1. **SUMMARY**

   This addendum to the report on the Budget Requirement & Council Tax updates Cabinet on:
   
   - the announcement on 31\(^{st}\) 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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<tbody>
<tr>
<td>Budget files held in Corporate Finance, 5th floor, Mulberry Place</td>
<td></td>
<td>Martin McGrath 020-7364-4645</td>
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*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.*