



Report of : Executive Member for Finance

Meeting of	Date	Agenda Item	Ward(s)
Executive Council	25 th February 2010 25 th February 2010		All
Delete as appropriate	Exempt	Non-exempt	

SUBJECT: ONE ISLINGTON 2010-11 TO 2012-13 BUDGET PROPOSALS

1 INTRODUCTION

SYNOPSIS

- 1.1 The budget report is a strategic document which embodies the Council's priorities and reflects the 'One Islington' vision. It gives effect to the Council's determination to meet the expectations of our residents and to those who work in and visit the borough. It brings together a wide range of performance and financial information into an overall budget package for the planning period 2010-11 to 2012-13.
- 1.2 The principal purpose of this report is for the Executive to recommend proposals in respect of the 2010-11 budget, as the basis for setting the 2010-11 council tax at Council on 25th February 2010. This report needs to be considered in the context of the Corporate Plan which sets out in detail our plans and ambitions for the medium and longer-term.

REPORT CONTENTS

1.3 The contents of this report are summarised below:

- **Section 2** summarises the key recommendations
- **Section 3** sets out the key messages for the 2010-11 budget and medium-term planning period, and details our medium term financial strategy (MTFS)
- **Section 4** provides the detail behind the key budget proposals:
 - General Revenue Fund
 - Housing Revenue Account (HRA)
 - Capital Programme
 - Treasury Management Strategy and Prudential Indicators
- **Section 5** provides detail on the proposed level of council tax for 2010-11, and incorporates the statutory information required in the Council's budget and council tax setting report.
- **Section 6** incorporates the separate statutory comments from the Section 151 Officer (Corporate Director of Finance) and the Monitoring Officer (Corporate Director of Resources)
- **Appendix A** MTFS 2010-11 to 2012-13
- **Appendix B** Unavoidable Cost Increases 2010-11
- **Appendix C** Savings Proposals 2010-11
- **Appendix D** Reserves and General Balances 2009-10 to 2012-13
- **Appendix E** General Balances Policy
- **Appendix F** Area Based Grants and Specific Grants 2009-10 to 2010-11
- **Appendix G** HRA MTFS 2010-11 to 2012-13 (G1)
HRA Illustrations of Weekly Charges for 2010-11 (G2)
- **Appendix H** Capital Programme 2010-11 to 2012-13 (H1 and H2)
and Public Realm Schemes (H3)
- **Appendix I** Annual Investment Policy
- **Appendix J** Prudential Indicators

2 RECOMMENDATIONS

The General Fund Revenue Budget

- 2.1 To agree the calculations required for the determination of the budget requirement and council tax as detailed in paragraphs 5.3 to 5.12 and summarised below.
- 1) The 2010-11 net budget requirement of £243.116m as set out in paragraph 4.3 and Appendix A.
 - 2) The basic amount of Band D Islington council tax for 2010-11 of £961.87 and total Band D council tax (including GLA) of £1,271.69 (paragraphs 5.5 and 5.11 of this report), representing an overall council tax freeze.
 - 3) The aggregate amount for dwellings in those parts of the Council's area to which special items relate (Lloyd Square) as set out in paragraph 5.8 of this report.
 - 4) The aggregate amount of council tax over each valuation Band, for the basic Islington council tax, Lloyd Square and the amounts including the GLA preceptor (paragraphs 5.9, 5.10 and 5.11 of this report).
- 2.2 To agree the 2010-11 net Council cash limits as set out in paragraph 4.3, which include the proposals for unavoidable cost increases and savings as set out in Appendices B and C.

- 2.3 To agree the estimated use of the Council's reserves and balances and the Council's policy on the level of general fund balances (paragraph 4.17 and, Appendices D and E).
- 2.4 To agree the allocation of Area Based Grant for 2010-11, identified in paragraphs 4.28 to 4.30 and Appendix F, to service areas and to the Islington Strategic Partnership (ISP) to deliver the priorities and targets in the Local Area Agreement (LAA).
- 2.5 To agree the fees and charges policy, and the hire charges for the new Assembly Hall (paragraphs 4.31 and 4.32).
- 2.6 To note the Section 151 Officer's and the Monitoring Officer's comments in their determination of the revenue and capital budgets for 2010-11 and the basis for the level of council tax, including the Section 151 Officer's report in relation to his responsibilities under section 25 (2) of the Local Government Act 2003. (Section 6)

The HRA Budget 2010-11 to 2012-13

- 2.7 To agree the balanced HRA 2010-11 budget summarised in paragraphs 4.58 to 4.60 and note the medium term financial strategy for 2011-12 to 2012-13 (Appendix G1).
- 2.8 To agree the proposed increases in 2010-11 for HRA rents, un-pooled service charges and fees and charges (paragraphs 4.63 to 4.76) and as detailed in Appendix G2.
- 2.9 To delegate to the Corporate Director of Housing and Adult Social Services the decision on the value of the 2010-11 HRA budgetary resources to be allocated to Homes for Islington (HFI) including the HFI management fee (paragraph 4.61).

The Capital Programme 2010-11 to 2012-13

- 2.10 To agree the 2010-11 capital programme, including the movement of resources from 2009-10 to 2010-11, and note the draft programme for 2011-12 and 2012-13. (Paragraphs 4.78 and 4.79, and Appendix H1)
- 2.11 To note the estimated capital funding for 2010-11 to 2012-13 (paragraph 4.92 and Appendix H2).
- 2.12 To agree that the Corporate Director of Finance applies capital resources to fund the ongoing capital programme in the most cost effective way for the Council (paragraph 4.93).
- 2.13 To agree the schemes that comprise the Capital Allowance pot of eligible affordable housing and regeneration schemes (paragraph 4.95 and Appendix H1).
- 2.14 To agree to delegate to the relevant officer or body the decisions in relation to those Public Realm Schemes in Appendix H3, and to note the decision making responsibilities set out in the appendix (Appendix H3 and paragraph 4.100).
- 2.15 To adopt the Minimum Revenue Provision policy statement for 2010-11 (paragraphs 4.107 to 4.111).

Treasury Management Strategy

- 2.16 To approve the Treasury Management Strategy, Annual Investment Policy, revised counterparty criteria and Prudential Indicators (paragraphs 4.112 to 4.143 and, Appendices I and J).
- 2.17 To formally adopt CIPFA's revised Code of Practice on Treasury Management (paragraph 4.115) and note that the Prudential Code for Capital Finance in Local Authorities has been revised by CIPFA.

2009 Place Survey

- 2.18 To note the results of the 2009 Place Survey (paragraphs 3.5 to 3.6).

3 THE 2010-11 TO 2012-13 BUDGET – KEY MESSAGES

THE PERFORMANCE AND FINANCIAL PLANNING PROCESS 2010-11 TO 2012-13

- 3.1 The medium-term financial planning period 2010-11 to 2012-13 provides the Council with significant challenges to deliver our 'One Islington' vision and our three corporate priorities of listening to Islington, building safer and stronger communities and creating a greener, cleaner borough. The Council is pledged to deliver a level of council tax below the London average, but in the context of below-inflation formula grant settlements from Government and the need to achieve continued efficiencies.
- 3.2 The 2010-11 budget and MTFS supports and implements our vision for Islington over the coming year and the medium-term. It aligns our financial planning with our plans to transform the borough and to deliver on our corporate objectives as embodied within the Corporate Plan.
- 3.3 In support of these priorities we are seeking to make ever more efficient and effective use of all our resources – people, finance, assets (including buildings) and systems – and demonstrate within the performance and financial planning process how we will fund the delivery of the priorities set out in the Corporate Plan. The Council is committed to providing value for money to residents in the way we procure and deliver services.
- 3.4 The MTFS covers a rolling three-year framework within which we work to meet our corporate priorities within our available financial resources. In particular we seek to:
- embed and improve the high level of performance across our priority service areas, whilst efficiently managing our unit costs
 - ensure that our residents feel the benefit of the services that we provide
 - reduce spending as appropriate, eliminate inefficiencies, improve productivity and target resources to priority services
 - manage overall spending to keep council tax below the London average in line with Council policy
 - continuously review our spending plans and identify future developments that may impact on the financial position of the authority over the medium-term
 - target the level of general fund balances (excluding schools balances) at 5% of our net budget requirement during the course of the MTFS, such that the level of general fund balances is adequate to meet working balance requirements and to provide a reasonable allowance for risks that are not already covered within the Council's budgets and contingency sums
 - continuously review our operational property assets to ensure that they are fit for purpose, whilst at the same time maximising the level of capital receipts to be used in delivering our overall priorities
 - enhance our commitment to value for money and the environment by looking at all capital investment proposals in terms of their whole-life costs
 - continually monitor and assess our risks, via the Council's Risk Register, and ensure that they are fully incorporated within our performance and financial planning process

THE 2009 PLACE SURVEY

- 3.5 The 2009 Place survey in Islington asked respondents what was most important in making the area a good place to live. Crime levels, clean streets and public transport (mentioned by 50% or more of respondents) were most important. This was followed by parks and affordable housing (mentioned by 30% of respondents).
- 3.6 The Place Survey also asked respondents what most needed improving. Tackling crime and cleaning streets were the top two items identified, while traffic congestion, activities for young people and road and pavement repairs were also mentioned by 30% of respondents.

THE MEDIUM-TERM FINANCIAL OUTLOOK 2010-11 TO 2012-13

- 3.7 The national economic outlook remains fragile and uncertain. Following a contraction of nearly 5% in the economy in 2009 a slow return to growth is expected in 2010 and 2011. Unemployment is likely to remain high, although the impact of the recession in London, whilst significant, has not been as severe as originally expected. The inflation outlook is volatile with short-term increases expected to be above the 2% target and a risk of inflation remaining higher in the longer-term.
- 3.8 The fall in domestic and commercial property prices appears to be stabilising but a significant property market recovery is unlikely in the short term. Private investment remains low and the Government has provided a stimulus through increased borrowing, "quantitative easing" and investment programmes including housing. Interest rates are currently at 0.5% and although they are expected to gradually rise over the next couple of years investment income is likely to remain low.
- 3.9 The level of capital receipts from the disposal of surplus assets is expected to be low in the foreseeable future given the adverse economic climate, and significant reductions in Government capital funding are likely. However, we remain confident that delivery of our capital programme can be successfully managed and financed through a combination of prioritisation, use of internal resources and affordable prudential borrowing. We will continue to ensure that our capital programme is monitored regularly and maximum value is achieved from our assets over the medium term.
- 3.10 There are a number of specific budget pressures that we are aware of over the medium-term. The financial impact of these pressures will be firmed-up in future budget reports (from 2011-12). These pressures include:
- A likely reduction in **Government funding** (both revenue and capital) from 2011-12, with the prospect of cash cuts in formula grant and significant reductions in 'service-related' specific grants. Every 1% cut in our level of formula grant costs the Council around £1.6m each year.
 - There is risk of further growth in the **North London Waste Authority (NLWA) levy** related to the procurement of new waste facilities when the current contract ends in December 2014. Some up-front provision will need to be made for this over the medium-term to smooth the transition to any extra expenditure.
 - The **2010 Triennial Pension Fund Revaluation** will take effect from the 2011-12 financial year. Given that the FTSE 100 has reduced significantly since the date of the last triennial revaluation (31 March 2007) then it is likely that there will need to be a significant (and ongoing) lump sum contribution to the Pension Fund and/or an increase in employer superannuation rates.

- There will be ongoing pressure on **income budgets** as we pull out of recession and enter a period of slow economic recovery. Income budgets under pressure include parking, building control, planning and land charges. In addition the Council's investment income will remain under pressure as a result of the expected continuation of low interest rates into 2010-11 and beyond.

UNAVOIDABLE COST INCREASES 2010-11

- 3.11 There is limited potential for discretionary revenue growth over the medium-term given the continued need to keep council tax increases to a minimum in the current economic climate and the threat to local government general and specific grant income over the medium-term, whatever political party is in power after the spring 2010 General Election. ***Therefore, the revenue growth proposals in this budget report are unavoidable cost increases arising either from decisions made in agreeing the 2009-10 budget report and council tax at Council on 26th February 2009, or genuinely unavoidable service pressures.***
- 3.12 **The complete list of unavoidable cost increases for 2010-11 is included at Appendix B.** The proposals include £25k to fund cycle parking on the borough's housing estates, replacing the scheduled council tax rebate for low carbon households.

TRANSFORMATION AND EFFICIENCY PROGRAMME 2010-11 TO 2012-13

- 3.13 In order to meet our key corporate priorities, we need to continue to be innovative in the ways that we provide services, and efficient in supporting these services. We already achieved £14m of efficiency savings in 2009-10 and 2010-11 to 2012-13 will further challenge our ability to close the gap between pressures on the revenue budget and available resources to meet those pressures. Our ongoing Transformation Programme and efficiency process will be a valuable tool in enabling us to close the gap.
- 3.14 We have challenging Government targets for achieving efficiencies in 2010-11, with a 4% cashable efficiency target, now covering both revenue and capital efficiencies. In addition to this there could be £125m of efficiencies (across the whole of local government) required to meet part of the cost of funding free personal care from October 2010, rising to £250m in a full year. This could mean that our efficiency target will be increased by a further £1m (in a full year) if this Government proposal is adopted.
- 3.15 In the Pre-Budget report on 9th December 2009, the Chancellor announced that £11bn of efficiency savings will need to be identified each year in the next Spending Review over and above existing targets. The total amount that will need to be found from local government has yet to be confirmed. However the Smarter Government report identifies a number of savings totalling at least £1.5bn along with the £250m full year savings to part fund the cost of free personal care.
- 3.16 The specific savings outlined in the Smarter Government report include:
- £550m efficiencies in waste collection and disposal, reduced inspection and assessment, and reduced duplication between tiers of Government
 - £180m from improvements to concessionary travel administration
 - £340m from reduced regeneration spending
 - £250m from reduced variations in residential care spending, including preventative care to allow older people to stay at home longer
 - £160m to clamp down on social housing tenancy fraud, rationalise community programmes and end time-limited schemes
 - £300m on public sector energy efficiency

- 3.17 The Council continuously plans to deliver efficiency gains in all activities, releasing resources for front-line services in accordance with the 'One Islington' vision and enabling us to meet our overall priorities as set out in the Corporate Plan. Integral to this, it is important that we maintain our corporate drive for efficiencies. Over the medium-term the Transformation Team, within Finance, is focusing on a work programme including identifying and challenging areas of high cost within services and value for money studies; alongside a number of cross-cutting efficiencies over the course of the planning period. The objectives are to actively contribute towards closing any identified financial gap without setting a specific target and to identify opportunities for improvements in efficiency that will give greater value to the user/customer of the service but might not lead to cashable efficiencies in the first instance. The programme will include the following:
- Innovative procurement opportunities
 - Review of key contractual arrangements
 - Identifying opportunities for sharing/charging for/trading services
 - Participating in the London Efficiency Challenge, led by Capital Ambition
 - Transformational service re-design
- 3.18 The benefits of this work will be apparent over the medium-term, rather than having an immediate impact in 2010-11. However, we are still delivering £9.5m of revenue savings in the next financial year. **Appendix C details the complete list of revenue efficiency proposals for 2010-11.**
- 3.19 A saving of £1.4m has been included in the MTFS for 2011-12 as the estimated impact of the Fair School Meals proposal, within the Children's Services budget. This is shown in the MTFS at Appendix A.

4 REVENUE BUDGET 2010-11 TO 2012-13 – DETAILED PROPOSALS

- 4.1 The 2010-11 revenue budget setting is part of the wider consideration of the MTFS. The MTFS covers a three-year planning period (2010-11 to 2012-13) and incorporates the General Fund, the HRA and the Council's capital programme, all closely linked.
- 4.2 The final recommendations in relation to council tax for 2010-11 will be included in the report to the Executive and Council on 25th February 2010. **The budget proposals contained in this report are premised on a council tax freeze in 2010-11.**

GENERAL FUND REVENUE BUDGET AND MTFS 2010-11 TO 2012-13

INTRODUCTION

- 4.3 The proposed General Fund revenue budget for 2010-11 is detailed at Appendix A, showing a budget requirement of £243.116m. Included within this are the net revenue cash limits for 2010-11. The following table below gives the net budget figures for 2010-11 that are included in Appendix A, and which are to be approved within the overall recommendations set out earlier in respect of the 2010-11 budget.

GENERAL FUND REVENUE BUDGET 2010-11	£000s
COUNCIL BUDGET REQUIREMENT AND CASH LIMITS	
Central Services	
Finance	8,884
Corporate Resources	(41)
Front-Line Services	
Environment and Regeneration	51,732
Children's Services	68,182
Housing and Adult Social Services	73,181
Corporate and Democratic Core (CDC)/Unapportionable Central Overheads (UCO)	17,243
NET COST OF SERVICES	219,181
Corporate Items:	
Net Corporate items	19,593
NET OPERATING EXPENDITURE	238,774
Other Budget Provisions:	
Transfer to/(from) PFI Smoothing Reserve	(381)
Insurance Fund	748
Bad Debt Provision	600
Contingencies	5,000
Estimated Kier Islington Surplus	(1,500)
Transfer to/(from) Capital Reserve	1,500
Transfer to/(from) Earmarked Reserve	(1,825)
Transfer to/(from) General Reserve	200
AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND COUNCIL TAX	243,116

- 4.4 Appendix A also details the forecast expenditure position for the following two years, 2011-12 and 2012-13, considered within the MTFS. This follows the practice of producing a rolling three-year forecast of expenditure, with years two and three providing an indication of the likely budget requirements in those years based on current knowledge and expectations. These will be subject to further examination and review through the annual roll forward of the service and financial planning process later this year as planning for the 2011-12 budget begins.

KEY GENERAL FUND BUDGET COMPONENTS 2010-11 TO 2012-13

Pay and Prices

- 4.5 It is assumed that pay inflation will increase by 0.5% per annum and non-pay inflation (including fees and charges, and other income) by 0%.

Central Support Service Recharges

- 4.6 Budgeted recharges for 2010-11 have been included within departmental cash limits based on 2009-10 budget figures. The basis for distributing central support service recharges to appropriate service areas is reviewed annually and any change will be incorporated to departmental cash limits during 2010-11.

Capital Charges and Capital Financing Adjustment

- 4.7 Capital charges consist of a depreciation charge, charged to services for the use of assets, based on the type and value of assets employed. Capital charges are required to be reflected within the net cost of services.
- 4.8 Capital charges do not represent a charge to the council taxpayer as the value of the capital charges is credited to the General Fund via the Corporate Financing Account (CFA). This is included within the CFA adjustment shown in the proposed 2010-11 revenue budget at Appendix A.

Private Finance Initiative (PFI) Special Grant and PFI Smoothing Reserve

- 4.9 The appropriation from the PFI smoothing reserve in 2010-11, and over the medium-term, ensures that variations to the level of PFI contract payments and PFI credits (within service budgets) are revenue neutral and do not give rise to a service pressure in the MTFS.

Bad Debt Provision

- 4.10 Bad debt provisions are amounts set aside to meet the cost of monies owed to the Council, which are not expected to be repaid. The bad debt provision is reduced to £0.6m for 2010-11, reflecting a continued improvement in Islington's debt recovery.

Insurance Fund

- 4.11 The Council is now procuring insurance through a consortium with other local authorities. This arrangement will replace the cover previously provided by the former Local Authorities Mutual Limited (LAML). The new cover started on 1st January 2010, and will save the Council's Insurance Fund £0.3m per annum from 2010-11. This is included in the revenue efficiency proposals at Appendix C.
- 4.12 A review of departmental insurance charging has been undertaken as part of the 2010-11 revenue budget process to take into account factors such as external premium costs,

present year claim settlement estimates and actuary recommended reserves. Broadly, departmental insurance charges have been increased in line with inflation for 2010-11.

- 4.13 The corporate insurance contribution will be £0.748m from 2010-11, and over the medium term.

Area Committee Allocation

- 4.14 The Area Committee allocation for 2010-11 remains at £0.32m (to be shared equally amongst the four Area Committees). The allocations will be spent in accordance with good financial practice and the guidance produced by the Corporate Director of Finance. The Area Committee allocation is included within the Corporate Resources departmental budget for financial management purposes.

General Balances

- 4.15 The Government have reserve powers under the Local Government Act 2003 to set a minimum level of reserves for which an authority must provide in setting its budget. These powers would only be used where there were grounds for serious concern about an authority and there is no intention to make permanent or blanket provision for minimum reserves under these provisions.
- 4.16 The Section 151 Officer is required to report to the authority, when it is making the statutory calculations required to determine its council tax, on the estimates included in the budget and the adequacy of the reserves the budget provides for. The report of the Section 151 Officer is included within Section 6.
- 4.17 The estimated level of general balances and reserves over the medium-term is detailed in Appendix D. The Council's policy on the level of general balances (included at Appendix E) is required to be reviewed on an annual basis as part of the budget setting process. The level of general balances is set in the context of the prevailing financial climate within local government, the level of risk facing the authority and also the sustained improvement (demonstrated in our Use of Resources assessment) in our financial standing in recent years.
- 4.18 As part of the 2010-11 budget process we continue to undertake a quantitative analysis of our significant risk areas (this is not included with this report but has been formulated as a supporting working paper to the budget). This confirms that the target level of general balances for the end of the planning period should remain at 5% of the Council's budget requirement, in line with the Council's policy.

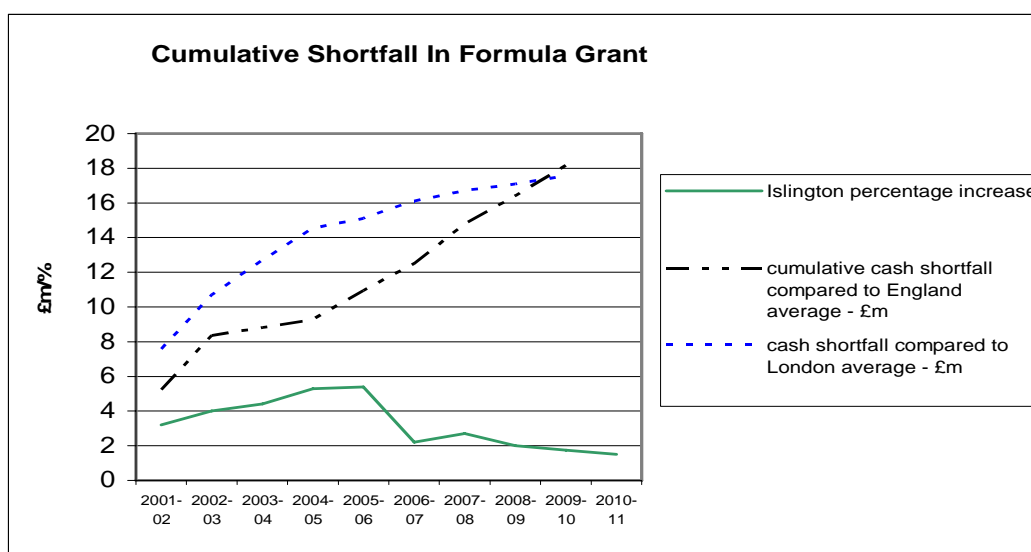
Local Government Finance Settlement 2010-11

- 4.19 The final Local Government Finance Settlement was announced on 20th January 2010. This is the final year of the three-year Local Government Finance settlement announced by the Government before the 2008-09 financial year. The settlement is summarised as follows, with an estimate for 2011-12 and 2012-13, which will both fall under the next Government Spending Review:

	Adjusted 2009-10 £m	Final 2010-11 £m	Change £m	Change %	Estimate 2011-12 £m	Estimate 2012-13 £m
Formula Grant	157.901	160.243	2.343	1.5	158.641	157.054

4.20 The final 2010-11 settlement continues the trend of the Council receiving a below average increase in formula grant. The Islington formula grant increase of 1.5% in 2010-11 is below the national average of 2.6% and the average increase for all London boroughs of 1.8%.

4.21 Islington is now facing ten consecutive years (including the confirmed 2010-11 settlement) of grant increases that are less than the average for England and London, as shown in the graph below:



4.22 The Chancellor's December 2009 Pre-Budget Report indicated that the current real terms increase in public spending will be replaced by a 0.8% real terms decrease after 2011, with a significantly larger decrease expected for local government. This implies that there may be cash reductions in formula grant, and so from 2011-12 we are assuming a 1% decrease in formula grant, with a further 1% reduction in 2012-13. This estimate will need to be re-visited for the 2011-12 budget process, as there is a distinct possibility that local government funding will be cut more than we are currently anticipating. It is likely that any cuts in local government funding will affect specific ('service-related') grants as well as the more general, formula grant.

4.23 Islington is still adversely affected by the methodology used for allocating formula grant. Although the grant we receive recognises our high level of need, we are penalised because of our high taxbase. As a result, our grant per head is only just above the Inner London average despite being one of the most deprived authorities in London.

4.24 The baseline (2009-10) for the 2010-11 revenue settlement has been decreased by £26k as a result of the transfer of student finance funding from formula grant to specific grant. In line with accepted budget practice, there will be a departmental cash limit adjustment to reflect this.

4.25 It is expected that capital funding will be much more restricted after 2010-11 and there will be less scope for funding from capital receipts.

Schools Budget and Dedicated Schools Grant 2010-11 to 2012-13

- 4.26 The Dedicated Schools Grant (DSG) is ring-fenced for spending on schools. The DSG is the Government funding allocated to Islington for the purpose of educating Islington pupils and meeting the educational requirements within the Every Child Matters agenda. The Schools Forum makes recommendations about how the grant should be allocated to schools, the Early Years Service, and Cambridge Education @ Islington as appropriate.
- 4.27 The DSG priorities for 2010-11 to 2012-13 are being developed in conjunction with the Schools Forum.

Area Based Grants and Specific Grants

- 4.28 Area Based Grant (ABG) is a non-ringfenced grant introduced in 2008-09, consisting of grant streams that were previously provided to local authorities as specific grants, and of Local Area Agreement (LAA) grant.
- 4.29 The Council is due to receive a total of £39m ABG in 2010-11.
- 4.30 A breakdown of the ABG and specific grants is included at Appendix F. It is recommended that ABG is allocated to service areas and to the Islington Strategic Partnership (ISP) to deliver the priorities and targets in the LAA.

Fees and Charges

- 4.31 It is the Council's policy to tie an increase in fees and charges to an annual increase in inflation, subject to various exceptions. The measure of inflation used is the Retail Price Index (All Items) known as RPI. Quarter 3 RPI (All Items) was *minus* 1.4%, therefore it is recommended that the Council freezes all fees and charges in 2010-11 subject to provisions (ii) to (iv) in the policy below:

"There will be an overall annual increase in fees and charges in line with RPI, subject to the following:

- (i) use of the Quarter 3 RPI (All Items) Index*
- (ii) appropriate rounding of charges for the purposes of administration and collection*
- (iii) statutory changes to fees and charges being excluded*
- (iv) fees and charges on which the Council has or decides to have a specific policy may be varied by report to the Executive*

Where the Quarter 3 RPI (All Items) index is negative all fees and charges will be frozen, subject to provisions (ii) to (iv) above."

- 4.32 The proposed charges for hiring the Assembly Hall are set out in the table below, of which the Council completed an extensive restoration in December 2009.

	Monday to Thursday Per hour	Friday to Sunday Per hour	
Educational Rate	£50	N/A	Dry hire. Excludes cleaning of venue and set-up.
Community Rates	£70	£150	For community groups and charities (to be applied for). Includes cleaning of venue, use of audiovisual equipment and set-up.
Commercial Dry Hire	£90	£220	Dry hire. Includes cleaning of venue.
Commercial Inclusive Hire	£150	£300	Includes set-up and breakdown, use of audiovisual equipment, cleaning of venue and cloakroom attendants.

Corporate Levies

- 4.33 The Council is required to pay levies to a number of other bodies, which must be met from within the overall budget requirement.
- 4.34 The London Boroughs Grants Scheme levy of £0.660m for 2010-11 was approved by the Executive on 14th January 2010. This is £0.006m more than the levy for 2009-10.
- 4.35 The final levies budget is detailed below.

Levying Body	2009-10 £m	2010-11 £m
London Pensions Fund Authority	1.661	2.015
North London Waste Authority	7.574	7.550
Inner London North Coroners Court	0.256	0.222
Traffic and Control Liaison Committee	0.256	0.260
Environment Agency (Thames Region)	0.169	0.171
Lee Valley Regional Park Authority	0.259	0.263
London Boroughs Grants Scheme	0.654	0.659
Concessionary Fares (Freedom Pass)	4.942	8.036
Total	15.771	19.176

Corporate Contingency Budget

- 4.36 Within the overall budget for 2010-11, provision of £5m is included as a general unallocated contingency. The level of the corporate contingency budget has been increased by £1.3m compared to the 2009-10 budget based on a quantitative risk analysis of potential additional budget pressures in 2010-11. This analysis is not included within the budget report, but forms a detailed working paper in support of the revenue budget analysis.
- 4.37 A number of pressures exist within Children's Services, with the potential financial impact included within the £5m contingency provision for 2010-11. These include the following:

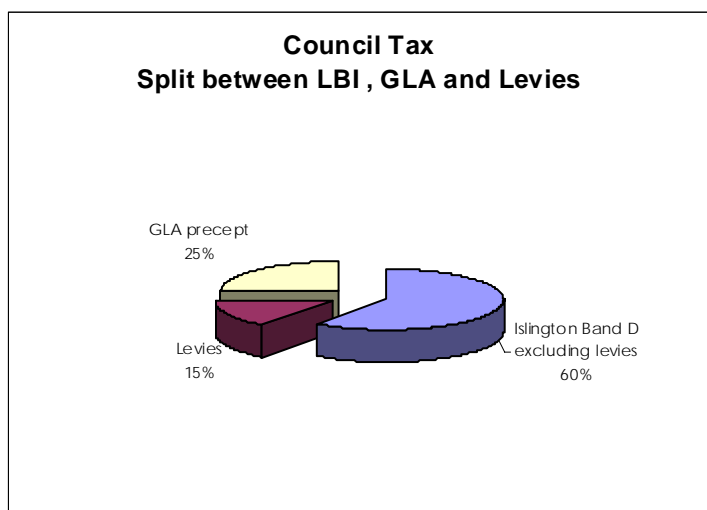
- In May 2009, the House of Lords ruled that young people aged 16-17 years old who are homeless and assessed by the local authority as children in need should be provided with services as 'looked after children'. This requirement brings additional costs to social care services, through the requirement to provide accommodation and undertake regular independent reviews of their Pathway Plan. In addition, there are a number of young people known to Children's Services who reach the age of 18 years and remain vulnerable, but do not reach the threshold for adult services (at the present time most of these costs are being met by a combination of the Children's Services budget and Supporting People funding). The additional cost of these added pressures could be in the region of £1.5m from 2010-11.
- The tragic death of Baby Peter in October 2008, the report of Lord Laming and the response of the Government have combined to impact upon the delivery of social care services. Most local authorities have noticed increased activity in the number of children referred and an increase in the volume of court work undertaken. In Islington the increase in referral activity is becoming more noticeable, with a corresponding impact on numbers of looked after children. This could cost up to an additional £1m from 2010-11.

4.38 The contingency budget is intended to provide some flexibility and resilience within the budget over the coming year to meet unanticipated events, events of an uncertain financial consequence (where a risk has been identified) or adverse financial developments. To the extent that the provision is not drawn on in 2010-11, it will fall into general balances and further strengthen the Council's financial position for future years.

GREATER LONDON AUTHORITY (GLA) PRECEPT AND OLYMPIC LEVY

GLA Precept

- 4.39 The GLA issues an overall precept that includes the Core GLA services, the Metropolitan Police Authority, the London Fire and Civil Defence Authority, the London Development Agency and TfL. The total council tax paid by Islington's residents includes both the Islington council tax and the precept issued by the GLA.
- 4.40 The final 2010-11 GLA precept is £309.82 for Band D, the same as 2009-10. The final precept was announced on 10th February 2010.
- 4.41 The final GLA precept is split as follows in 2010-11:
- £73 for Fire and Civil Defence, transport and core GLA budget (10% increase compared to the 2009-10 GLA precept)
 - £217 for policing (3% decrease on 2009-10)
 - £20 for the Olympics and Paralympics funding agreement (0% increase on 2009-10)
- 4.42 Payments to the preceptor will be made from the Collection Fund. The GLA advises the Council of the total amount of precept required and calculates the amount of council tax this equates to. The precept is net of Government support, as the GLA is a receiving body for Revenue Support Grant and redistributed business rates. The amount of council tax required as calculated by the preceptor, the GLA, is added to the Council's own calculation to give the total council tax to be charged. The Islington, GLA and levy elements of the overall council tax are illustrated below:



Olympic Levy

- 4.43 The final GLA precept for 2010-11 includes the Olympic levy of £20 per Band D property. The GLA contribution to the Olympics and Paralympics funding agreement will be £59.6m in 2010-11. The total minimum cost of £550m is expected to require a Band D supplement of £20 for nine years (from 2006-07) and £5 in year ten - if the full cost of £625m is required this will need a Band D supplement of £20 for ten years and £9 in year eleven.
- 4.44 These costs represent the share of the direct costs of funding the Olympics and Paralympics to be met by London council taxpayers. They do not include specific costs such as transport improvements and operating costs and security, which will be met from the national funding package.

THE HOUSING REVENUE ACCOUNT 2010-11 TO 2012-13

PURPOSE AND INTRODUCTION

- 4.45 This section of the report presents the proposed Housing Revenue Account (HRA) budget for 2010-11 and sets out the medium term financial outlook.
- 4.46 The Council seeks to manage the HRA in accordance with the values and priorities which underpin all of its activities. This section:
- presents the HRA's financial strategy, sets out the key HRA budget components including a summary of efficiencies and unavoidable cost increases and outlines the financial outlook for the next three years
 - presents the proposed budget for 2010-11 and the recommended changes to rents, un-pooled service charges, and other fees and charges

FINANCIAL STRATEGY

- 4.47 The Council's objective is to effectively manage and maintain its affordable housing portfolio with due regard to the needs and expectations of tenants and leaseholders and in accordance with the 'One Islington' vision. Homes for Islington (HFI), through a partnership agreement, deliver the management function on behalf of the Council. It is paid through the Management Fee and the cost is borne by the Housing Revenue Account. HFI's priorities and targets are agreed with the Council and identified in their business plan. More specifically, it:
- keeps the financial position of the HRA in a strong and robust state through sound financial planning and management
 - maximises financial support from Central Government through successful lobbying on any Government consultations, or successful bid submissions
 - develops partnerships with third parties, assisting in the provision of housing services in an economical and efficient manner
 - finances improvements in service delivery through the reinvestment of efficiency savings
 - assists the Council in reaching the Decent Homes Standard and achieving its new build objectives
- 4.48 The Council operates within the council housing finance system which is a well-defined set of parameters legally prescribed by the Government. It is recognised throughout England that the council housing finance system does not meet today's local needs. Consequently, in December 2007, the Housing Minister announced a joint review of council housing finance between the Department of Communities and Local Government (CLG) and the Treasury.
- 4.49 The review has reached its consultation stage and the Government has agreed to produce a summary of responses to its proposals and to set out its own response in spring 2010. One of the potential outcomes of this review is the re-distribution of the total housing debt in the system which is estimated to be £22.1 billion in 2012-13, and the consequent setting up of self-financing HRAs. The implications are likely to impact upon the future financial parameters within which the Council operates, especially for 2011-12 onwards.

KEY HRA BUDGET COMPONENTS 2010-11 TO 2012-13

HRA Subsidy

4.50 It is estimated that income from subsidy will move as follows:

- **increase by £2.4m from £62m in 2009-10 to £64.4m in 2010-11.** This rise is because of the 3.7% increase in the Government's combined management and maintenance allowance. For both the management allowance and the maintenance allowance the Government has allowed for inflation at 2.25%. In addition, for the maintenance allowance (4.4% increase) there has been an increase in subsidy to take into account the higher costs in London. It should be noted that in its review of council housing finance, the Government concluded that nationally the need to spend on management and maintenance should be about 5% higher than the current subsidy allowances. This subsidy settlement is moving in that direction.
- **decrease in the following three years by £3.1m from £64.4m in 2010-11 to £61.3m in 2012-13.** Whilst subsidy for the management, maintenance and major repairs allowances, and that to cover the cost of managing the debt (supported borrowing) increases by £6.9m, the subsidy withdrawn through the guideline rent increases by £10m.

Inflation

4.51 Expenditure increases over the next three years by £1.3m (2010-11), £2.7m (2011-12), and £2.8m (2012-13) to finance rising costs. For next year, inflation is estimated to be 0.5% for the pay award; 1% for general income and expenditure; 7% for energy costs; and, 1.27% for repair and maintenance (Building Maintenance Index). For the medium-term, the Government expects inflation (RPI) to rise from its low point in June 2009 of *minus* 1.6%. For December 2009, it was 2.4% and is projected by the Treasury to be 4% by the end of December 2011.

Charges for Capital Expenditure

4.52 The HRA's share of the costs incurred by the Council in servicing its external debt is estimated to increase over the next three years by £2.9m in 2010-11, £2.1m in 2011-12 and £0.6m in 2012-13. This increase in costs is due to the Council striving to meet the objective of achieving the decent homes standard for its housing portfolio by December 2010 (expenditure 100% funded by HRA subsidy), and the requirement to take on unsupported prudential borrowing to fund the capital programme for the new-build projects of £7.3m (partly in conjunction with the Homes and Communities Agency). A further £12m of unsupported borrowing in 2010-11 has been budgeted for to help finance the wider housing capital programme.

Private Finance Initiative

4.53 To meet the PFI contractual commitments, expenditure is estimated to increase by £2.4m (2010-11), £2.7m (2011-12) and £0.9m (2012-13). From then onwards, the estimated increase in PFI Unitary Payments is expected to be less than £1m a year. The main driver behind the increase in costs is the expenditure incurred on reaching the decent homes standard (especially for PFI 1). The increase in costs over the next two years has largely been financed by equivalent reductions in revenue contributions to capital expenditure (RCCOs). From then onwards, the annual increase in costs will be mostly funded by compensatory savings or increases in income from other sources within the HRA.

Efficiencies

- 4.54 Despite these and other budget pressures, HFI and the Council have made efficiency savings to prevent service reductions.
- 4.55 Following a detailed budget scrutiny exercise by the Council in conjunction with HFI, £2.3m of deliverable budget reductions have been identified for 2010-11 and indicative efficiencies of £2m a year for both 2011-12 and 2012-13. These are summarised below:

	Budgeted 2010-11 £000	Indicative 2011-12 £000	Indicative 2012-13 £000
HFI management fee Net 3% efficiency savings against variable costs within the HFI management fee	1,246	1,235	1,217
Repairs and maintenance Net 3% efficiency savings against variable repair and maintenance costs	525	507	516
Revenue contribution to capital Reduction in RCCOs line with the capital programme	11	236	308
Contingency budget Reduction in contingency budget	500	0	0
Total	2,282	1,978	2,041

Unavoidable Cost Increases

- 4.56 In 2009-10, it was agreed to earmark a total of £500k from the HRA's working balances over the two year period 2009-11 to fund the Overcrowding Initiative (£250k per annum). This allows the quality of life to be improved for an additional 280 households in Islington that are overcrowded. The resources will continue be released from balances during 2010-11.
- 4.57 HFI's management fee includes £680k of agreed in-year unavoidable cost increases (in 2009-10) to finance the inclusion of external contracts within the management agreement (e.g. Interserve Lift Contract), and to fund the cost of the triennial pension review. £480k of this increase has been funded by the movement of resources in conjunction with the service provided from the Repair and Maintenance budget.

Medium Term Financial Strategy

- 4.58 The HRA MTFS over the next three years is presented in Appendix G1.

PROPOSED 2010-11 BUDGET AND RECOMMENDED CHANGES TO RENTS, UNPOOLED SERVICE CHARGES, AND FEES AND CHARGES

- 4.59 It is planned to set a balanced budget for next year with an estimated £5m uncommitted working balance at 1st April 2010 to cover budget risks and unknown or unforeseen events.

4.60 The proposed balanced budget is summarised below:

HRA – Main Account:	Agreed Budget 2009-10	Proposed Budget 2010-11	Movement
Expenditure:	£000	£000	£000
General management	10,956	11,152	196
HFI management fee (net of repairs and maintenance charge)	43,895	43,259	(636)
PFI unitary payments and smoothing fund	30,463	32,914	2,451
Special services	5,066	5,998	932
Repair and maintenance (including £576k HFI management fee – see paragraph 4.61)	25,659	24,960	(699)
Rents, rates, taxes and other charges	280	280	0
Revenue contributions to capital (RCCO):			
- Decent homes standard	5,150	2,700	(2,450)
- Leaseholders (major works)	4,360	5,894	1,534
- Aids and adaptations (Adult Social Services)	150	150	0
- Tenants and leaseholders TV aerials	556	544	(12)
Capital charges	75,480	78,419	2,939
Bad debt provision – increase	250	750	500
Contingency	1,000	500	(500)
Unavoidable Cost Increase – overcrowding initiative	250	250	0
Subvention from balances	(250)	(250)	0
Gross expenditure	203,265	207,520	4,255
Income:			
Dwelling rents – tenants	112,245	113,520	1,275
Un-pooled service charges	8,804	8,858	54
Income from commercial rents	87	415	328
Heating and hot water charges – tenants and leaseholders	2,049	2,132	83
Leaseholder – service charges (management)	5,589	5,644	55
Leaseholder – service charges (major works)	6,000	6,719	719
Other charges for services and facilities	5,041	4,695	(346)
HRA subsidy (mainstream)	35,765	36,835	1,070
HRA subsidy (compensation for rental caps and limits)	3,401	4,672	1,271
HRA subsidy (PFI credits)	22,855	22,855	0
Interest received	639	358	(281)
Transfers from General Fund	790	817	27
Gross income	203,265	207,520	4,255
In-Year (Surplus) / Deficit	0	0	0

4.61 HFI's proposed management fee for 2010-11 is £43.8m (£43.2m core fee plus a £0.6m share of the repairs and maintenance budget of £24.96m in the table above). This is £0.6m less than that originally agreed for the current year. The change is due to:

- claw-back for inflation in 2009-10 budget (£0.6m reduction)
- inflation for 2010-11 (£0.5m increase)
- efficiencies for 2010-11 (£1.2m reduction)
- in-year cost increase for 2010-11 (£0.7m increase – see paragraph 4.57)

4.62 The estimated position of the HRA working balance is:

HRA – Working Balance:	2009-10	Proposed 2010-11
	£000	£000
Balance as at 1st April (surplus)	7,982	6,435
In-year forecast: budgeted (surplus) / deficit	0	0
Contributions to/(from) balances	(1,297)	(1,094)
Earmarked for commitments and unavoidable cost increases	(250)	(250)
Estimated balance as at 31st March	6,435	5,091

Rental Income

- 4.63 Rental Income from tenants is the main source of income for spending on the management and maintenance of council homes. It is the Council's policy to implement the Government's rent restructuring regime.
- 4.64 The rent restructuring system encourages local authorities to set rents at a prescribed level each year in order to make them more comparable with rents set by housing associations. Although it is not mandatory to set rents at the prescribed levels, if rent restructuring is not followed the Government reduces the amount of HRA subsidy paid to the local authority. Each property has a 'target rent' towards which the rent is moved over time. The rent restructuring system allows a small degree of interpretation. The present rent setting policy determines the rent at the lower admissible level for each home.
- 4.65 The rent restructuring system takes into account RPI in September in the year before the rent increase is implemented. In December 2008, the Government announced a two-year policy for the rents in 2009-10 and 2010-11 based on RPI as at September 2008 (5%). This resulted in a 6.2% increase in the average guideline rent for 2009-10 (subsequently reduced by the Government to 3.1%) and 6.1% for 2010-11. However for 2010-11, after taking into account the continuing economic conditions, the average guideline rent increase calculated by the Government has also been reduced to 3.1%. For Council tenants it means an average increase in rents for next year of £1.10 a week from £84.20 to £85.30 (1.31%).

Un-pooled Service Charges (Caretaking and Cleaning and Estate Services) and Digital TV Charges

- 4.66 In line with the Council's fees and charges policy (paragraph 4.31) it is proposed to hold these charges at the same annualised rate as 2009-10. In comparison with the current charges those for caretaking and cleaning will fall by three pence a week to £7.16 whilst those for estate services and digital TV will remain at £1.19 and 26 pence a week respectively. The proposed three pence decrease is because the current charges spread the 3.1% increase in 2009-10 over a nine month period from June 2009 to March 2010 rather than the whole year. The proposed weekly charges are illustrated in Appendix G2.

Communal Heating and Hot Water

- 4.67 Communal Heating and Hot Water is provided for 4,103 residents of which 2,976 are council tenants and 1,127 are leaseholders.
- 4.68 It was agreed in the 2008-09 budget report that the cost of fuel to power the communal heating and hot water systems should be wholly funded by the residents actually receiving the service, so the service was no longer subsidised by tenants who do not benefit from it, and to encourage users to limit their energy use. As there was a substantial gap between the charges at that time and the actual cost of funding the system, it was agreed to increase communal heating charges over a three year period.

However due to the increases in fuel prices since then, the gap has continued to grow. It was therefore agreed to spread the increase in cost over five years in setting the 2009-10 budget report. 2010-11 is the third year of phasing in the break-even charge.

- 4.69 It should be noted that the cost of purchasing gas next year for council tenants is projected to be £2.027m. This is an increase of 20% on that in the budget for 2009-10. The rise in costs reflects the surge in world energy prices over the last two years.
- 4.70 The proposed weekly charge for 2010-11 is the current charge plus inflation (September 2009 RPI of *minus* 1.4%) plus a £2 maximum increase towards the break-even charge. The resultant average weekly charge is £10.90 (an increase of £1.87), resulting in estimated income from tenants of £1.688m (an increase of £269k).
- 4.71 If the income from tenants is combined with the cost of purchasing fuel, the net cost to the HRA has risen by £67k from £272k in 2009-10 to £339k in 2010-11.
- 4.72 Weekly charges are shown in Appendix G2. It should be noted that there are nine blocks that receive heating but no hot water from the district heating system. These blocks will continue to receive a 40% discount as they only receive heating.

Estate Parking Charges and Concierge Service Charges

- 4.73 In line with the Council's fees and charges policy it is proposed to hold these charges at the same annualised rate as 2009-10. In comparison with the current charges, those for next year will fall by an average of 0.5%. This is because the current charges spread the 3.1% increase in 2009-10 over a nine month period from June 2009 to March 2010 rather than the whole year. Revised weekly charges are shown in Appendix G2.

Parking Penalty Charges

- 4.74 In line with the Council's fees and charges policy these are to be frozen on housing estates at the 2009-10 (and 2008-09) levels for 2010-11 as shown in Appendix G2.

Short Life User Charges

- 4.75 These will increase in line with the proposed average weekly rent increase of 1.31%.

Implementation of Recommended Changes to Rents, Unpooled Service Charges and Fees and Charges

- 4.76 The changes to rents, fees and charges recommended in this report will need to be implemented on Monday 5th April 2010.

THE CAPITAL PROGRAMME 2010-11 TO 2012-13

INTRODUCTION

- 4.77 The capital programme will deliver projects of £450m over the next three years, delivering vital service improvements, and significantly contributing to the regeneration of the borough. We will be using capital receipts from the continuation of the rationalisation of our office portfolio and additional borrowing, in order to fund the investment in our schools, housing stock, leisure centres and highways.

CAPITAL INVESTMENT 2010-11 to 2012-13

- 4.78 Our key investment areas have been formulated in the context of the overall resources available and the delivery of our key priorities as set out in the Corporate Plan. The capital programme is summarised below and shown in more detail in Appendix H1.

	2010-11 £000	2011-12 £000	2012-13 £000	Total £000
Children's Services	48,490	50,609	26,971	126,070
Corporate Resources	1,993	2,500	2,500	6,993
Environment and Regeneration	29,706	26,745	21,879	78,330
Finance and Property	1,170	500		1,670
Housing and Adult Social Services	137,961	66,618	31,038	235,617
Corporate Projects	1,500			1,500
Total Capital Programme	220,820	146,972	82,388	450,180

- 4.79 The capital programme for 2010-11 includes £1.7m that represents additional net slippage of capital expenditure from 2009-10.

Capital Investment Areas

Sobell Leisure Centre, Ironmonger Row Baths and Finsbury Leisure Centre

- 4.80 As part of the Islington leisure needs analysis, we have brought together both leisure estate redevelopment projects (Sobell Leisure Centre in the north of the borough and the part EC1 New Deal funded Finsbury Leisure Centre and Ironmonger Row Baths in the south) under a new project structure.

Highbury Corner

- 4.81 The capital programme includes investment in the re-development of Highbury Corner. This will involve the relocation of the existing post office to an adjacent sight and the creation of a new station square and station façade at Highbury and Islington station. This will complement work to the station by Network Rail and TfL as part of the extension of the East London Line and upgrade of the North London Line.

Ashmount School

- 4.82 This scheme will replace the existing Ashmount School with a two-form entry primary school at Crouch Hill Park. This will improve the learning environment for pupils whilst also providing enhanced facilities for existing users of the park. The school will be built to the highest environmental standards with the aim of being carbon neutral.

Building Schools for the Future (BSF)

- 4.83 The BSF Programme in Islington will rebuild or substantially refurbish every secondary school in the borough (with the exception of the two Academies). Improved school designs, buildings, facilities and ICT will ensure all young people and the community are able to access and enjoy a better quality and individual learning environment. Over the next year we will complete Phase 1 of the programme and commence construction on Phase 2.

Richard Cloudesley (secondary element)

- 4.84 This scheme will integrate the secondary department of Richard Cloudesley secondary school (a special educational needs school for children with severe physical disabilities) with the Academy school at Islington Green. Co-location with mainstream schools is in line with national policy to promote inclusion of children with special education needs and will provide pupils from both schools with increased opportunities for formal and informal education. The co-location will also enhance the experience and expertise of the staff of both schools.

Elwood Redevelopment

- 4.85 As part of our overall strategy for children in care, the capital programme includes resources for the development of the 1-3 Elwood Street site as an exciting flagship campus. Multiple services (e.g. social work, education, health, adoption and fostering) will be co-located and integrated on one site, bringing together teams from five different buildings. This project will also enable the rationalisation of Council properties no longer required and re-investment of the proceeds in our capital investment priorities.

Primary School Capital

- 4.86 The Primary Capital Programme is a national programme to transform primary education through capital investment. Over the next three years we will continue our investment in Phase 1 of the programme.

Decent Homes and Cyclical Maintenance

- 4.87 Over the next year we will complete our extensive programme of investment to bring all existing Council housing up to the Government's Decent Homes Standard. The capital programme also includes ongoing funding towards maintaining this high standard of council housing over time.

New Council Homes Build Programme

- 4.88 Like many boroughs, thousands of families in Islington are on the housing waiting list, with many more living in cramped and over-crowded properties. In order to respond to the challenges of a rising population and the resultant housing shortage, the capital programme includes over £13m of investment in our new council homes build programme. This builds upon the investment over the past two years that has seen families move into the first new council homes in the borough in over a generation.

Aids and Adaptations

- 4.89 The provision of Aids and Adaptations for disabled people is a statutory responsibility. The allocation over the next three years will enable us to go beyond our statutory responsibility by also providing for moderate needs and allow us to address all new eligible cases without a waiting period.

SMART Working

- 4.90 In 2010-11 the Council will build upon previous phases of the SMART Working programme with a programme of further office rationalisation. In order to release capital receipts and revenue savings, pump-priming capital investment of £1.5m will be required. This investment will be funded from the Invest to Save and Capital reserves.

Additional Highways Maintenance

- 4.91 £0.6m has been provided in the capital programme for additional highways maintenance requirements caused by the recent, harsh winter conditions. This is on top of the £0.4m additional expenditure expected to be incurred in 2009-10. The £0.6m will be funded from within Council resources, to be determined at 2009-10 year-end.

CAPITAL FUNDING 2010-11 to 2012-13

- 4.92 Our estimated capital resources for the next three years include Government allocations, internally generated capital resources and other third-party contributions. The total capital resources being utilised to fund the capital programme for the planning period are summarised below, and shown in more detail in Appendix H2.

Capital Funding 2010-11 to 2012-13	General Fund Programme £000	Housing Programme £000	Total £000
Council Resources			
Capital Receipts	60,484	77,135	137,619
Unsupported Borrowing	33,950	20,317	54,267
Reserves	6,000		6,000
Total Council Resources	100,434	97,452	197,886
Supported Borrowing	15,725	25,814	41,539
Other External Funding & Revenue Contributions	107,719	103,036	210,755
Total Funding	223,878	226,302	450,180

- 4.93 Whilst a level of uncertainty surrounds the level of corporate receipts likely to be available over the medium to long-term, the Council is forecasting that there will be sufficient resources to fund the 2010-11 programme. As in previous years, the funding for the second and third years of the programme (i.e. 2011-12 and 2012-13) will be agreed in the appropriate budget report, before the start of each of those financial years. The Capital MTFS will be regularly updated and reviewed to ensure that the Council has sufficient resources to fund the capital programme over the planning period. A key component of this is to ensure that the level of capital receipts generated is monitored closely. The Corporate Director of Finance will continue to apply capital resources to fund the ongoing capital programme in the most cost effective way for the Council.
- 4.94 The Government requires that a percentage (75% or 50% depending on the type of property) of capital receipts from the disposal of properties held under housing powers be paid into a national pool. Local authorities do not have to pool these receipts if, within their capital programme, the receipts are reinvested into either affordable housing or regeneration projects.
- 4.95 A key element of the Capital Strategy is that the Council maximises the capital resources it has available for investment. Part of this strategy is to ensure that the Council has a sufficient Capital Allowance pot of regeneration and affordable housing schemes, to offset any pooling requirements. When these schemes are added to the existing Capital Allowance balance it will enable all qualifying housing disposals to be set against the

allowance and prevent the pooling. This dispensation does not apply to the pooling of Right to Buy receipts. The schemes that comprise the Capital Allowance pot of eligible affordable housing and regeneration schemes are indicated in Appendix H1.

Significant External Funding

Growth Area Funding

- 4.96 The Council was originally awarded £7.8m Capital Growth Funding for 2008-09 to 2010-11 but the Government decreased funding support to £6.3m. Other local authorities also experienced cuts in Growth Area Funding. The funding enables the Council to secure new physical infrastructure that is needed to support the delivery of the Council's housing target. It will be used to fund some of the infrastructure improvements at Highbury Corner (in partnership with TfL) and also proposed developments including Old Street.

Schools Earmarked Resources

- 4.97 2009-10 was the first year of the Council's allocation under the Primary Capital Programme. This is a fifteen year programme which will ultimately provide funding for the refurbishment or replacement of a significant number of primary schools in the borough. The Council has been awarded £10.5m capital funding for the years 2009-10 and 2010-11. A prudent assumption has been taken that Islington will receive a further £9m in the subsequent two years. In order to take advantage of this opportunity, the proposed capital programme includes provision to undertake feasibility studies on our primary school estate.

Youth Services Earmarked Resources

- 4.98 Following a competitive process, the Council has been successful in two bids with the Big Lottery Fund and the Co-Location Fund, which have secured capital funding for specific youth schemes in the borough. £2.4m has been secured to refurbish the White Lion Youth Centre and other smaller youth schemes, and £3.6m has been secured to develop a new youth centre in the Hornsey Road Baths complex (with £1.1m spent in 2009-10).

Transport Earmarked Funding

- 4.99 Earmarked Transport Funding is awarded by Transport for London (TfL) to provide highways maintenance and improve the general travel environment in the borough. This includes various safety schemes and improvements to encourage walking, cycling and use of public transport. Funding is awarded by TfL as part of an annual bidding round using the Local Implementation Plan (LIP) as a basis for these bids. The 2010-11 allocation is £2.9m, which represents a decrease of £1.1m (28%) on the 2009-10 allocation. For 2011-12 and 2012-13 we have taken a prudent assumption that we will continue to receive £2.9m a year.
- 4.100 Appendix H3 sets out the Public Realm schemes for 2010-11. In accordance with the Council's Constitution, a schedule of traffic and transportation schemes must be reported to the Executive each financial year with decision making responsibility for these schemes delegated to either the Corporate Director of Environment and Regeneration or the appropriate Area Committee. The majority of the schemes in the programme are funded by TfL, with the rest funded from either Section 106 contributions or the Council's own capital resources.

Housing Resources

- 4.101 Since 2004-05 the Council has received supported borrowing for Homes for Islington to bring the Council's housing stock up to the Decent Homes standard. The final year's

indicative allocation in 2010-11 for Decent Homes (General) is £9.194m and a further £16.620m is available (ALMO specific). Once the Council and Homes for Islington have achieved the Decent Homes standard in 2010, this additional capital resource will end.

- 4.102 In addition, the Council will receive around £21m a year through the Major Repairs Allowance (MRA) specifically to fund the Housing capital programme.
- 4.103 Building on the allocation of £10m for building new Council homes as part of the existing capital programme, the Council has been exploring a range of options to develop this further. This has involved discussions with the Homes and Community Agency (HCA) about funding to build further affordable homes on Council land. This programme is still in development, but the HCA have indicated that they are willing to provide funding to support the Council in its objectives. As part of the HCA's Local Authority new build programme (50% grant from HCA and 50% unsupported borrowing) the Council secured £4.5m of HCA grant (fifty new build units). Currently there are several sites which have reached the tender invitation stage of development. We are seeking to secure at least £2.9m from the HCA's National Affordable Housing Programme (NAHP)/other external sources.
- 4.104 The Council has been successful in bidding to the sub Regional Housing Pot for the funding of conversions and deconversions (five units) for £0.3m over 2009-10 and 2010-11.
- 4.105 The Council has successfully bid to the Homes and Communities Agency for the provision of cavity wall insulation of 6,625 units with eligible fillable cavities across the Council's housing stock with £4.355m over 2009-10 and 2010-11.
- 4.106 Where the 2010-11 grants are indicative, confirmation of any allocation is not expected until later in this financial year. Once the allocations have been confirmed, these will be incorporated into the capital programme and the schemes will be taken forward.

MINIMUM REVENUE PROVISION POLICY STATEMENT 2010-11

- 4.107 The Council is required to make a minimum revenue provision (MRP) for annual repayment of debt associated with the financing of capital expenditure. The provision has previously been determined by statute but now needs to be agreed by the Council each year. This is designed to ensure that the MRP is charged over a period that is commensurate with the period over which the capital expenditure that gave rise to the debt provides benefits.
- 4.108 In the case of supported borrowing, the Council will charge MRP over the period reasonably commensurate with the period implicit in the determination of the revenue support. The Council has determined that by following the Regulatory Method a reasonable estimate would be on a 4% reducing balance.
- 4.109 This method cannot be used in relation to capital expenditure financed by unsupported borrowing. For new unsupported borrowing, the MRP will be determined by the life of the asset for which the borrowing is undertaken and where appropriate, the annuity method will be used.
- 4.110 The result is an estimated MRP liability of £2.837m in 2010-11 in line with the budget.
- 4.111 The proposed capital expenditure and funding have been taken into account in the Council's Treasury Management Strategy and reflected in the Council's proposed Prudential Indicators (Appendix J).

TREASURY MANAGEMENT STRATEGY

Introduction

- 4.112 This section of the budget report outlines the Council's treasury management strategy and investment policy for approval, as considered at the Council's Audit Committee on 25th January 2010.
- 4.113 The Chartered Institute of Public Finance and Accountancy (CIPFA) has defined treasury management as the management of the organisation's investments and cashflow, banking, money market and capital market transactions; the effective control of the risks associated with these activities; and the pursuit of optimum performance consistent with those risks.
- 4.114 Treasury management activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 26th February 2002.
- 4.115 In response to the financial crisis in 2008 and the collapse of Icelandic banks CIPFA has revised the Treasury Management Code and Guidance Notes as well as the Prudential Indicators. This strategy fully complies with their requirements and it is recommended that the Council formally adopts CIPFA's revised Code of Practice on Treasury Management.
- 4.116 CLG are also in the process of revising and updating their investment guidance for local authorities. Resulting changes that are required to be made to this strategy and any relevant documentation will be placed before Members for consideration at the next appropriate meeting of the Council.
- 4.117 The treasury management function is an important part of the overall financial management of the Council's affairs. Its importance increased as a result of the freedoms provided by the Prudential Code. The Council is required to set out an annual treasury management strategy outlining the expected treasury activity for the forthcoming three years as a minimum.
- 4.118 A key requirement of this report is to explain both the risks associated with treasury management and their management, which include:
- Liquidity risk (inadequate cash resources)
 - Market or interest rate risk (fluctuations in interest rate levels)
 - Inflation risk (exposure to inflation)
 - Credit and counterparty risk (security of investments)
 - Refinancing risk (impact of debt maturing in future years)
 - Legal and regulatory risk
- 4.119 The strategy also takes into account the impact of the Council's revenue budget and capital programme on the balance sheet position, the current and projected treasury position, the Prudential indicators in Appendix J and the outlook for interest rates.

Balance Sheet and Treasury Position

- 4.120 The Council's underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Together with balances and reserves it is the core driver of Treasury Management activity. Estimates of these items are set out in the table below:

	31 March 2010 Estimate	31 March 2011 Estimate	31 March 2012 Estimate	31 March 2013 Estimate
	£m	£m	£m	£m
Capital Financing Requirement	853	933	934	935
Balances and reserves	(47)	(42)	(34)	(34)
Net balance sheet position	806	891	900	901

4.121 The Council's level of physical debt and investments is linked to these components of the balance sheet. Market conditions, interest rate expectations and credit risk considerations will influence the Council's strategy in determining its borrowing and investment activity against this underlying balance sheet position.

4.122 Net physical external borrowing should not exceed the CFR other than for short-term cash flow requirements. It is permissible under the Prudential Code to borrow in advance of need, up to the level of the estimated CFR over the term of the Prudential indicators. Where this takes place the cash will form part of the Council's invested sums until the related capital expenditure is incurred. This being the case, net borrowing should not exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years other than in the short-term due to cash flow requirements. The Corporate Director of Finance reports that the Council had no difficulty meeting this requirement in 2009-10, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in this budget report.

4.123 CLG have recently consulted on proposals to reform the council housing subsidy system. The proposed self-financing option would require a one-off reallocation of housing debt. As the consultation period has only recently ended and the mechanism for debt transfer has not been determined, the estimates set out in this strategy do not take into account any potential debt transfer that may arise in future years.

Prospects for Interest Rates

4.124 Treasury management activities, such as borrowing, introduce risk to the Council via the impact of unexpected adverse movements in interest rates. The Council employs Arlingclose Ltd treasury consultants, to advise on the treasury strategy, to provide economic data and interest rate forecasts, to assist planning and reduce the impact of unforeseen adverse movements.

4.125 Financial markets remain reasonably volatile as the structural changes in the banking system and economies evolve. This volatility will provide opportunities for active treasury management. The Council will re-appraise its strategy from time to time and, if needs be, realign it with evolving market conditions and expectations for future interest rates.

Borrowing Requirement and Strategy

4.126 The Council's borrowing requirement is shown in the table below:

	31 March 2010 Probable	31 March 2011 Estimate	31 March 2012 Estimate	31 March 2013 Estimate
	£m	£m	£m	£m
New supported borrowing	51.0	31.3	4.9	5.1
Unsupported borrowing		52.3	1.9	
Replacement borrowing	8.2	141.3	38.9	19.6
Total borrowing requirement	59.2	224.9	45.7	24.7

4.127 The Council's strategy is to maintain maximum control over its borrowing activities as well as flexibility on its loans portfolio. Capital expenditure levels, market conditions and

interest rate levels will be monitored during the year in order to minimise borrowing costs over the medium to longer-term. A prudent and pragmatic approach to borrowing will be maintained to minimise borrowing costs without compromising the longer-term stability of the portfolio, consistent with the Council's prudential indicators.

- 4.128 In conjunction with advice from its treasury advisor, Arlingclose Ltd, the Council will keep under review the options it has in borrowing from the Public Works Loans Board (PWLB), the market and other sources up to the available capacity within its CFR and Authorised Limit for borrowing.

The Outlook for Borrowing Rates

- 4.129 Short dated gilt yields are forecast to be lower than the medium and long-term dated gilts during the financial year. This is mainly due to the expected benefits from lower interest rates as the economy struggles through the recession. Despite long-term borrowing rates being at historically low levels there is a differential between investment earnings and debt cost and this is expected to remain so through the 2010-11 financial year. The resultant 'cost of carry' associated with taking on new long-term borrowing compared to temporary investment returns has led the Council to currently delay taking on new fixed rate debt. Internal resources (temporary investments) have been the most cost effective means of financing capital expenditure for most of 2009-10 but at some stage this will require topping up.
- 4.130 PWLB variable rates have fallen below 1% and are expected to remain low, as the Bank Rate is maintained at low levels to enable the struggling economy to emerge from the recession. Against the backdrop of interest rates staying low and the cost of carry remaining, an active strategy of both variable rate borrowing to reduce borrowing costs and longer-term borrowing when deemed appropriate will be considered.
- 4.131 The Council will evaluate with Arlingclose Ltd the relative merits of a strategic exposure to variable rate debt. Decisions to borrow at low, variable rates of interest will be taken after considering the absolute level of longer-term interest rate equivalents and the extent of variable rate earnings on the Council's investment balances. Should longer-term rates move below the cost of variable rate borrowing any strategic exposure to variable interest rates will be reviewed and, if appropriate, reduced.
- 4.132 A suitable trigger rate for considering new fixed rate long-term borrowing would be 4.25%. The Council's debt profile will also be monitored to ensure an even profile when taking on new debt.
- 4.133 Of the Council's total estimated borrowing requirement over the next three years of £355m, £188m will be used to replace existing PWLB debt taken in the 1980's that matures over the next two years. If market rates were to fall considerably or future rates were expected to rise, some borrowing could be taken ahead of spend. The borrowing strategy will therefore consider opportunities to borrow, not only for 2010-11, but ahead for the next two financial years.
- 4.134 The other risk of investment rates nearing zero and long-term rates rising, would be to delay borrowing and run down our investment portfolio. The Corporate Director of Finance will consult with Arlingclose Ltd throughout the year to model each of these strategies and scenarios to ascertain the overall effect of each of these options on the General Fund and Housing Revenue Account. The implementation of any strategy should be deemed beneficial enough to mitigate some of the risks associated with treasury management activities.

4.135 The Corporate Director of Finance, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time and adopt a pragmatic approach to changing circumstances, taking into account the risks mentioned below. Against this background the Council will adopt caution in its approach to its borrowing strategy.

4.136 The main risks of the forecast and reactions are detailed below:

- **a risk of a sharp rise in long and short-term rates**, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, would lead to fixed-rate borrowing being drawn whilst interest rates were still relatively cheap.
- **a risk of a sharp fall in long and short-term rates**, due to growth rates weakening, would lead to any long-term borrowings being postponed, and opportunities for rescheduling from fixed rate borrowing into variable or short rate borrowing will be exercised.

Debt Rescheduling

4.137 The introduction of different PWLB rates on 1st November 2007 for new borrowing as opposed to early repayment of debt, and the setting of a spread between the two rates has meant that PWLB to PWLB debt restructuring is now much less attractive. However, in September 2009, the PWLB issued a consultation document reviewing the frequency of rate setting (currently daily) and could move to a live pricing basis. The likely outcome of this is a reduction in the extent of the margins between premature repayment and new borrowing rates, particularly for longer maturities making restructuring a more attractive option.

4.138 The reasons for any rescheduling to take place will include the generation of cash savings and/or discounted cash flow savings, fulfilment of the Council's borrowing strategy and enhancement of the balance of the Council's debt portfolio (amendment of the maturity profile and / or the balance of volatility). All rescheduling activity will comply with the accounting requirements of CIPFA's Local Authority Accounting Statement of Recommended Practice and regulatory requirements of the Capital Finance and Accounting Regulations (SI 2007 No 573 as amended by SI 2008/414).

Investment Strategy

4.139 In line with CLG's Investment Guidance, the Council's general policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

- Security of the capital invested
- Liquidity of the capital invested
- An optimum yield which is commensurate with security and liquidity

4.140 The speculative procedure of borrowing purely in order to invest is unlawful.

4.141 The global financial market storm in 2008 and 2009 has forced investors of public money to reappraise the question of risk versus yield. Income from investments is a key support in the Council's budget.

4.142 The UK Bank Rate has been maintained at 0.5% since March 2009. Short-term money market rates are likely to remain at very low levels which will have a significant impact on investment income. However, the Council's strategy must be geared towards this development whilst adhering to the principal objective of security of invested monies.

4.143 The Corporate Director of Finance, under delegated powers, will undertake the most appropriate form of investments in keeping with the Council's investment objectives, income requirements, management of risk and Prudential indicators. All investments will be made in accordance with the Council's investment policies in Appendix I and prevailing legislation and regulations. The Council's counterparty criteria in Appendix I (to be agreed) has been updated to reflect changes to CIPFA's revised Code of Practice on Treasury Management.

5 COUNCIL TAX 2010-11 (INCLUDING STATUTORY CALCULATIONS AND THE TAX BASE REPORT)

INTRODUCTION

- 5.1 The power to determine the budget and council tax is a Council responsibility and cannot be delegated. The following section sets out the calculations for council tax for 2010-11 and the decisions that have to be made on the basis of statutory requirement.

ISLINGTON'S TAX BASE 2010-11

- 5.2 On 25th January 2010, the Audit Committee agreed a 2010-11 taxbase of 86,158 Band D properties for the Council's whole area, and 43.64 Band D properties for Lloyd Square. The taxbase figures assume a collection rate of 96.8%.

ISLINGTON'S COUNCIL TAX 2010-11

- 5.3 The proposed 2010-11 Band D council tax level for Islington is £961.87, a 0% increase compared to 2009-10. This is based on the budget requirement set out in paragraph 4.3 of this report.
- 5.4 Section 32 of the Local Government Finance Act (LGFA) 1992 requires the Council to calculate its budget requirement in terms of gross revenue expenditure, income and net revenue expenditure. For these purposes, expenditure and income relating to the HRA is included even though it has no effect on council tax. The formal calculation is set out as follows:

	£000
<ul style="list-style-type: none">Aggregate of the amounts which the Council estimates for items set out in Section 32 (2) (a) to (e) of the LGFA 1992 (A)	1,087,554
<ul style="list-style-type: none">Aggregate of the amounts which the Council estimates for items set out on Section 32(3) (a) to (c) of the LGFA 1992 (B)	844,438
<ul style="list-style-type: none">Calculation of the budget requirement under Section 32(4), being the amount by which the sum aggregated at A above exceeds the aggregate at B above	243,116

- 5.5 The calculation of the basic amount of council tax required is as follows, calculated as set out in Section 33 of the LGFA 1992:

	£000
Islington's Budget Requirement	243,116
Less Formula Grant	(160,243)
Amount to be Collected by Council Tax	82,873
Council Taxbase for 2010-11	86,158
Tax per Band D Property	£961.87

- 5.6 Under the regulations prescribed under Section 99 of the LGFA 1992, a billing authority must calculate the amount of any deficit or surplus on the Collection Fund (excluding those items relating to community charges and non-domestic rates) on the 15th January each year, and notify the precepting authorities of the amount to be added or refunded to their 2010-11 precepts within seven days of the calculation.
- 5.7 It is anticipated that at the end of March 2010 the council tax account in the Collection Fund will be in balance.
- 5.8 Section 34 of the LGFA 1992 requires the Council to make additional calculations where special items relate to only part of an authority's area. The Lloyd Square Resident Garden Committee 2010-11 levy is £12,067, unchanged compared to 2009-10. When this is divided by the taxbase for Lloyd Square of Band D properties (43.64) it gives a figure of £276.51 per Band D property for 2010-11. This will be charged to the residents of Lloyd Square in addition to the Band D figure in paragraph 5.5 above.
- 5.9 The basic amounts of council tax for 2010-11 over each Band for Lloyd Square residents and for residents in all other parts of the Council's area are shown as follows. The amounts are calculated by multiplying the relevant Band D council tax amount per property by the proportions set out in Section 5(1) of the LGFA 1992.

Islington

Valuation Bands	Lloyd Square (£)	All Other Parts of the Council's Area (£)
A	825.59	641.25
B	963.19	748.12
C	1,100.79	855.00
D	1,238.38	961.87
E	1,513.58	1,175.62
F	1,788.78	1,389.37
G	2,063.97	1,603.12
H	2,476.76	1,923.74

- 5.10 The Council has been notified of the final GLA precept for 2010-11. This is shown for each Band below. The precept amounts issued to the Council are stated in this report in accordance with Section 40 of the LGFA 1992.

GLA

Valuation Bands	GLA (£)
A	206.55
B	240.97
C	275.40
D	309.82
E	378.67
F	447.52
G	516.37
H	619.64

5.11 In accordance with Section 30(2) of the LGFA 1992, the following amounts are proposed as the amount of council tax for the year 2010-11 over each of the local authority's areas, incorporating both the Islington and GLA precept amounts.

Islington and GLA

Valuation Bands	Lloyd Square (£)	All Other Parts of the Council's Area (£)
A	1,032.14	847.80
B	1,204.16	989.09
C	1,376.19	1,130.40
D	1,548.20	1,271.69
E	1,892.25	1,554.29
F	2,236.30	1,836.89
G	2,580.34	2,119.49
H	3,096.40	2,543.38

ANALYSIS OF CHANGE FROM 2009-10

- 5.12 The increase (on a like-for-like basis) in the Islington charge for a Band D property is 0%. This can be explained as follows:

	£000	£ Per Band D
Net Change in Services (excluding levies)	761	8.83
Net Change in Levies	3,405	39.52
Change in Government Support	(2,342)	(27.18)
Other Changes including Taxbase	(1,824)	(21.17)
Total	0	0.00

6 MATTERS TO CONSIDER IN SETTING THE BUDGET

COMMENTS OF THE SECTION 151 OFFICER

- 6.1 The Council, when determining the budget and thereby the level of council tax, must take into account the report of its Section 151 Officer. The report must comment on the robustness of the estimates included in the budget and parallel consideration on the adequacy of the Council's proposed reserves. This section of the report includes consideration of these specific areas and enables the authority to discharge its duty to take account of the statutory report under section 25(2)
- 6.2 The process for challenging, compiling and collating the three-year rolling budget begins in April prior to the year for which the council tax is being set. The process involves all of the spending departments, and assumptions are scrutinised throughout the year. It is the thoroughness of this process which provides the assurance that all strategic, operational and financial risks facing the authority have been taken into account, as far as they are reasonably anticipated to be incurred by the Council in the next financial year. It is the opinion of the Section 151 Officer that the estimates for 2010-11 have been prepared on a robust basis, and further that where there are uncertainties, for instance on the levels of service demand, that these can be covered by an adequate corporate contingency provision.
- 6.3 In setting the level of general reserves and balances, account has been taken of the key financial assumptions underpinning the budget, the views of the Council's auditors, the level of earmarked reserves and provisions and the authority's improvements in financial management arrangements. Risks facing the Council during the period have been fully considered.
- 6.4 The MTFS assumes contributions such that over the planning period the Council is again forecast to attain the target of general balances at 5% of the budget requirement.
- 6.5 The setting of the council tax for 2010-11 will be considered in the context of potential capping of authorities agreeing to excessive rises. The Government have indicated that authorities should deliver council tax rises in 2010-11 at substantially less than 5%, and that they are prepared to use capping powers on any authority if that proves necessary.

COMMENTS OF THE MONITORING OFFICER

- 6.6 This report sets out the basis upon which a recommendation will be made for the adoption of a lawful budget and the basis for the level of the council tax for 2010-11. It also outlines the Council's current and anticipated financial circumstances, including matters relating to the General Fund budget and MTFS, the HRA, the capital programme, and borrowing and expenditure control.
- 6.7 The setting of the budget and council tax by Members involves their consideration of choices. No genuine and reasonable options should be dismissed out-of-hand and Members must bear in mind their fiduciary duty to the council taxpayers of Islington.
- 6.8 Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably. Where a service is derived from a statutory power and is in itself discretionary that discretion should be exercised reasonably.

- 6.9 The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.
- 6.10 Under the constitutional arrangements, the setting of the Council budget is a matter for the Council, having considered recommendations made by the Executive. Before the final recommendations are made to the Council on 25th February 2010, the Executive should take into account any comments made by Overview Committee on 11th February 2010, when making those recommendations.

EQUALITIES IMPACT ASSESSMENT

- 6.11 All departments have undertaken detailed impact assessments on the budget. A high level equalities impact assessment has been done on the budget and is summarised below.
- 6.12 Overall, some of the savings proposed will have an impact on staffing. Departments have, where possible, created efficiencies within teams or not filled vacant posts as a starting point. The number of redundancies across the Council will be kept to a minimum to reduce impact upon service provision.
- 6.13 Savings made from the re-organisation of the Equalities, Refugee and Migrant Service will be used to continue the work of the Disability Equality Performance Group and the Disability Reference Group.
- 6.14 The SMART working programme creates a number of savings and efficiencies across the Council. Any issues raised in terms of the impact on disabled staff will be fully addressed through Human Resources, Equalities and TSG.

Background papers: None

Final Report Clearance

Signed by _____
Executive Member for Finance Date

Received by _____
Head of Democratic Services Date

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