Meeting of the

CABINET

Wednesday, 8 February 2006 at 5.30 p.m.

TABLED PAPERS
SECTION ONE

4. DEPUTATIONS & PETITIONS

5. OVERVIEW & SCRUTINY COMMITTEE

5.1 Chair's advice of Key Issues or Questions in relation to Unrestricted Business to be considered


Budget Motion from Lead Member Resources and Appendix G

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:
Angus Taylor, Democratic Services
Tel: 020 7364 4333, E-mail: angus.taylor@towerhamlets.gov.uk
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F.A.O. The Cabinet Committee Clerk
The London Borough of Tower Hamlets

From: Pawla Cottage on behalf of
Tower Hamlets Against the Transfer of Council Housing

We the undersigned, who are duly registered on the electoral roll, wish to submit a
deputation at the Cabinet meeting of 8th February 2006. The deputation consists of a
resolution unanimously passed at the Thatch Annual Conference on 22nd January
2006 and reads as follows:

We are angry and insulted at Tower Hamlets council’s decision to
change and postpone estate transfer voting without consultation. We
believe this is an undemocratic attempt to avoid further NO votes, after
5 out of 7 estate no votes in December 2005.

It is not acceptable for voting to be manipulated in this way. The
council should hold the votes or pull out of transfer, not leave it hanging
over tenants. Tower Hamlets council housing will remain wherever

tenants oppose transfer and we therefore call on the council:

• For a fair and democratic debate and voting on any transfer, adopting the
  House of Commons council housing group recommendations on
democratic process
• Hold transfer votes at an agreed time or withdraw the transfer proposal
• Use every penny of money belong to council housing for council housing
• Prioritise investment in council housing from all other council resources
• Speak up for tenants and actively lobby ministers for a change of policy
  and extra resources, alongside other councils
• Come with tenants on a joint deputation to lobby parliament on 3 February
  for more investment in council housing
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06. 02.2006

Memorandum

We write with a genuine concern for the future of Mayfield house Day Centre for the Somali Elderly. We are now faced with a closure and everybody is asking why the only day centre for the Somali Community is regarded as a saving in the Social Services' Budget.

Today the Somali Community in the Borough is estimated roughly at between 15000 & 20000. This is the 2nd largest ethnic group after the Bengalis. 10/15% of the population are 60 years and over and their need for extra care is increasing day by day. Despite the long history of Somali settlement in Tower Hamlets, the response of the authorities to the health and social needs of the Community has been patchy. This is derived from a number of interrelated factors- Lack of Somalis within the local Government as staff, planners, councilors and language communication difficulties. The Somalis are the victims of institutional handicap.

Adult Services have changed and shaped the future development of adult services in Tower Hamlets, but the Somali vulnerable elderly can hardly understand what that means for them. Example, Mr. A was prescribed to attend the day centre for two days a week but he wanted more days. If he tries to come to the centre other than the prescribed days, the staff will tell him "you will not get any services, not even a cup of tea and snacks, because you are not expected to come today". It is the procedure and there is nothing wrong to give services to the expected only. But in the Somali culture this is an insult. Mr. A felt humiliated and stopped attending the centre. In the framework for determining the changes to services and eligibility some elderly believe they are not being adequately catered/ listened.

The Somali community, mostly refugees lost everything that was individually valuable to them in a hurry, unit families are still dispersed in far away locations. It is no wonder that in all needs assessment meetings/situations the Somalis express the value of a community sense.

The present crisis in Mayfield House was created at the planning stage. The Centre was earmarked as a Resource centre with a maximum capacity of 30 Lunch club users at any one time. The place was turned into a Day Centre and the Lunch Club moved out but the figure 30 has never been revised for the health
and safety of day centre users. We have visited the centre, the activity 
dinning area can safely accommodate:

Male section-3 tables x 4 Clients  
Female section - 2 tables x 4 clients

The capacity of the centre cannot be above 20 D/C clients at any one time by 
our estimates; this will allow wheelchair users and frail elderly to move around 
freely and safely.

Whether the matter is under-usage or an earlier over-estimation the fact is the 
statutory service providers cannot communicate with their clients, there can 
be little expectations of positive and relevant services.  
The fact is, there is a low uptake of services by the whole Somali community 
especially the elderly. This doesn’t mean there is no enough number of users 
who need the services. We are all here to develop services for the vulnerable 
and the needy.

Can we try to find out the actual reasons and come to the best value for 
money/care solutions? We do not believe closure is in the interest of any 
party.

We need the existing services to be developed and to ensure that they 
continue to respond to changing care standards as well as market needs.

Yours Sincerely

Isman Warsama  
Coordinator  
For and on behalf of Tower Hamlets Organisations Network (THSON)
LONDON BOROUGH OF TOWERHAMLETS
CABINET 8TH FEBRUARY 2006

Question and comments from the Overview and Scrutiny Committee held on Tuesday 7th February, 2006 in relation to Unrestricted Business for consideration

Agenda Item 10.1
General Fund Budget 2006/2007
Budget Requirement and Council Tax (CAB 154/056)

The Committee welcomed the improved final settlement figures for the Borough reported by the Director of Resources. They also noted the significant charge on local people by the Mayor of London to pay for the Olympic Games.

The Committee were concerned that the Committed Growth bid for the Transportation, Treatment and Disposal of Waste (page 214 of the Cabinet agenda papers) was, wherever possible, used to increase recycling services for local people rather than the payment of Landfill Tax. Can the Director of Resources and the Corporate Director, Environment and Culture, provide more detail of this item, and the estimated costs respectively of landfill tax payments and of recycling in the Council’s budget?

Councillor Alan Amos
Chair, Overview and Scrutiny Committee
7th February, 2006
1. **SUMMARY**

This addendum to the report on the Budget Requirement & Council Tax updates Cabinet on;
- the announcement on 31st January of the final Formula Grant Settlement for 2006/07 and provisional figure for 2007/08.
- the level of Waste Performance & Efficiency Grant allocated to the authority.
- the Mayor of London’s final budget proposal to the London Assembly.

2. **RECOMMENDATIONS**

**Cabinet** is recommended to:

**With Regard to the Original Report**

**Budget Consultation**

2.1. Consider any comments or recommendations of the Overview and Scrutiny Committee.

2.2. Consider the outcome of the various consultations carried out in relation to this budget as set out in Section 4.

**Committed Growth & Inflation**

2.3. Consider the proposals for committed growth set out at Section 5 and Appendix C and:

2.3.1. Approve the committed growth items to be funded in 2006/07; and

2.3.2. Note the financial implications for the Council in 2007/08 and 2008/09.

2.4. Agree an updated figure for inflation of £6.152m as set out in paragraph 5.5.
**Efficiency Savings**

2.5 Consider the efficiency savings set out at Section 6 and Appendix D, and:-

2.5.1 Agree a package of savings for implementation in 2006/07; and

2.5.2 Note the indicative additional efficiency savings in 2007/08 and 2008/09.

**Housing Stock Reduction**

2.6 Note that, as a result of housing stock reduction, the level of HRA funding for General Fund services is projected to reduce by £3.696m in 2006/07.

2.7 Agree compensating savings arising from workload reductions, efficiency and income generation totalling £1.902m as set out in paragraph 7.7 and Appendix F.

2.8 Agree to apply £1.8m of the earmarked provision in 2006/07 and note that £3.206m remains uncommitted (paragraph 7.9).

2.9 Note that officers will continue to explore options for cost reduction in those corporate and support services where the impact is most significant.

**Medium Term Financial Projection**

2.10 Approve the medium term financial projection for 2006-2009 as set out in Section 9 and Appendix G (to follow).

**Budget Risk: Reserves, Contingencies & Risk Mitigation**

2.11 Note the:-

a. Review of reserves as set out in paragraph 10.2 and further detailed in Appendix H.

b. Strategic budget risks and assessment of the robustness of the estimates set out in Sections 10 and 11 and Appendix I.

2.12 Approve risk mitigation measures totalling £0.550m (paragraph 10.9 and Appendix J).

2.13 Consider the continuation of the strategy of replenishing general reserves, or making contingency provision within the General Fund revenue budget to cover remaining budget uncertainties and strategic financial risks (paragraph 10.12).

**Budget and Council Tax 2006/07**

2.14 Recommend to Council a total budget requirement and Council Tax for Tower Hamlets for 2006/07 (Section 12).
Target Adjustments and Technical Resolutions

2.15 Note the target revisions relating to asset rentals and the adjustments for support service charges discussed in Section 14.

With Regard to the Addendum Report

2.16. Note the final Formula Grant figure for 2006/07 announced by Ministers, and the provisional figure for 2007/08 and take this into account in recommending a budget requirement and Council Tax for approval by the Council.

2.17. Note the allocation of Waste Performance & Efficiency Grant to the Council for 2006/07 and 2007/08 and consider how it should be applied in the budget.

2.18. Note the Mayor of London’s final budget and precept proposals to the London Assembly.

3. FINAL FORMULA GRANT SETTLEMENT

3.1. The final Formula Grant settlement for 2006/07 was announced on 31st January 2006. The details of the consultation figures were reported to Cabinet on the 11th January.

3.2. The final announcement confirmed the main points of the Minister’s consultation announcement in December.

- National increase in Formula Grant 3.0%
- Increase in specific grants 5.1%
- Overall increase in grant funding 4.5%

These are the same as the figures in the consultation, with the exception that due to minor changes in the overall totals, the national increase in Formula Grant, which was previously rounded up to 3.1%, is now rounded down to 3.0%.

3.3. A summary of the settlement and comparison with adjusted 2005/06 and consultation 2006/07 figures for Tower Hamlets is provided at Appendix L.

3.4. As reported in January, the 2006/07 settlement reflects two major changes in the grant system.

- Funding for schools is now entirely excluded from Formula Grant and is subject to a separate Dedicated Schools Grant.

- The system of Formula Spending Shares has been abolished and replaced with a new Four Block Model. Under the new arrangements, the Government no longer announces an overall share of local government spending for each authority (Formula Spending Share) or an Annual Notional Council Tax figure. The Government felt that these figures were too often used as targets by local authorities.
3.5 The Formula Grant is now directly calculated using the Four Block Model which is set out in more detail at Appendix L. Tower Hamlets’ final Formula Grant for 2006/07 is £205.777m, which is £0.290m more than in the consultation. This change is attributable to minor adjustments to the national control totals. The increase in Formula Grant in real terms from 2005/06 to 2006/07 is £6.172m (3.1%).

3.6 The 2006/07 settlement also includes provisional figures for 2007/08. This is a major step forward, as it allows authorities to plan with greater certainty than ever before. The provisional Formula Grant for 2007/08 is £213.822m, which is £0.108m more than the consultation. The provisional grant figure is an increase of 3.9% over 2006/07, compared with 4.0% based on the figures in the consultation. These figures are also set out in more detail at Appendix L.

3.7 The table at paragraph 12.6 of the main Cabinet report sets out the total budget associated with different levels of Council Tax. An updated version of the table adjusted for the final settlement is set out below:

<table>
<thead>
<tr>
<th>Table – Council Tax Examples</th>
<th>Budget (£M)</th>
<th>Council Tax (£/Band D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>♦ No change (0% increase)</td>
<td>267.9</td>
<td>797.28</td>
</tr>
<tr>
<td>♦ 2.5% increase ('inflation')</td>
<td>269.4</td>
<td>817.21</td>
</tr>
<tr>
<td>♦ 5.0% increase (expected capping limit)</td>
<td>270.9</td>
<td>837.14</td>
</tr>
</tbody>
</table>

4. WASTE PERFORMANCE & EFFICIENCY GRANT

4.1. The Department for the Environment, Food and Rural Affairs (DEFRA) has announced allocations of Waste Performance & Efficiency Grant (WPEG) for local authorities for 2006/07 and 2007/08. The figure for 2006/07 is £0.620m, which is an increase of £0.395m over 2005/06. The figure for 2007/08 is £0.650m, which is further increase of £0.030m. The grant comes to an end after 2007/08.

4.2. The grant is targeted at local authorities for waste management purposes but is not ringfenced. A committed growth bid in respect of waste disposal costs totalling £0.573m is included in the papers circulated with the main budget report. Cabinet could use the additional grant to offset these costs or apply the funding for further investment in waste management.
5. GREATER LONDON AUTHORITY PRECEPT

5.1. The Mayor of London’s original budget proposals for 2006/07 are set out in the substantive report. The Mayor has now submitted final proposals to the London Assembly. These propose a Council Tax precept of £288.61 at Band D, which is an increase of £33.99 or 13.3% over 2005/06. This would be an increase of 3.2% in the headline Council Tax levied in Tower Hamlets. Approximately £20 of the Mayor’s proposed increase (7.8%) is related to the agreed financial contribution to the Olympics and Paralympic Games. The London Assembly meets on 15th February 2006 to consider the proposals and any changes will be reported to Council on 1st March.

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LOCAL GOVERNMENT ACT 2000 (SECTION 97)

LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

<table>
<thead>
<tr>
<th>Brief description of &quot;background papers&quot;</th>
<th>Tick if copy supplied for register</th>
<th>If not supplied, name and telephone number of holder</th>
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<tr>
<td>Detailed Budget pages for all services have been lodged with the Cabinet Secretary and placed in the Majority and Minority Group offices prior to the meeting.</td>
<td></td>
<td>Martin McGrath 020-7364-4645</td>
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### APPENDIX L - 2006/2007 LOCAL GOVERNMENT FINANCE SETTLEMENT

<table>
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<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>%</td>
</tr>
<tr>
<td>Relative Needs Amount</td>
<td>N/A</td>
<td>204,197</td>
<td>204,173</td>
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<td>Relative Resource Amount</td>
<td>N/A</td>
<td>-22,529</td>
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<tr>
<td>Central Allocation</td>
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<tr>
<td>Floor Damping</td>
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<td>-11,744</td>
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<tr>
<td><strong>Total Formula Grant</strong></td>
<td><strong>199,605</strong></td>
<td><strong>205,487</strong></td>
<td><strong>205,777</strong></td>
<td><strong>290</strong></td>
<td><strong>6,172</strong></td>
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<table>
<thead>
<tr>
<th></th>
<th>2007/08 Consultation</th>
<th>2007/08 Provisional</th>
<th>Change - Consultation to Provisional</th>
<th>Change - 2006/07 to 2007/08</th>
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<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
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<td>Relative Needs Amount</td>
<td>209,006</td>
<td>208,781</td>
<td>-225</td>
<td>4,608</td>
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<td>Relative Resource Amount</td>
<td>-25,302</td>
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<td>-2,762</td>
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<td>Central Allocation</td>
<td>37,118</td>
<td>37,148</td>
<td>30</td>
<td>1,268</td>
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<tr>
<td>Floor Damping</td>
<td>-7,108</td>
<td>-6,813</td>
<td>295</td>
<td>4,931</td>
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<td><strong>Total Formula Grant</strong></td>
<td><strong>213,714</strong></td>
<td><strong>213,822</strong></td>
<td><strong>108</strong></td>
<td><strong>8,045</strong></td>
</tr>
</tbody>
</table>
I propose the following motion in relation to agenda item 10.1:

**Final Formula Grant Settlement**

1. Note the final Formula Grant settlement for 2006/07 set out in the Addendum to the report.

**Budget Consultation**

2. Note the outcome of the various consultations carried out in relation to this budget as summarised in section 4 of the report and especially the results of public consultation detailed at Appendix B.

**Committed Growth**


   Social Services  £4,218,000
   Environment & Culture  £975,000
   Corporate (covering all services)  £3,663,000

   £8,856,000

4. Agree that the additional £2.0m identified as Committed Growth in relation to Social Services be included in a corporate contingency, to be allocated by the Cabinet during the financial year as necessary.

5. Agree that for the following items of committed growth, officers be instructed to:

   a) keep the level of demand and other factors leading to an additional funding requirement under continuous review
   
   b) continue to explore options to mitigate the cost identified, and
c) report progress to Cabinet by September 2006
   - Growth in Children’s Commissioning (GRO/SS/01)
   - Home Care – increased demand (GRO/SS/05)
   - Learning Disabilities Commissioning (GRO/SS/06)
   - Cost pressures in residential nursing home care for Adults Mental Health (GRO/SS/07)
   - Parks Maintenance Contracts (GRO/EC/02).

**Waste Performance & Efficiency Grant**

6. Note the increase in Waste Performance & Efficiency Grant for 2006/07 of £0.395m set out in the addendum to the report and agree that this be applied to further improve waste management services.

**Efficiency Savings**

7. Agree to take efficiency savings options totalling £3,938,000 as summarised at Appendix D to the report, excluding SS 09 and note the implications for 2007/08 and 2008/09.

7a. Request officers to investigate the re-provision of higher quality services to the users of Mayfield House within existing budgets and report to Cabinet by September 2006

**Inflation**

8. Agree an updated figure for pay and price inflation of £6.152m.

**Housing Stock Reduction**

9. Note that as a result of reductions in the size of the Housing Revenue Account, the value of General Fund services funded from the Housing Revenue Account will reduce by £3.696m in 2006/07.

10. Agree to accept mitigating savings to the value of £1.902m to offset the budgetary impact on the General Fund, and note that these comprise a mixture of efficiency savings, workload reductions and income generation.

11. Agree to fund the balance of £1.794m from the existing recurrent General Fund provision of £5m established to provide for the corporate implications of Housing Choice.

12. Instruct officers to continue to explore options for cost reduction in those corporate and support services where the impact is most significant, and to report to Cabinet by September 2006.

**Budget Risk: Balances/Reserves & Contingencies**

13. Note the review of reserves, strategic budget risks, and assessment of the robustness of the estimates.
14. Approve the funding of risk mitigation measures as follows:

   a) Olympic Legacy development: £400,000 a year for the period 2006/07 – 2008/09 to be funded from LPSA Reward Grant achieved in 2004/05,

   b) Asset and Programme/Project Management: £150,000 to be included in the General Fund Budget for Corporate Costs,

15. Agree that a contribution to general reserves of £1.5m be made as part of the General Fund budget for 2006/07.

**Budget Requirement & Council Tax**

16. Taking account of the decisions above, recommend Council to agree:

   a) a total budget requirement for the Council in 2006/07 of £267,894,000 (not including Dedicated Schools Grant) and,

   b) no increase in Tower Hamlets’ Council Tax for 2006/07.

17. Note that the Greater London Authority precept, which is due to be set on 15th February 2006, will be added to the authority’s Council Tax to arrive at the total Council Tax for residents of the borough.

**Medium Term Financial Projection**

18. Approve the medium term financial projection as set out in Appendix G to the report.

**Target Adjustments and Technical Resolutions**

19. Note the target adjustments relating to asset rentals and the adjustments for support service charges.

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## MEDIUM TERM FINANCIAL PROJECTION

### Projected General Fund Revenue Account

<table>
<thead>
<tr>
<th></th>
<th>2006/07 £'000</th>
<th>2007/08 £'000</th>
<th>2008/09 £'000</th>
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</thead>
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<td><strong>Initial Budget</strong></td>
<td>438,848</td>
<td>267,894</td>
<td>279,186</td>
</tr>
<tr>
<td>Transfer of Schools funding to Dedicated Schools Grant</td>
<td>-183,315</td>
<td></td>
<td></td>
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<tr>
<td><strong>Inflation</strong></td>
<td>6,152</td>
<td>6,300</td>
<td>6,700</td>
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<td><strong>Committed Growth</strong></td>
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<tr>
<td>Identified</td>
<td>10,856</td>
<td>3,014</td>
<td>2,327</td>
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<tr>
<td>Projected</td>
<td>6,500</td>
<td>7,500</td>
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<tr>
<td><strong>Base Budget Adjustment</strong></td>
<td>-1,550</td>
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<td><strong>Efficiency savings</strong></td>
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<tr>
<td>Identified</td>
<td>-3,938</td>
<td>-1,269</td>
<td>-1,097</td>
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<td>Stretch Gershon target</td>
<td>-3,382</td>
<td>-4,314</td>
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<tr>
<td><strong>Risk Mitigation Measures</strong></td>
<td>150</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Sub</strong></td>
<td>11,670</td>
<td>11,163</td>
<td>11,116</td>
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<tr>
<td><strong>Changes in Contributions to Reserves</strong></td>
<td>-500</td>
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<td>0</td>
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<td><strong>Transfers of Funding</strong></td>
<td>1,230</td>
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<td>0</td>
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<td><strong>Formula Grant - final settlement contingency</strong></td>
<td>90</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Formula Grant - prior year's adjustment</strong></td>
<td>-129</td>
<td>129</td>
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<td><strong>Budget Requirement</strong></td>
<td>267,894</td>
<td>279,186</td>
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<td><strong>Formula Grant</strong></td>
<td>-205,777</td>
<td>-213,822</td>
<td>-222,161</td>
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<tr>
<td><strong>Collection Fund Surplus</strong></td>
<td>-1,905</td>
<td>-1,598</td>
<td>-1,151</td>
</tr>
<tr>
<td><strong>Total Budget Requirement</strong></td>
<td>60,212</td>
<td>63,766</td>
<td>66,990</td>
</tr>
</tbody>
</table>

### Indicative Band D Council Tax

- **2006/07**: £797.28
- **2007/08**: £816.99
- **2008/09**: £837.38

**Change in Council Tax**

- **2006/07 to 2007/08**: 0.0%
- **2007/08 to 2008/09**: 2.5%

### Sensitivity Analysis 2006/07

Effect of:

- **1% reduction in Formula Grant**: £2,138, £28.31
- **0.5% increase in pay and price inflation**: £1,148, £15.20
- **5% increase in committed growth**: £543, £7.19
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