporting). This has resulted in a revised spending profile.
- c) Customer Services - Pitzhanger Manor Development: Will slip to 10/11.
- d) HRA – Mostly due to ongoing consultation at Sunningdale (Golf Links Estate Regen Phase 4), Thurlestone Court (See below). S.Acton, Kipling & Blackmore - Leaseholder properties - only voluntary sales are going through until a compulsory purchase order can be obtained.

The following changes are needed to the existing 2009/10 capital budgets and cabinet are asked to approve these changes:

HRA Capital Underspend - 2009/10 HRA is forecasting a total underspend of £2.411m as reported. This mainly relates to 3 schemes shown below:

- (a) Housing Management Systems £506K - a number of planned enhancements to the Housing IT system, which are now scheduled for completion next year. The budget review process decided this budget should be reduced in 2009/10 and therefore this results in a reduction of £506k.
- (b) Thurlstone Court £1,700K - Budget provision for decanting and buyback costs in respect of the Thurlstone Court fire that is no longer required and therefore requires a reduction in the capital programme of £1.7m.
- (c) Homebuyers Grant £205K - Withdrawal of Homebuyers Grant applications due to property market conditions, hence budget will not be spent and budget needs to be reduced accordingly.

Cabinet are therefore asked to agree a reduction of £2.4m in the HRA capital programme.

The following changes are required to the 2009/10 Schools Capital Budget

- a) The Workplace Nurseries Budget should be reduced by £300,000 from £423,000 to £123,000 as a result of the Grant for Medcliffe no longer being available due to this project no longer going ahead.
- b) The Montpelier Primary School - New Pupil Places Budget should be reduced by £56,000 from £1,470,000 to £1,414,000 as a result of Section 106 funding no longer being available for this project.
- c) The Extended Schools Initiative 2009/10 Budget should be reduced by £57,000 from £696,000 to £639,000 so that it matches the DCSF Standards Fund Grant allocation for 2008/09 and 2009/10.

Cabinet are therefore asked to agree a reduction of £0.413m in the Schools capital programme.

The following changes are required to Environment and Leisure 2009/10 capital budget

- a) Northala Fields: this project has a long and complex financial history, with over £5m external funding having been received since 2004. Following on from an extensive reconciliation of this funding, a remaining balance of £158k has been confirmed, £193k less than the budget book figure. This is sufficient to cover final costs, however, and will not compromise the scope of the project. This therefore requires a budget reduction of £193k in 2009/10.
- b) S106 Park Improvements: review of s106 funding has confirmed that £65k is available for this project, £51k less than the budget book figure. This therefore requires a budget reduction of £51k in 2009/10.

- c) Manor House Garden: review of the s106 funding has confirmed that £38k is available for this project, £29k less than the budget book figure. This therefore requires a budget reduction of £29k in 2009/10.

Cabinet are therefore asked to agree a reduction of £0.273m in the Environment and Leisure capital programme.

A change is also required in the Corporate Resources capital programme to reflect a reduction of £800k in the programme. This saving in the minor capital budget has been used to fund the future year's capital programme.

4.2 Budgeting for the Council's Priorities

The role of the Council's financial planning process is to support the achievement of the Council's Strategic Goals and, in turn, the Community Strategy. A considerable amount of consultation and dialogue with partners and Councillors as well as staff has been undertaken.

Between September and October 2009, the Residents Survey 2009 was conducted with 3,323 residents being interviewed by an independent research agency. In terms of Residents top personal concerns, the results were:

	% 2009
Crime: including anti-social behaviour & terrorism	29
Litter / dirt in streets	20
Traffic Congestion	19
Level of Council Tax	16

The messages coming out from the Residents Survey have been fed into the budget process, for example the draft capital programme contains new investment in 2010/11 of £6.0M for roads and footways improvements, which is on top of the £6.5M provided in 2009/10. In addition, the Council is committed to keeping Council tax levels low and has a good track record of doing so as set out in the table below:

Table 4 - Band D Council Tax Increase Rates			
	Ealing	Outer London Average	National Average
2009/10	Nil	2.2%	3.0%
2008/09	1.89%	3.3%	3.4%
2007/08	1.9%	3.7%	3.6%
2006/07	2.49%	2.7%	3.4%
2005/06	4.8%	3.8%	4.0%
2004/05	6.8%	6.1%	5.7%
2003/04	25.9%	15.8%	12.9%

4.3 Revenue Budget Proposals 2010/11

The Council's proposed budget for 2010/11 will be agreed at Council on 9th March 2010. This excludes the proposed budget for schools of £215,505,420, which is funded from Dedicated Schools Grant (DSG).

4.3.1 Budget Growth proposals

There continues to be substantial further pressures in 2010/11 and future years arising from a combination of an increase in need on many of our front line services, and a requirement to refocus resources on key Council priorities, which must be funded from finite financial resources. Leading Members and officers have scrutinised these pressures to maximise the use of limited resources and ensure the Council delivers on its published priorities.

Cabinet are asked to agree the growth proposals totalling £5.011M in 2010/11 with a further £0.569M in following years, which are provided in Appendix 2.

The growth proposals for 2010/11 is summarised in the following table:

Table 5 Analysis of growth by directorate

Directorate	2010/11 (Full/Part Year)	2011/12 (Full Year)	2012/13 (Full Year)	3 Years Total
	£000	£000	£000	£000
Children & Families	1,004	420	420	1,844
Adult Services	907	-	-	907
Regeneration and Housing	246	(246)	-	-
Environment and Customer Service	2,854	(25)	-	2,829
Corporate Resources	-	-	-	-
Council Wide	-	-	-	-
Totals	5,011	149	420	5,580

4.3.2 Savings proposals

Savings proposals of £8.353M have been considered and approved at Cabinet on 1st December 2009 and subsequently reduced by £30k. The decision not to take a saving of £30k, (which related to the reduction of one Scrutiny Officer Post), was taken following the 26th January Cabinet following a recommendation from OSC.

The following table summarises savings according to whether they are Increased Income, Contractual Savings, Efficiency Savings, or service changes.

Table 6 Analysis of further savings proposals by Directorate

Directorate	Increased Income £'000	Contract Savings £'000	Efficiency Savings £'000	Service Changes £'000	2010/11 Total £'000
Children and Adults	15	-	4,702	-	4,717
Regeneration and Housing		-	421		421
Environment and Customer Service	208	492	557	-	1,257
Corporate Resources	-	-	1,681	-	1,681
Chief Executive	16		231	-	247
Totals	239	492	7,592	-	8,323
%age	3	6	91	-	100%

4.3.3 Assumptions for 2010/11 Budgets

Budgets reflecting cost increases identified between 2009/10 and 2010/11 have been drawn up in consultation with Directors of Finance, Heads of Finance and other staff within the Council's Departments. The planning assumptions used in calculating the figures include:

Inflation	Pay	0%
	All other budgets	0%
	Income	1%

Pay – the LGA issued a release at the end of January stating that local government employees will not be offered an increase in pay from April 2010. On this basis there will be no inflation provided to services for staffing budgets. However, given that it may be many months before any final decision is made on the April 2010 pay settlement, a provision has been made to cover a potential pay award of up to 1%.

All other budgets – this 0% covers supplies and services, transport related costs and other admin budgets, with the exception on budgets that are already subject to contractual increases, where the appropriate

Income – a 1% assumption has been made on income budgets. There are some exceptions to this, where fees and charges are set by statute. For example, Built

environment and Safer communities have not been able to increase charges in these areas for inflation and therefore in these cases, 0% inflation has been applied.

4.3.4 Parking Places Reserve Account

The budget also includes a contribution from the Parking Places Reserve Account. All charges against the Parking Account are bound by the rules set out in the Traffic management Act 2004 which essentially limits the areas on which a surplus can be spent to include:

- Off street Car Parks.
- Passenger Transport.
- Highway Improvements.

The Parking Places Reserve Account (PPRA) continues to be a significant challenge in financial terms. The parking contribution to concessionary fares has reduced from £6.375M to £5.428M. The reduction is driven primarily by a £1.974M reduction in enforcement related income. However, this has been partly offset by reductions in expenditure of £0.627M (although this includes a removal of an internal recharge from Regeneration of £582k). There has also been a transfer of £0.4m of income from the off-street parking account, which whilst improves the position on the parking account, has no overall effect across parking services. A detailed breakdown of the parking account for 2010/11 is attached as **Appendix 8**.

4.3.5 Schools Budget

Funding for the Schools Budget is paid to the Local Authority through a ring fenced grant known as the Dedicated Schools Grant (DSG). The majority of the Schools Budget is delegated to Individual School Budgets, but the Authority retains a proportion of the budget to support defined pupil related services.

Annual funding from the DSG is based on the preceding January pupil count. This count includes pupils in mainstream schools, pupil referral units, external non-maintained schools funded by the local authority (such as independent special schools) and private, voluntary or independent nurseries. The total of this pupil count is multiplied by a unit of funding per pupil to calculate Ealing's DSG for 2010/11.

The pupil number projections used by the DCSF to estimate Dedicated School Grant for 2010-11 are calculated using past pupil numbers and considering trends, updated using January 2009 census data. Based on these projections Ealing's provisional DSG allocation for 2010/11 has been set at £215.995m.

However, the DCFS stress that these are indicative figures only, and recommend that Authorities should use their own estimate of pupil numbers for budget and planning purposes, as they will have a more detailed knowledge of their own local circumstances and demography.

The Department for Children, Schools and Families (DCSF) has confirmed that Ealing's unit of funding per pupil is £5,213 for 2010/11, a 4.1% per pupil increase on 2009/10. Ealing's estimated pupil forecast for January 2010 is 41,340, giving an estimated Schools budget for 2010/11 of £215.5M.

The DCSF will notify Ealing about its final DSG settlement for 2010/11 in early July 2010, after they have checked January pupil numbers nationally. Any variance

between the final DSG notified by DCSF and the DSG estimated by Ealing for 2010-11 must be adjusted for, either in-year or in subsequent years.

4.4 Area Based and Specific Grants

4.4.1 Area Based Grants

Government as part of the Comprehensive Spending Review (CSR) announcement stated that Area Based Grants (ABG) would be paid to qualifying bodies from 2008/09. ABG is effectively an expansion of the Local Area Agreement (LAA) funding system, which saw the pooling of 14 central government grants into one pot. When introduced, the new scheme included up to 41 grants, most of which were existing grants, but also several new grants were also included in the ABG pot.

The ABG funding for 2009/10 and 2010/11 are £14.1M and £24.7M respectively. The 2010/11 allocation includes reclassification of £11.1m which was treated as specific grant in 2009/10.

The key message from this is that ABG is not ring-fenced and can therefore be used to fund any of the council's priorities including the agreed national LAA targets. Government expects that local authorities along with their partners take advantage of the new flexibilities that ABG provides to realign grant funding to agreed national and local priorities in 2010/11 and beyond.

The creation of ABG does not remove the performance reward grant linked to the LAA. In fact, government have confirmed that it will honour the existing commitments, but a future reward scheme is likely to feature a broader range of performance indicators.

Ealing's Local Strategic Partnership (LSP), chaired by Cllr Jason Stacey, decided to make use of the new flexibilities around ABG by exploring the feasibility of "top-slicing" ABG from 2009/10 by 3% in order to create a potential pooled resource that can be used to address priorities set out in the statutory Local Area Agreement and Sustainable Community Strategy. Recommendations for allocation of the remaining 97% of ABG were submitted during budget setting process.

4.4.2 Specific Grants

Specific grants (SG) are ring fenced at Local Authority level. However, with the exception of Schools Lunch Grants and Ethnic Minority Achievement Grant which are ring fenced at school level, schools are able to spend their devolved funding on any purpose to support the improvement of teaching and learning, providing that they deliver the outcomes and outputs of the grants for which they have an allocation. The aim is to ensure that schools have the flexibility to use the money to meet their own priorities.

The 2009/10 and 2010/11 allocations to Ealing are £277.7M and £285.8M respectively. Overall, there is an increase of £19m in Special Grants over 2009/10 in 2010/11 - there are various reasons for this.

Dedicated Schools Grant (DSG) is up by £12.9m, representing a cash increase of 6.3%. Some grants like Ethnic Minority Achievement, Sure Start, and Extended Schools Sustainability/Subsidy, Free Entitlement for 3-4 Year Olds/Flexibility,

Aiming High for Disabled Children (S/Breaks), Free Entitlement for 2 Year Olds (SSEYCC) are genuine increases. Key Stage 4 Engagement Programme worth £0.045m in 2010/11 is a new grant.

An analysis of Area Based and specific grants is set out in Appendix 4

4.5 Statutory declarations on Robustness of Budget Estimates and Adequacy of Reserves

Section 25 of Local Government Act 2003 requires that the Chief Financial Officer (in Ealing's case the Executive Director of Corporate Resources) must report to an Authority in two areas:

- the adequacy of the proposed reserves
- the robustness of the estimates

And that the Authority must have regard to this report when the Council Tax is being set.

The Executive Director of Corporate Resources advises that he considers that the proposed budget is robust and the level of reserves and balances in the draft budget is adequate. The finalisation of this position will be made and given as part of the Council Budget report on 9th March 2010.

The budget setting process is designed to produce robust three-year revenue budget estimates:

The draft Budget has been subject to considerable examination by the Council's Officers. Each department's budget proposals are presented by its Portfolio holder and Executive Director at the Budget Review meetings, which are chaired by the Leader and attended by senior officers and members including the Portfolio Holder and deputy portfolio holder for Finance and Performance, the Chief Executive and the Executive Director of Corporate Resources. The Budget Review discussions are held at a detailed level and contain a significant and robust element of challenge.

- The budget and service planning cycles are in line, so that resources are now aligned with service objectives through the budget setting process.
- The revenue impact of decisions concerning capital spending is considered and incorporated in the budget proposals.
- The budget does not include a proposed contribution to reserves as the anticipated level of reserves as at 31 March 2010, is at the target level that the Council set 3 years ago.
- Risks are fully considered and appropriately budgeted for.
- The Cabinet receives and comments upon the draft budget report before the Council meets to set the budget.
- The Council's scrutiny function has the opportunity to consider and comment upon the budget proposals to the Cabinet
- Executive Directors and Directors of Finance will be asked to sign off their budgets as robust prior to the financial year starting.

4.6 Emerging and known risks

In considering the budget, Members need to be aware of the significant risks to be taken into account.

As part of the Budget Review process, services were asked to consider and document all emerging and known risks in submitting their budget proposals.

The draft revenue budget for 2010/11 is being set in unprecedented financial and economic circumstances. This context impacts on what was already a steadily tightening grant settlement, as central government had already begun the process of reigning in the growth in public sector expenditure.

The main financial risks facing the Council have been set out in section 3.2.

The Council consider key corporate risks via the corporate risk register, which is monitored at Corporate Board on a regular basis and monitors significant performance and financial information on a monthly basis via the "Finance Monitor". This information is reported to the Finance Strategy Group, Corporate Board and Cabinet. The Portfolio Holder for Finance and Performance also receives a copy and is personally briefed at the regular weekly briefing with by the Executive Director of Corporate Resources on key issues.

Notable features of the process :

- A one page summary of key financial health indicators
- "Savings tracker" which highlights progress made by services in delivering savings and actions to mitigate any risks
- Forecast budget variances highlighted via traffic light system
- Focus on debt collection performance including council tax income against targets
- Monthly update on the forecast general fund balance against target
- Submitted to Corporate Board in tandem with the "Performance Monitor"

Despite the risks to the budget, the rigour of the process has enabled the Council to consistently deliver an overall balanced budget over the last four years achieved through sound financial management

Table 7

Year	Outturn
2009/10	On target based on latest forecast
2008/09	£25k underspend
2007/08	£53k underspend
2006/07	£84k underspend
2005/06	£0.8M underspend

4.7 Reserves

Under the 2003 Local Government Act, the s151 officer, (the Council's statutory Finance Officer), has to be satisfied that the level of the General Fund balance is adequate. This unearmarked reserve (the sum held centrally for unavoidable cost increases above expected inflation levels, other unforeseen items and spending pressures), acts as a financial safety net.

The Council's general fund balance has been brought up to its target risk-assessed level of £15.2M and there is no planned contribution within the base budget for 2010/11. The policy in the proposed budget is to now maintain the balance at risk-assessed levels.

There is no statutory definition of a minimum level of reserves and it is for this reason that the matter falls to the judgement of the s151 officer. In coming to a judgement on this matter the s151 officer has taken into account matters such as:

- Risks inherent in the budget strategy
- Risk management policies and strategies
- Past financial performance i.e. does the Council have a history of containing spending within budget?
- Current budget projections
- The robustness of estimates contained within the budget
- The adequacy of financial controls and budget monitoring procedures
- Spending pressures to improve services

The estimated level of the general fund balance at 31 March 2010 is some £15.2M, which is 5.7% of the total net budget for 2009/10. The Executive Director of Corporate Resources considers that this is the minimum sum given the risks the Council is facing.

Audit Commission guidance is that free balances should be at least 5% of the budget (unless a risk assessment has been undertaken).

Having carried out a risk assessment in relation to balances and considered Ealing's spending history the Executive Director of Corporate Resources considers that a balance of £15.2M at 31 March 2010 is adequate and to increase to higher levels would impact on service delivery and incur opportunity costs. The adequacy of reserves will continue to be reviewed annually.

The recommendation of the Council's s151 Officer on balances is:

The draft medium term budget plan should ensure that reserves should be maintained at £15.2M, which is the estimated balance as at 31 March 2010, and that no budgeted contribution is required as part of the 2010/11 budget process.

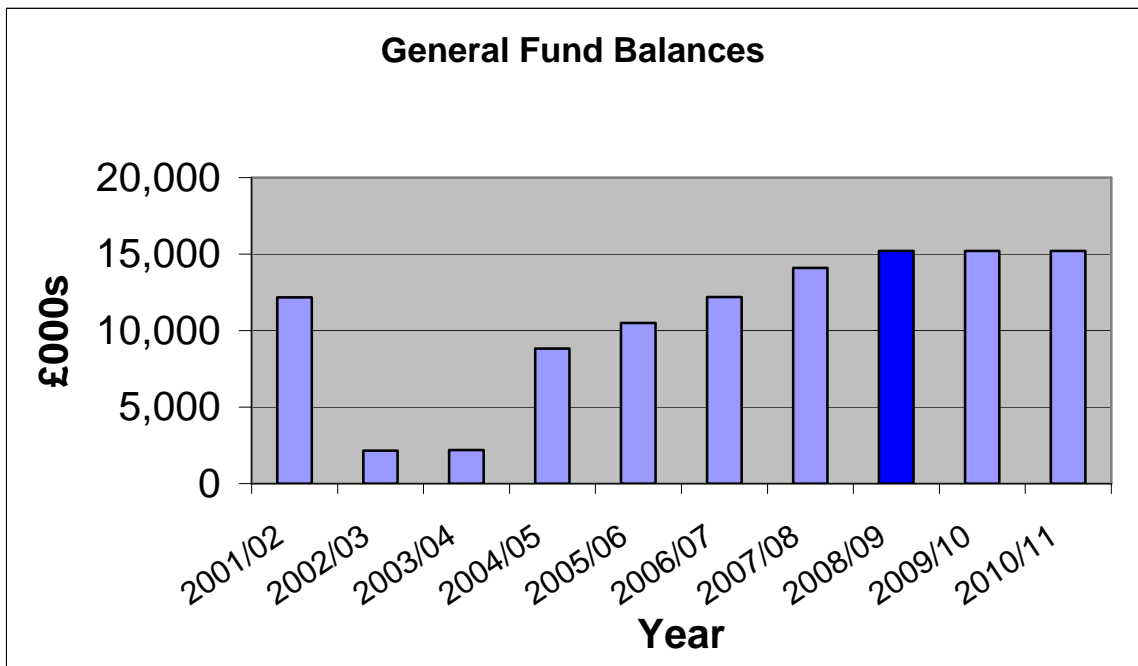


Table 8
ESTIMATED GENERAL FUND BALANCE AS AT 31 MARCH 2010

	£'000
Balance 1 April 2010	15,201
Budgeted contribution to balance	nil
Balance 31 March 2011	15,201

The following table shows for illustrative purposes the impact of a continuation of the current level of reserves over the medium term.

The opportunity cost of holding the recommended general fund balance of £15.2 M in 2010/11 in terms of investing in services or limiting the council tax rise is offset by the flexibility that it allows the Council to deal with risk and adverse expenditure variations.

Table 9

	Balance 31.3.09	Forecast balance 31.3.10	Forecast balance 31.3.11	Forecast balance 31.3.12	Forecast balance 31.3.13
	£M	£M	£M	£M	£M
General Fund balance	15.2	15.2	15.2	15.2	15.2
Other earmarked reserves	56.0	43.7	31.8	29.7	27.6

The earmarked reserves as at 31st March 2010 (monies set aside for a specific purpose) include the business risk reserve, PFI reserves etc. The figures on these reduce over the medium term as the sums built up in these are deployed. The earmarked reserves figure excludes locally managed schools balances, which are not available for use by the Council.

4.8 Central contingency

It is an essential requirement for a Council with a gross budget of over £900M on its general fund and net spend of more than £1M a day to have a contingency sum within its budget calculations.

The contingency is the sum within the base budget, which provides for resources that can be applied to issues as they arise during the year of an ongoing or one-off nature. A number of issues typically arise during the budget process where the likelihood or value of resources being required is uncertain. Rather than include all of these in the draft budget and therefore overstate the budget requirement, a contingency sum is provided for. It enables the Council to have a robust base budget without needing to fund unforeseen pressures by using or depleting the general fund balance, the Council's ultimate financial safety net, use of which is not sustainable on a long-term basis. This is particularly important in these uncertain times.

The Executive Director of Corporate Resources has reminded officers that it should be the last port of call for funding and that budget holders should explore all other possible avenues first within their devolved budgets. The recommended contingency sum for the 2010/11 financial year is £3M, the same as the 2009/10 level.

4.9 Levies

Set out in the following table are details of the levies made on the Council, which although outside of Ealing's direct control, form part of the Council's budget requirement:

Table 10

AUTHORITY	2009/10 £'000	2010/11 £'000	CHANGE	
			£'000	%
Concessionary Fares (See Note 1)	7,616	10,740	3,124	41
West London Waste (Note 2)	8,717	9,827	1,110	12.7
Environment Agency	234	233	(1)	(0.4)
London Pension Fund Authority (Note 3)	603	1,031	428	71
Lee Valley Park	359	357	(2)	(0.6)
Coroners Service	218	258	40	18.3
Total	17,747	22,446	4,699	26.4

Note

1. The significant increase is mainly due to the Department for Transport (DfT) amending the system for allocating concessionary fares grant, disadvantaging London Boroughs in favour of other parts of England. As reported to Cabinet on 26 January, Ealing had submitted a response early in 2010 opposing the consultation proposals. Another factor in the increase has been that the basis of charging has been changed, with the use of updated data on pass usage.
2. The main factors behind the increase in the West London Waste levy are transport, treatment and disposal costs, partially offset by the use of balances to limit the increase in the levy to constituent boroughs..
3. At the time of writing this report, the figure from the LPFA in respect of the special deficit recovery contributions is not finalised yet. Discussions led by the DCLG are still taking place. The deficit recovery relates to a deficit in the LPFA Pensioners Sub-Fund arising from the liabilities in respect of former GLC, ILEA and LRB employees.

4.10 Capital Programme**4.10.1 Existing Capital Programme**

The Council currently has in place an agreed four-year programme originally approved at Council in March 2009 and subsequently adjusted at Cabinet in June 2009, for the effect of the 2008/09-outturn position.

The existing Capital programme has been updated as part of the 2010/11-budget process to take account of the following:

- Update the existing capital forecasts, giving a realistic assessment of the amount and timing of expenditure on capital projects.
- Determine whether there are uncommitted projects no longer considered a priority within the programme.
- Update the capital programme for new schemes funded from external sources.

Table 11 sets out the movement between the capital programme agreed in March 2009 and the revised four-year programme put forward for approval to Cabinet as in Table 13. The following note is also included to expand on items in table 11:

HRA 2011/12 Capital Programme - the 2011/12 budget in the current capital programme has been reduced by £23m because of the re-profiling of decent homes capital programme as agreed with Homes and Community Agency (HCA). There has been an addition of £10M in 2009/10 for the buyback of council properties.

General Fund - additions to schemes funded from external sources mainly in Environment and Leisure services from TFL (Transport for London), Education and Children and Families services.

Table 11: Movement in total Capital Programme.

Capital Programme 2009/10 to 2012/13	£'000	£'000	£'000
Capital Programme agreed in March 2009 and updated in June 2009	341,387		341,387
<u>Changes to the programme:</u> Approved at various Cabinet meetings since March 2009			
<u>General fund changes</u>			
Mainstream funded	-5,506		
Specific funded	15,438		
<u>HRA changes</u>			
Mainstream /Specific funded	-12,954		
Total			-3,022
<u>New Capital additions:</u>			
Appendices 6a/6b/7			
General Fund Mainstream		81,756	
General Fund Specific		5,792	
HRA Mainstream /Specific		25,623	
Total			113,171
Revised Capital Programme proposed for Cabinet approval in February 2010			451,536

The draft Revised Capital Programme for 2009/10 to 2012/13 totalling £451.536M is summarised in Table 13.

4.10.2 Additions to the Capital Programme

The 2010 -11 budget process was based on examination of business cases for new capital schemes that have been selected with care and focus on affordability and Councils priority. The Council will only undertake capital investment that is prudent, affordable and sustainable. The main test of affordability is that the capital financing

costs can be contained within revenue budgets. Proposals of a capital nature require rigorous appraisal and testing before they can be considered and the Council will only borrow to fund capital expenditure when:

- Borrowing attracts external funding
- There is sufficient revenue budget to pay for the borrowing
- The borrowing will result in improvements that will reduce costs.

As part of the 2010/11 budget review process, services submitted capital bids in respect of 2010/11 and future years. The bids, which Members consider meet the criteria above, are submitted to Cabinet for approval. The new capital bids require funding from a combination of sources including the use of capital receipts, contribution from revenue, reserves and borrowing.

The 2010/11 capital investment programme has over £113M of new capital investment planned for 2010/11 to 2012/13.

The draft programme reflects the Councils' priorities, as follows:

- Improving the Borough's streets and footways
- Increasing the number of new primary school places
- Investment in Schools Health and Safety such as electrical and mechanical works.
- Improving the Borough's parks and open spaces
- Investment in community and leisure centres
- Provision of Improvement grants and Disabled Facility grants (DFG)
- Continuation of the Gating programme to provide more alley gating
- Investment in local heritage development

The additions to the capital programme and the funding sources are summarised in Table 12 and outlined with a full breakdown in appendices 6a, 6b and 7.

- a. **Appendix 6a** - additions that require funding from either borrowing or capital receipts.
- b. **Appendix 6b** - specific funded additions attracting external funding such as Section 106 or other grant funding such as Transport for London (TFL).
- c. **Appendix 7** – additions to the Housing Revenue Account (HRA)

Table 12 – All Capital Additions

All capital additions	2010/11 £'000	2011/12 £'000	2012/13 £'000	Total £'000
General Fund mainstream funded additions: Appendix 6A	29,133	15,963	36,660	81,756
Funded by:				
Borrowing	11,733	15,963	36,660	64,356
Rev Contribution, LABGI, Reserves	7,400			7,400
Capital Receipts	10,000			10,000
Total	29,133	15,963	36,660	81,756
General Fund specific funded additions : Appendix 6B	1,582	2,070	2,140	5,792
Funded by:				
Grant	1,146	2,070	2,140	5,356
Partnership	436			436
Total specific funding	1,582	2,070	2,140	5,792
Total all General Fund additions	30,715	18,033	38,800	87,548
HRA capital additions: Appendix 7	22,183	2,040	1,400	25,623
Funded by:				
Borrowing	16,714	2,040	1,400	20,154
other	5,469			5,469
Total HRA	22,183	2,040	1,400	25,623
Total of all capital additions	52,898	20,073	40,200	113,171
Total all new funding	52,898	20,073	40,200	113,171

The funding of General Fund additions of £87.548M requires additional borrowing of £64.356M over the 3 years.

Revenue implications – under the Prudential Code, all capital investment decisions have to be prudent, affordable and sustainable and supported by a robust business case. The interest costs associated with servicing each £1M of prudential borrowing is approximately £45,000 in a full year. The financing costs of the above have been built into the MTFs (Medium Term Financial Strategy) Budget.

4.10.3 Capital programme in total

The following Capital programme in **Table 13** and shown in detail in **Appendix 11**, illustrates the revised budgets taking in consideration change of spending profile. The General Fund element and HRA are presented separately. It is put forward for Cabinet and subsequent Council approval with the reminder to services that Financial Regulations specify that inclusion of a scheme in the capital programme implies no automatic approval for progression and is subject to a detailed report to Cabinet for formal approval and release of funding.

Table 13: Summary capital Programme 2009 – 2013 as at February 2010

SERVICE	Revised budget 09/10'	Budget 2010/11'	Budget 2011/12'	Budget 2012/13'	Total budget 2009/10' 2012/13'
	£'000	£'000	£'000	£'000	£'000
SCHOOLS SERVICE	24,476	39,306	23,639	22,340	109,761
ADULTS SERVICES	1,343	1,343	-	-	2,686
CHILDREN & FAMILIES	2,271	3,136	-	-	5,407
PARKING SERVICES	100	65	-	-	165
DIRECT REPORTS - EXEC DIR	2,383	6,601	1,045	1,045	11,074
ENVIRONMENT & LEISURE	29,623	15,508	2,568	1,568	49,267
CUSTOMER SERVICES	4,737	3,602	-	-	8,339
CORPORATE RESOURCES	5,073	4,037	750	250	10,110
BUILT ENVIRONMENT	6,033	4,146	3,638	3,547	17,364
HOUSING (GENERAL FUND)	1,276	275	75	0	1,626
REGENERATION	6,399	14,128	1,502	10,250	32,279
SAFER COMMUNITIES	794	1,080	50	50	1,974
COUNCIL WIDE CAPITAL	122	-	-	-	122
General Fund Total	84,630	93,227	33,267	39,050	250,174
HRA	70,151	75,908	28,605	26,698	201,362
Total	154,781	169,135	61,872	65,748	451,536
FUNDED BY:					
Mainstream funding	54,627	59,711	21,286	36,910	172,534
Specific funding (split as follows)	30,003	33,516	11,981	2,140	77,640
-Grant	28,022	30,337	11,156	2,140	71,655
-Revenue Contribution	350	400	-	-	750
-Parking Reserve	-	-	-	-	-
-Insurance Reserve	-	-	-	-	-
-Partnership	455	1,002	635	-	2,092
-S106	1,176	1,777	190	-	3,143
Total	84,630	93,227	33,267	39,050	250,174
HRA					
Mainstream funding	70,151	46,181	24,892	1,400	142,624
Specific funding (split as follows)	-	29,727	3,713	25,298	58,738
-Grant	-	5,827	358	-	6,185
Major Repairs (HRA)	-	23,900	3,355	25,298	52,553
Total	70,151	75,908	28,605	26,698	201,362
Total Funding	154,781	169,135	61,872	65,748	451,536
Mainstream Funding General Fund					
Borrowing	48,846	27,468	21,286	36,910	134,510
ECIF reserve	2,918	-	-	-	2,918
Capital Receipts	2,589	24,565	-	-	27,154
Rev contribution /LABGI/Property reserve	-	7,400	-	-	7,400
Right to Buy Receipts	274	278	-	-	552
Total Mainstream Funding	54,627	59,711	21,286	36,910	172,534

4.10.4 Funding Sources, Risks on Capital Programme and Capital Strategy

Capital Receipts

A capital receipt is an amount of money exceeding £10,000, which is generated from the sale of an asset. The Council's policy is that capital receipts (general fund and housing) are pooled and used to finance future investment according to priorities.

Housing Right to buy receipts are considered part of the Single Capital Pot for funding purposes.

The exemptions from this general policy are as follows:

*In Feb 2007, Council agreed that all capital receipts should go into a single pot and not be earmarked. Therefore, only receipts agreed by Members prior to Feb 2007 have been earmarked for specific projects.

*Individually agreed incentive schemes agreed by Members (these schemes must still meet service and overall council policies and aims) -for example, where works are carried out to provide new education accommodation with the old accommodation being sold at a later date upon scheme completion.

Appendix 10 sets out the disposals programme over the period 2009/10 to 2010/11

Due to the economic climate there has been a significant reduction in the latest forecast of capital receipts against the budgeted figures assumed when the 2009/10 budget was set in March 2009. This is mainly a result of the market conditions and decisions made by senior officers, to defer the disposal of assets until the market picks up and in order to achieve the best consideration for our assets.

Supported capital expenditure (SCE)

The Government awards Councils Supported Capital Expenditure (SCE). This support comes in the form of either capital grant (SCE (C)) or, theoretically, through the formula grant relative needs element (SCE(R)). However, as Ealing's grant is now determined with reference to the grant floor, which only provides a 1.5% increase in 2010/11, there is no grant addition to meet the additional borrowing costs arising from Government supported expenditure and therefore the cost of capital spending backed by SCE(R) feeds through directly to the Council Tax.

The Council now therefore treats the supported borrowing figure as a notional figure. The figure for 2010/11 is £5.385M.

Spending backed by grant (SCE(C)) remains neutral in council tax terms.

Risk Management on capital

There are three main risks inherent on the capital programme:

- **Capital receipts are not realised to the level anticipated above.** This is a major risk in view of the significant sums involved and the reliance placed on capital receipts as a funding source for the capital programme. For this reason, capital receipts progress is monitored on a monthly basis.
- **Capital expenditure slipping from one year to the next.** This is a normal feature of capital schemes and can occur for a large number of reasons. The

risk can be mitigated by slipping corresponding resources between years and is not felt to be high.

- **Capital project costs increase.** Again this is not unusual, but unlike slippage, increased costs are more than timing issues and this cannot be mitigated without an impact on other schemes within the Programme or an impact on future years' resources.

Procedures for the monitoring of the capital programme have been further strengthened with the work of the Capital Review Board, a group made up by senior officers from each of the Council's directorates. The main scope of the Board is:

- Examine progress on services' capital programmes and monitor and delivery of capital schemes;
- Monitor compliance with the financial approvals process;
- Receive capital option appraisals and ensure that investment proposals are consistent with key corporate goals and service objectives and are affordable; and
- Receive post completion appraisals
- Monitor and overview funding.

This process enhances governance of capital investments, supplements the budget monitoring reports considered by Finance Strategy Group and Corporate Board on a monthly basis and has improved control and delivery of the capital programme.

Capital Strategy

The capital strategy is a key corporate document that outlines the council's capital investment objectives and priorities. It is good practice to review this document on a regular basis and it has been updated and is attached in **Appendix 9**.

4.11 Treasury Management and the Prudential Indicators

The Prudential Code regime for capital financing requires that capital expenditure plans are based on affordability, sustainability, and prudence. This budget report includes the Council's proposed Treasury Management Strategy.

The credit crisis and in particular the demise of the Icelandic banks in 2008 has focused much attention on the Treasury Management function over the last year. This has prompted CIPFA to amend the CIPFA Treasury Management in the Public Services Code of Practice (the Code), Cross-Sectoral Guidance Notes and Guidance Notes and the template for the revised Treasury Management Policy Statement. It is also a requirement of the Code that Council should formally adopt the Code. As the Code has been revised, there is a separate annex 2 & 3, attached as part of Appendix 5, and the Council is asked to adopt the revised Code and the revised Treasury Management Policy Statement.

The revised Code has emphasised a number of key areas. These are outlined at Annex 1 in Appendix 5 and the Council has taken appropriate steps to fully comply with the revised code.

This strategy statement has been prepared in accordance with the revised CIPFA Treasury Management Code. Accordingly, the Council's Treasury Management Strategy will be approved annually by full council and there will also be a mid year

report. All reports to full Council will also go to Audit Committee who now undertake the scrutiny role for the Treasury Management function. In addition there will be regular monitoring of Treasury Management activities by Management and the portfolio holder for Finance. The aim of these reporting arrangements is to ensure that those with ultimate responsibility for the Treasury Management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

The Treasury Management strategy sets out the investment strategy that the Council follows, in addition to many other aspects of Treasury Management such as debt management and the Prudential Indicators.

Prudential Indicators are indicators which focus upon the impact of future investment upon the level of Council Tax and housing rents and the impact upon the authority's overall borrowing, including charges to the revenue account. Three of these indicators have now been moved from being Prudential Indicators to being Treasury Indicators: -

- authorised limit for external debt
- operational boundary for external debt
- actual external debt.

The full Treasury Management Strategy is attached at Appendix 5 for consideration before the required formal consideration and approval by Council.

4.12 COUNCIL TAX FOR 2010/11

4.12.1 Council Tax Base

The Council Tax base is the number of properties in Bands A-H in the Borough expressed as an equivalent number of Band D units. The Executive Director of Finance has calculated under delegated authority on 25 January 2010 the amount of 117,035.54 as the Council Tax Base for the year 2010/11, based on an outturn collection rate of 98.9%. The collection rate has been reduced this year from its previous rate of 99.1%. The rate has been reduced due to the economic downturn. Although in year collection rates are good, it is expected that the ultimate collection position will be slightly less at 98.9%.

4.12.2 Collection Fund

The projected surplus on the collection fund at 31 March 2010 is £3.9M, which has to be apportioned between the Council and the GLA. The Council's share of this sum is £3,017,900, which contributes towards next year's Council Tax revenue. The surplus has arisen as a result of the work of the Revenues section, in collecting a high percentage of the amount due and maximising the increase in the Council Tax base, over the last three years.

4.12.3 Council Tax in 2010/11 for Ealing's Services

Final decisions on the budget and Council Tax will be taken on 9th March 2010 by full Council. The level of council tax is a matter of political judgement, having due regard to the professional advice of officers, and in particular to the advice of the section 151 officer as regards the robustness of the budget and on reserves and balances.

Set out below are the indicative Basic Amounts of Ealing's Council Tax for 2010/11 (excluding GLA), which assume a zero % increase:

	A	B	C	D	E	F	G	H
£	706.62	826.39	942.16	1059.93	1295.47	1531.01	1766.55	2119.86

Sensitivity analysis shows that for each budget adjustment of £1M, the impact on council tax is 0.81% on Band D Council Tax or £8.54. The table below shows the effects of different budget adjustments on council tax (Ealing element).

Budget +/-	Council tax +/-%
£1.0M	0.8%
£0.5M	0.4%
£0.1M	0.08%

5. Legal

The Council has a statutory duty to set a balanced budget. In advance of the budget being set, the Cabinet must publish initial proposals – having first canvassed the views of local stakeholders.

The budget, which is approved by full Council, will form part of the Council's Budget and Policy Framework. With only a very few exceptions, all decisions of the Cabinet, Council, officers, and subordinate bodies must be taken in accordance with the council's Budget and Policy Framework.

The Council has a duty to appoint an officer with specific responsibility for the proper administration of its financial affairs. At Ealing Council, this officer is the Executive Director of Corporate Resources ("section 151 officer"). When making recommendations for the budget, the Council's section 151 officer must report on both the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council's section 151 officer has a duty to make a formal report (to full Council and to the external auditor) if it appears to him that the expenditure or proposed expenditure of the council is likely to exceed the resources available to it to meet that expenditure.

The Parking Account is regulated by the Road Traffic Act 1984. The Act states "The Council has a duty to secure the expeditious, convenient and safe movement of vehicular and other traffic.

6. Value For Money

The Council has prioritised achieving Value for Money in order to ensure resources are released for the provision of "front line" services. The Budget process has required services to demonstrate VFM through detailed budget submissions including benchmarking comparisons and the review process has produced significant efficiency savings, increased income and contractual savings of £8.323m in 2010/11.

The total savings position is categorised according to whether they are efficiency, service reductions, increased income or contractual savings in the following table:

Table 14

	2010/11 £m	%
Increased Income	0.239	3
Contractual Savings	0.492	6
Efficiency Savings	7.592	91
Service changes	-	-
Total Savings	8.323	100

7. Risk Management

Each service provides monthly updates to the Finance Strategy Group of the financial risks and progress of any action plans to mitigate the risks.

This report contains a detailed section on risks in paragraph 4.7 to ensure that risk assessments are presented to Members as part of budget setting.

8. Community Safety

The significant investment made in community safety in previous years has meant that Burglaries, robberies and violent crime have all reduced in the past year. In addition, the 2010/11 capital programme includes £1.080m for gating schemes and CCTV initiatives which should help to further address residents concerns over crime.

9. Links to Strategic Objectives

The council's medium-term financial strategy, budgets and capital programme are designed to deliver the Council's strategic priorities.

These are:

- **Environment, housing and culture:** making Ealing a better place to live
- **Safety:** making Ealing one of the safest places in London
- **Health and independence:** to reduce health inequalities, promote wellbeing and ensure health and social services for adults and older people are responsive to needs and promote independence
- **Economy:** ensuring there are opportunities for all people and businesses to prosper
- **Children and young people:** to create a great place for children and young people to grow up
- **Organisational improvement:** to be a consistently top performing organisation focused on the needs of its communities.

The corporate business plan drives the medium-term financial strategy, with changes in allocations determined in accordance with policies and priorities. The proposed budget addresses the delivery of local and national priorities and the Council's performance and focus on the needs of its communities. Effective financial management supports the strategic objective for improved value for money and keeping council tax rises low. The detailed corporate planning is currently being progressed in tandem with the finalisation of each service business plan for 2010/11. The process ensures an alignment between budget and business and planning and put in place the mechanisms to deliver on the Council's priorities.

10. Equalities and Community Cohesion

Each Budget submission has been required to set out the main issues relating to diversity within the service on the proposed Equality Impact Assessment Level (high, medium, low) of proposals.

11. Staffing/Workforce and Accommodation implications:

The savings options in appendix 3 have no further staffing implications beyond those already detailed in the December Cabinet Reports which set out various staffing re-organisation proposals.

12. Property and Assets

In building the budget requirement, due regard has been made to the revenue consequences of the current approved capital programme. The financial strategy embraces the need for an integrated approach to service planning and budget setting, both for revenue and capital spending.

13. Consultation

Consultation on service priorities has occurred extensively across directorates as part of our business planning and Budget process activities. In addition, budget consultation has taken place with Overview and Scrutiny Committee in December and February.

Overview and Scrutiny Committee is considering this report at its meeting on 18 February and comments will be tabled at this meeting for Cabinet consideration. Consultations with the employee forum and trade unions have also taken place. Consultation with the Ealing Business Partnership takes place on 18 February.

14. Timetable for Implementation

The key dates of the budget strategy (including meetings which have already taken place) are as follows:

- Cabinet agreed budget process and timetable for 2010/11	2009 2 June
- Cabinet considered budget strategy report including budget savings	1 December
Overview & Scrutiny Committee - review budget proposals and identify specific service areas to be reviewed by OSC in Feb	3 December
- Cabinet considers Housing Revenue Account for 2010/11 and MTFs for 2011/12 and 2012/13	2010 12 January
- Cabinet approves any further provisional Budget Options including growth proposals	26 January
Overview & Scrutiny Committee considers Parking Services and Children and Families budget in detail	4 February
Overview & Scrutiny Committee to review budget options	18 February
- Cabinet approves all budget proposals including capital proposals and considers further Budget Options in the context of the final Settlement and the GLA precept	23 February
-	
Full Council to set Budget and Council Tax for 2010/11	9 March

15. Appendices

1. Medium Term Financial Strategy 2010/11 to 2012/13
2. Growth proposals
3. Savings proposals
4. Area Based Grants and Specific Grants
5. Treasury Management Strategy Statement, MRP statement and Annual Investment Strategy 2010/11
- 6a. New Capital schemes – General Fund Mainstream funded
- 6b. New Capital schemes - Specific funded
7. New Capital schemes - HRA
8. Parking account 2010/11
9. Capital Strategy 2010/11 to 2012/13
10. Disposals programme
11. Summary Capital Programme 2009/10 to 2012/13.

16. Background Information

Budget 2009/10

Budget files

Cabinet reports 2 June 2009, 1 December 2009 and 26 January 2010 on budget proposals.

Consultation

Name of consultee	Department	Date sent to consultee	Response received	Comments in report para:
Internal				
Ian O'Donnell	Executive Director Corporate Resources	29 Jan,		
Simon George	Director of Corporate Finance and Audit	29 Jan,		
Martin Smith	Chief Executive	3 Feb		
David Archibald, Keith Townsend, Pat Hayes	Executive Directors	3 Feb		
Helen Harris	Director of Legal Services	3 Feb		
Councillor Jason Stacey	Leader	3 Feb		
Councillor David Scott	Cabinet Member, Finance & Performance	3 Feb		

Report History

Decision type: For decision	Urgency item? No
Authorised by Date :	Report deadline: Date report sent:
Cabinet member:	12 February 2010 12 February 2010
Report no.:	Report author and contact for queries: Sharon Daniels 020 8825 6292, Head of Financial Planning and Investments