



Meeting of the

CABINET

Wednesday, 5 February 2014 at 5.30 p.m.

AGENDA – SECTION ONE PACK B

VENUE

Committee Room, 1st Floor, Town Hall, Mulberry Place, 5 Clove
Crescent, London, E14 2BG

Members:

Mayor Lutfur Rahman	– (Mayor)
Councillor Ohid Ahmed	– (Deputy Mayor)
Councillor Rofique U Ahmed	– (Cabinet Member for Regeneration)
Councillor Shahed Ali	– (Cabinet Member for Environment)
Councillor Abdul Asad	– (Cabinet Member for Health and Wellbeing)
Councillor Alibor Choudhury	– (Cabinet Member for Resources)
Councillor Shafiqul Haque	– (Cabinet Member for Jobs and Skills)
Councillor Rabina Khan	– (Cabinet Member for Housing)
Councillor Rania Khan	– (Cabinet Member for Culture)
Councillor Oliur Rahman	– (Cabinet Member for Children's Services)

[Note: The quorum for this body is 3 Members].

Committee Services Contact:

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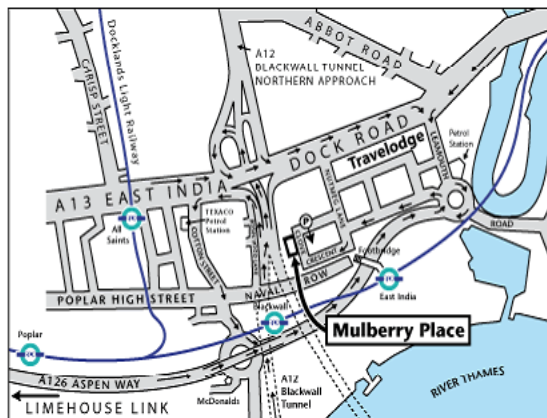
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A Guide to CABINET

Decision Making at Tower Hamlets

As Tower Hamlets operates the Directly Elected Mayor system, **Mayor Lutfur Rahman** holds Executive powers and takes decisions at Cabinet or through Individual Mayoral Decisions. The Mayor has appointed nine Councillors to advise and support him and they, with him, form the Cabinet. Their details are set out on the front of the agenda.

Which decisions are taken by Cabinet?

Executive decisions are all decisions that aren't specifically reserved for other bodies (such as Development or Licensing Committees). In particular, Executive Key Decisions are taken by the Mayor either at Cabinet or as Individual Mayoral Decisions.

The constitution describes Key Decisions as an executive decision which is likely

- a) to result in the local authority incurring expenditure which is, or the making of savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates; or
- b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the borough.

Upcoming Key Decisions are published on the website on the 'Forthcoming Decisions' page through www.towerhamlets.gov.uk/committee

Published Decisions and Call-Ins

Once the meeting decisions have been published, any 5 Councillors may submit a Call-In to the Service Head, Democratic Services requesting that a Key Decision be reviewed. This halts the decision until it has been reconsidered.

- The decisions will be published on: **Friday, 7 February 2014**
- The deadline for call-ins is: **Friday, 14 February 2014**

Any Call-Ins will be considered at the next meeting of the Overview and Scrutiny Committee. The Committee can reject the call-in or they can agree it and refer the decision back to the Mayor, with their recommendations, for his final consideration.

Public Engagement at Cabinet

The main focus of Cabinet is as a decision-making body. However there are opportunities for the public to contribute.

1. Public Question and Answer Session

Before the formal Cabinet business is considered, up to 15 minutes are available for public questions on any items of business on the agenda. Please send questions to the clerk to Cabinet (details on the front page) by **5pm the day before the meeting**.

2. Petitions

A petition relating to any item on the agenda and containing at least 30 signatures of people who work, study or live in the borough can be submitted for consideration at the meeting. Petitions must be submitted to the clerk to Cabinet (details on the front page) by: **Thursday, 30 January 2014 (Noon)**

LONDON BOROUGH OF TOWER HAMLETS

CABINET

WEDNESDAY, 5 FEBRUARY 2014

5.30 p.m.

6. A GREAT PLACE TO LIVE

6 .1 Mulberry Place and proposed Civic Centre (Pages 1 - 20)

10. ONE TOWER HAMLETS

10 .1 Housing Revenue Account Budget Report – 2014/15 (Pages 21 - 68)

10 .2 General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2014-2017 (Pages 69 - 212)

Cabinet Decision 5 February 2014	 TOWER HAMLETS
Report of: Aman Dalvi, Corporate Director, Development & Renewal	Classification: Unrestricted
Asset Efficiency Review (New Civic Centre)	

Lead Member	Cllr Alibor Choudhury
Originating Officer(s)	Ann Sutcliffe, Service Head, Corporate Property & Capital Delivery
Wards affected	All wards
Community Plan Theme	A Great Place to Live
Key Decision?	Yes

Executive Summary

Following the council's recent consolidation of its civic centre and administrative functions into one site at East India Dock – Mulberry Place – Members have asked officers to evaluate the potential benefits of relocating the civic centre to a new site to be owned and developed out for and on behalf of the council.

While surrendering the lease to Anchorage House realised significant savings of circa £7m per annum, Mulberry Place remains a leased building and costs the council approximately £5 million per annum to a third party landlord. Mulberry Place is also widely considered to be a poor location to best serve the needs of the borough's residents.

This report provides high level feedback on the outline business case that was requested by Cabinet and officers' recommendations arising from it.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Confirm one of the following options as the preferred option for the new civic centre:
 - Whitechapel – former hospital site and preferred location
 - Commercial Road – depot site
2. If the Whitechapel site is the preferred option:
 - a. Authorise the Corporate Director Development and Renewal to complete negotiations with Bart's Health NHS Trust for the purchase of Grade 2 listed former hospital building/site in Whitechapel on

Whitechapel Road for the purpose of a new civic centre. The purchase cost and offer, of up to the sum specified in the exempt section of this report, is on an unconditional basis.

- b. Agree commencement of the design and procurement work streams.
 - c. Agree preparation of a final financial business case to provide detailed analysis to satisfy the procurement appraisal as detailed in the outline business case and confirm the proposed exit strategy should the council not proceed with the scheme.
 - d. Agree disposal of the surplus sites identified within the outline business case in accordance with the proposed programme.
 - e. Agree expenditure of up to £200k to implement recommendations b, c and d above.
3. If the Commercial Road site is the preferred option:
- a. Agree commencement of the design and procurement work streams.
 - b. Agree preparation of a final financial business case to provide detailed analysis to satisfy the procurement appraisal as detailed in the outline business case.
 - c. Agree disposal of the surplus sites identified within the outline business case in accordance with the proposed programme.
 - d. Agree expenditure of up to £200k to implement recommendations a, b and c above.
4. Authorise the Corporate Director Development and Renewal, after consultation with the Head of Legal Services, to agree the final terms and conditions of any agreement required to implement the decisions in 2 and 3 above.
5. Authorise the Head of Legal Services to execute all necessary contract documents to implement this decision.

1. REASONS FOR THE DECISIONS

- 1.1 In line with the Executive Mayor and Cabinet instructions at February 2013 Cabinet (81/123) officers have completed an outline business case.
- 1.2 The outline business case has been reviewed and assessed by officers to inform the recommendations within this report.
- 1.3 In addition to utilising existing council owned assets for the proposed new civic centre, the acquisition of a site within the proposed Whitechapel regeneration area has also been considered at the request of members and in response to the recently adopted Whitechapel Masterplan.
- 1.4 In addition to looking at the development of a civic centre on Commercial Road, officers have also undertaken an assessment of the benefits of a new civic centre in Whitechapel. A comparison has been made between the Commercial Road site, the Whitechapel site and the current base occupation of Mulberry Place. This analysis has shown the benefits derived from the development of a new civic centre – either on Commercial Road or in Whitechapel. The purchase and development cost can be covered by the sale of existing assets and on a Net Present Value basis there is an annual saving of over £1 million per annum in either one of the relocation options as presented.
- 1.5 Officers have assessed and built upon the assumptions outlined in the ‘in principle’ stage for a consolidated civic centre. NPS Group were commissioned to complete an office space study, including a detailed occupancy audit of Mulberry Place to assess the utilisation of space following the consolidation from Anchorage House to Mulberry Place. The resultant analysis has allowed officers to make an assessment on the amount of space required for a new civic centre as part of a purpose built mixed use development.
- 1.6 If the council cannot commit to a new civic centre, it may need to enter in to a new lease arrangement for Mulberry Place. However, there are a number of commercial issues that put this option at risk. Those issues are set out in the exempt section of this report.
- 1.7 In addition to those issues set out in the exempt section of this report, the current building is now in very real need of a complete refurbishment including central services at some considerable cost and time to enable the future long term use of the building.
- 1.8 Officers have been in discussion with Barts Health NHS Trust in relation to the former Royal London Hospital site, which has been declared surplus to their operational requirements. The site was placed on the Public Register of Surplus Assets for the prescribed 40 day period in which officers submitted an expression of interest. The expression of interest was successfully acknowledged and the Trust has formally invited the council to submit a

financial offer for the unconditional freehold purchase of the site. In presenting an option, within the recommendations of this report, to purchase the site, the project team has undertaken further due diligence to ensure that development proposals are deliverable and robust. Paragraph 3.10 of the exempt section of this report sets out the proposed exit strategy if the council were to choose not to proceed with the development.

- 1.9 A purchase of the site can proceed on the basis of an agreed valuation between the council and Barts Health NHS Trust.
- 1.10 The justification for the further consolidation of council administrative buildings in to a purpose built mixed use civic centre is predicated on the disposal of some, if not all, current administrative sites, being;
 - Mulberry Place – leased until 2020
 - Jack Dash House – Long leasehold until 2139
 - Albert Jacob House – LBTH Freehold
- 1.11 Additional surplus asset disposals may be required to contribute to the programme of works. The council's use of assets and resources in support of key priorities can help ensure effective delivery of vital front line services.

2. ALTERNATIVE OPTIONS

- 2.1 A number of options have been considered in the outline business case. The options which have been recommended by officers to be taken forward to the next stage of the programme are summarised below.
- 2.2 **CONTINUE CURRENT POSITION** - Extend existing civic centre lease; this option will continue to be modelled by the team to ensure our baseline assessments are robust and to monitor efficiency savings being generated. However, for reasons set out in the exempt section of the report, a renewal of the lease is not recommended.
- 2.3 **CIVIC CENTRE OPTION** – (a) Enter into negotiation with Barts Health NHS Trust for the procurement of the former hospital building in Whitechapel. Upon completion of the purchase build a purpose built consolidated civic centre or (b) build a purpose built consolidated civic centre on the Commercial Road site or (c) bring back into use all or some of the sites identified above for council business activities.
- 2.4 **DISPOSAL OPTIONS** – Based on current occupancy and utilisation of the council's existing estate, in the context of providing new space requirements, the council can significantly improve the utilisation of its infrastructure. Any new development will commit and require significant funds. In order to mitigate the effect of borrowing on the council's revenue commitments, there are a number of disposal options available which can offset the medium term impact associated with the site procurement and subsequent construction. Officers consider it necessary to fund capital development from these receipts.

- 2.5 **MOVE TO EXISTING COUNCIL BUILDINGS** – Having reviewed the council’s existing assets, none of the buildings currently owned by the council are of sufficient size to accommodate the forecast service needs. At best the council would need to decant into five, or possibly six, buildings. All these buildings would need substantial refurbishment works and leave the council dispersed around the borough. This would mean operating in an inefficient and fragmented way, having a detrimental effect on service performance and efficiency and reducing the flexibility to manage the size of the organisation going forward. Paragraphs 3.28 to 3.30 provide more detail.

3. DETAILS OF REPORT

BACKGROUND

- 3.1 The council recently consolidated its civic centre and administrative functions at East India Dock into one site, Mulberry Place, surrendering Anchorage House to realise significant savings of circa £7m per annum.
- 3.2 Whilst continuing to rationalise administrative space, East India Dock is still widely considered to be a poor location to best serve the needs of the borough’s residents. East India Dock Estate, whilst reasonably served by public transport, is located in the extreme east of the borough in close proximity to Canary Wharf and has perceived problems of customer access and approachability.
- 3.3 Mulberry Place is a leased building and costs the council approximately £5 million per annum to a third party landlord. The exempt section of the report sets out the reasons why a renewal of the lease is not recommended.
- 3.4 In addition to perceived remote access, rental costs in this part of London remain expensive and members have asked officers to evaluate the potential benefits of re-locating the civic centre to a new site to be owned and developed out for and on behalf of the council.
- 3.5 The council has occupied Mulberry Place since July 1993. The lease has been extended twice in the intervening period. On each of these occasions the council reviewed its use of assets and options for relocation out of the East India Dock complex. However, the preferred route at that time was to continue to extend the lease. For reasons set out in the exempt section of the report, this option is no longer available to the council.

CURRENT OCCUPANCY RATES

- 3.6 NPS Group were commissioned to look at the council’s occupancy rates in Mulberry Place as a result of the smarter working programme, which relocated staff from Anchorage House into the newly refurbished building.

- 3.7 In addition to this, NPS Group were asked to provide the council with option assessments for the provision of new facilities and options for how its current workforce could be assessed to deliver a smaller building, thus saving on capital and on-going revenue costs, alongside the release of assets.
- 3.8 By making these decisions it is anticipated that this programme of work will help the council achieve some of its current revenue saving requirements in the medium to long term financial plan, however noting that it would require a significant element of spend to save which will require utilisation of the council's borrowing capacity, and consequential revenue implications, in order to finance the development.
- 3.9 The occupancy audit results are set out below.
- 3.10 The council has 3103 administrative staff accommodated in 4 main offices. These are Mulberry Place (2,388), Jack Dash House (243), John Onslow House (158) and Albert Jacob House (203). Of the staff in Jack Dash house, 195 are employed by Tower Hamlets Homes. For planning purposes it was assumed that there are currently 2,908 staff (excluding the 195 Tower Hamlets Homes staff).
- 3.11 The audit identified that while space in these buildings is generally well used there remains scope for better use still. With improved space utilisation and further introduction of flexible working, the amount of office space required by the council can be reduced significantly. This reduction will, whilst providing sufficient space to continue to deliver the council's front line services, make revenue savings; reducing the need to find longer-term savings in other services.
- 3.12 A re-designed, modern, technology enabled work environment as well as improving resource efficiency can contribute to enhanced productivity, staff well-being, client perception and promote a positive image of the council.
- 3.13 An audit of office occupancy was undertaken at Mulberry Place over an elapsed two week period (17th April to 30th April 2013) using floor-plans updated with current furniture layout as appropriate. Each workstation and meeting area on each floor was numbered and then monitored through hourly observation during peak office hours of attendance, either morning (9.00 to 12.00) or afternoon (13.00 to 17.00); with the results collated to give a weekly average. During the audit each workstation was identified as occupied, 'warm' 'cool' or 'vacant'.
- 3.14 For Jack Dash House, John Onslow House and Albert Jacob House a one day 'snap shot' audit was undertaken on 17th April or 18th April. A storage audit was not undertaken in these buildings.
- 3.15 The overall occupancy rate for the main administrative building (Mulberry Place) as a whole over the audit period was 68%. This occupancy level is broadly similar on a daily basis with perhaps, as would be anticipated, a slightly lower level on Friday. This level of occupancy is high and with the

existing 6:10 workstation to staff ratio the general conclusion is that space in this building is being used well. This level of occupancy is close to what could be considered as a 'best practice' target of 70% and any future office provision should seek to replicate and enhance this level of space utilisation.

Table 1 – Mulberry Place Average Occupancy

	Average % morning occupancy	Average % afternoon occupancy	Average % daily occupancy
Mulberry Place (all floors + all services)	69%	66%	68%

Table 2 – Mulberry Place Occupancy by floor

Floor							
Level 0	Level 1	Level 2	Level 3	Level 5	Level 5	Level 6	Level 7
72%	57%	68%	72%	67%	65%	70%	56%

Table 3 – Satellite Offices Occupancy (single day snap shot audit)

	Albert Jacobs House	John Onslow House	Jack Dash House
Average % daily occupancy	56%	42%	53%*

*Jack Dash was measured at 48% but at the time of the audit the Housing Services Team was on an away day so were excluded from the analysis.

3.16 Based on the results of the occupancy survey it is proposed that any new development utilises the following criteria:

- 8.5 m2 per workstation
- 20% fixed and 80% flexible working
- 6 workstations for every 10 flexible staff
- 1 meter of linear storage space per member of staff

3.17 The allocation of storage space needs to be considered in conjunction with the IT strategy for the council. The IT work stream will need to address the council's corporate needs, creating a proper electronic document management system to ensure floor space is effectively utilised as this comes at a premium cost.

BUILDING A NEW CIVIC CENTRE

3.18 Officers have identified a number of individual project objectives and assessed the options against them, using a traffic light system to reflect the status. The outcome of that exercise is set out in paragraph 3.37. The project objectives are:

- Making the One Tower Hamlets approach a reality;
- Raising performance and maximising efficiency;

- Delivering on major projects;
- To provide more affordable homes;
- To improve the education environment;
- Assisting local people into employment;
- To reduce crime and the fear of crime;
- To work to achieve a clean borough;
- Improving the environment and tackling climate change; and
- Produce revenue savings.

WHITECHAPEL

- 3.19 It is evident that the construction of a new civic centre in Whitechapel has a significant benefit to the borough. A new civic centre at Whitechapel enhances the project objectives across most of the council's chosen indicators. The main points being:
- Making the One Tower Hamlets approach a reality by providing impetus to the regeneration of Whitechapel and locating the council in a more accessible town centre.
 - Raising performance and maximising efficiencies through the optimisation of council office accommodation and compliance with latest building regulations through new build facilities.
 - Longer term revenue savings through occupation of council owned accommodation, whilst noting the short term cost associated with procurement and construction of the site.
- 3.20 In January 2013, following a competitive tender process the council procured the services of Building Design Partnership (BDP) (town planning/architecture/urban design) and their sub consultants, Montagu Evans (property), Regeneris (economic) and Urban Flow (transport) to commence work on the Whitechapel Masterplan.
- 3.21 The use of this site helps the council to achieve the objectives set out in the adopted Whitechapel Masterplan and will provide a significant boost to the Whitechapel redevelopment plans, whilst placing the new civic centre at the heart of the community and protecting the retention of a locally listed building by giving it a civic presence.
- 3.22 The Masterplan was considered by Cabinet in September 2013, and adopted in December 2013, following statutory consultation. It sets out an ambitious vision for the future development of Whitechapel to ensure it can capture the benefits of the new Crossrail station. It will look to promote high quality new architecture whilst preserving and enhancing the area's unique built heritage. It will also ensure new development makes a significant contribution to the Mayor's overarching priorities for the borough including delivering more affordable family homes, providing a wide range of employment opportunities and creating safer, cleaner and inclusive neighbourhoods for all to enjoy.

- 3.23 If the Mayor in Cabinet is minded to proceed on the basis of the Whitechapel location, it is recommended that officers proceed with negotiations with the Barts Health NHS Trust to enable a freehold purchase of the site and include this in a final business case which will incorporate a detailed and refined financial model to build upon and ratify the outputs brought forward under the outline business case.
- 3.24 As part of the due diligence process, the council will need to understand the outline brief and design principles for the site to ensure that its requirements can be met. A clear understanding of the space and service delivery requirements will be key to completing this diligence.
- 3.25 The Whitechapel site will also allow officers to consider alternative non-council activities which can be incorporated into the build contract to tie into the wider Masterplan. This will bring increased activity and opportunities for complementary uses, including commercial activities, which will need to be financially viable to protect efficiencies being targeted.
- 3.26 There is an additional report on the Cabinet agenda setting out the social and employment opportunities arising out of the provision of a new civic centre in Whitechapel.

COMMERCIAL ROAD

- 3.27 The current depot site located in Commercial Road was reviewed as an option for a new civic centre. This would require the relocation of the functions on the existing site. The site may be able to accommodate a mixed use development including housing with the civic centre. However, in reality, the nature of the surrounding area means that the mass of development that could be delivered on the site is likely to be restricted, in particular by height and (in the case of the residential aspects) lack of amenity space. The scheme would, in any event, be a dense solution and it should be noted that it would result in a significant increase in users and office accommodation in an area which is primarily residential and not deemed a 'town centre'. This poses a significant risk to securing planning consent.
- 3.28 Should the Commercial Road site be considered the preferred route however then as part of the due diligence process, the council will need to understand the outline brief and design principles for the site to ensure that its requirements can be met. As with the Whitechapel site, a clear understanding of the space and service delivery requirements will be key to completing this diligence
- 3.29 Should this site not be utilised however it is modelled to be disposed of for housing development to enable the Whitechapel development to proceed with a minimum capital impact on the council.

RE-COMMISSIONING OF EXISTING VACANT OFFICE BUILDINGS





















- 3.30 The project team have also analysed the existing assets within the council's portfolio to determine whether there is an alternative and less costly way of accommodating the council without building a new civic centre.
- 3.31 Analysis has shown that there is no single property capable of providing the level of accommodation required for council service provision. Indeed, even with the current forecast, at least five and possibly six buildings would need to be recommissioned to enable the council to be accommodated.
- 3.32 Recommissioning buildings is relatively expensive, requiring almost complete strip back and renewal of the building fabric and services. Even then the buildings are inefficient and will lead to a fragmented organisation operating with poor efficiency and will constraint the ability of the council to flex in size in response to the changing face of public sector service provision, often driven by external factors such as Government funding levels and the state of the economy.





















DISPOSALS





- 3.33 The provision of a new civic centre will allow the council to move out of its current location in the Mulberry Place. In addition to this there is an opportunity to consolidate a number of other satellite offices to drive up efficiencies. Disposing of surplus offices will release funding which would have otherwise been expended on the security, maintenance and upkeep of those surplus assets. During the coming years, when significant cuts to public sector funding will be realised, the provision of lean and efficient buildings, and disposal of surplus assets, will help protect front line staff and services.
- 3.34 Consolidated office spaces can be structured to enable the council to release some sites for development or disposal. The sites which have been identified which are most suitable for this purpose are:
- Albert Jacob House
 - Jack Dash House, through a marriage and development license with the freeholder
- 3.35 Initial work done in defining the feasibility of a new civic centre included the use of Commercial Road. It should be noted that this site has the potential to be the site of a wider consolidation project for the delivery of refuse and transport services.
- 3.36 The disposal of sites will release capital receipts back to the council to offset any procurement or construction costs. The application of these disposals are critical in mitigating the short to medium term financial impacts, and will form the basis for officers seeking further approvals as a result of completing detailed business cases for approval.

OPTIONS APPRAISAL

3.37 Each of these options has undergone an assessment against the individual project objectives. The key indicators for the project are summarised in the table below. The use of a traffic light system has been employed to reflect the status achieved.

	Do Nothing	Whitechapel Civic Centre	Commercial Road Civic Centre	Re-commission existing assets
Making the One Tower Hamlets approach a reality	No. Maintains the status quo. 	Yes. Will enable the council to work efficiently and be more accessible to the public. 	Yes. Will enable the council to work efficiently and be more accessible to the public. 	Partially, will enable the council be more accessible to the public. However, multiple administrative locations may hinder efficient processes. 
Raising Performance and maximising efficiency	No. Maintaining 4 office buildings is an inefficient use of resources. 	Yes. Will raise performance and increase efficiencies achieved. 	Yes. Will raise performance and increase efficiencies achieved. 	No. Maintaining multiple office buildings is an inefficient use of resources. 
Delivering on major projects	No. Valuable and rare land resource not being optimised 	Yes. Jack Dash and Albert Jacob come forward for development. 	Yes. Could deliver homes as well as civic centre. 	No. Valuable and rare land resource not being optimised. 
To provide more affordable homes	No. Zero additional new homes would be provided. 	Yes. An additional 230 homes provided including 19 intermediate and 34 affordable rented homes by releasing the Commercial Road site for housing development 	Yes. Part of an overall package of homes being delivered though reduced due to civic centre being created. 	No. Zero additional new homes would be provided. 
To improve the education environment	No. Lack of development does not generate any S106 sums for education. 	Yes. Development of both the civic centre and consolidated offices releases S106 payments. 	Yes. Development of both the civic centre and consolidated offices releases S106 payments. 	No. Lack of development does not generate any S106 sums for education. In addition, we lose potential sites for schools. 

	Do Nothing	Whitechapel Civic Centre	Commercial Road Civic Centre	Re-commission existing assets
Assisting local people into employment	No new jobs created 	Yes. Will create a large number of local employment opportunities and add significant impetus to the regeneration of Whitechapel. 	While the construction phase of the build will provide some local employment opportunities, the residential location means there will be limited economic regeneration 	New jobs limited to the refurbishment of the actual building through supply chain. 
To reduce crime & fear of crime	No impact 	No impact 	No impact 	No impact 
To work to achieve a clean Borough	No impact. 	No impact. 	No impact. 	No impact. 
Improving the environment and tackling climate change	The existing building stock is ageing and as such is more energy intensive than more modern constructions. 	Yes. Part new build of the new civic centre and reduced car parking in conjunction with consolidation of ageing offices. 	Yes. New build, energy efficient civic centre and reduced car parking in conjunction with consolidation of ageing offices. 	The existing building stock is ageing and as such is more energy intensive than more modern constructions. 
Produce revenue savings	No impact 	Yes, via savings from operating out of 2 buildings and reduced energy costs for the new civic centre 	Yes, via savings from operating out of 2 buildings and reduced energy costs for the new civic centre 	Disparate model – increasing costs. Duplication of activities. 

	Do Nothing	Whitechapel Civic Centre	Commercial Road Civic Centre	Re-commission existing assets
Conclusion	<p>Staying in the current civic centre utilises inadequate accommodation that will deteriorate further over the medium to long term. This option does not meet the majority of the project objectives.</p> <p style="text-align: center;"></p>	<p>A new civic centre at Whitechapel enhances the project objectives across most of our chosen indicators. In conjunction it also offers a significant NPV saving against the current arrangements whilst delivering 230 homes including 19 intermediate and 34 Affordable rented homes.</p> <p style="text-align: center;"></p>	<p>A new civic centre at the Commercial Road site enhances the project objectives across many of our indicators. It also offers a significant NPV saving against the current arrangements. However the planning risk associated with a development of this nature in a residential area should be noted. In addition, a civic centre development will mean the loss of a substantial site for housing development.</p> <p style="text-align: center;"></p>	<p>Increases costs – work over multiple sites – increases risks – revenue costs.</p> <p>Not fit for purpose due to space constraints reducing the scope for flexible working.</p> <p style="text-align: center;"></p>

3.38 Four options for a civic centre have been modelled as part of the outline business case. The basis of the civic centre site modelling was the delivery of office facilities, and it has not considered alternative or additional site uses such as commercial units or residential housing. This assessment has determined that a significant saving in Net Present Value (NPV) terms can be generated from a new civic centre through the efficiencies gained by:

- consolidating and disposing of current administration sites;
- remodelling of John Onslow House to allow an occupancy ration of 6 desks: 10 staff members on a 20% fixed : 80% flexible ratio;
- reducing the area per workspace to 8.6 m²; and
- a more efficient new civic centre building, reflecting lower running costs.

3.39 Of the two alternate locations within the scope of the project for a new civic centre, it has been determined that a new civic centre at Commercial Road is able to deliver more savings in NPV terms than one at the Whitechapel site. Based on the review of the benefits of each site, a determination has to be made as to whether or not the additional savings generated by the Commercial Road site are offset by the clear additional benefits of the Whitechapel option as identified in the above table.

3.40 The final business case will seek clarification from both members and senior managers to determine how the council envisions the structure of service delivery to be achieved in the medium to long term. This consideration will

need to assess activities such as Ideas Stores, one stop shops and opportunities for community hubs to meet the diverse need of our clients, the residents of Tower Hamlets.

NEXT STEPS

- 3.41 Following Cabinet approval of the recommendations set out above, the project team will be required to produce individual final business cases to set the parameters for each development. The business cases will set out the following parameters and will require officers to seek approval from Cabinet prior to proceeding with capital works.
- Confirmation of preferred procurement route.
 - Resolution of the negotiations for the purchase of the Whitechapel site from Barts Health NHS Trust.
 - Financial analysis and affordability.
 - Risk allocation and accounting treatment.
 - Contract mechanisms and project delivery.
 - Initial technical and design diligence.
 - Stakeholder consultation.
 - Statutory process.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 This report outlines potential options for the development of a future civic centre and asks the Mayor in Cabinet to determine his preferred location. A supplementary report containing commercially sensitive information also appears in the exempt section (Part 2) of this Cabinet agenda.
- 4.2 As outlined in the report, the lease on the Mulberry Place building expires in 2020. The council currently pays approximately £5 million per annum in lease and service charges for the building, and in the longer term it is considered that the lease will not be extended, and that alternative arrangements for a civic centre will be put in place. As part of any relocation, savings should accrue to the Council in the long term – the scale of these savings will be determined on completion of the detailed business case assessment.
- 4.3 Although the report primarily outlines the position on relocation to one of two sites – the former Royal London Hospital site at Whitechapel or the Commercial Road depot site, alternative options have been considered as set out in section 2. These are:
- To seek to extend the current lease at Mulberry Place
 - To bring back into use buildings that the council currently owns
- 4.4 The technical officer's assessment has however suggested that the only feasible long term option is the construction of a new, purpose built civic centre, with the two realistic sites being either in Whitechapel or Commercial Road.

4.5 The council has a statutory duty to ensure that any decision is justified on a value for money basis. Officers have commissioned a limited high level financial assessment of the viability of the two sites, but both will be subject to a further detailed business case. The financial implications in this report are therefore based on an indicative assessment pending the completion of a final financial business case (as requested in recommendations 2b and 3b). However there is an urgency driving the decisions required in this report in that if the Whitechapel Hospital site is the preferred location, the option to purchase the site is time limited (paragraph 1.8) which would necessitate the need to commit to purchase before a full financial assessment can be undertaken. There is a significant risk involved in this approach and it is therefore essential that a full exit strategy is put in place prior to any site purchase being finalised and the Council entering any financial commitments.

4.6 **Whitechapel Hospital Site**

4.6.1 The Whitechapel option is that the site of the former hospital building on Whitechapel Road is purchased from the Bart's Health NHS Trust with the council then developing the site as a civic centre. The consolidated town hall will be supplemented by a renovated John Onslow House building to meet the council's medium term office needs.

4.6.2 As stated above, the option to purchase the site is time limited (paragraph 1.8). Following the listing of the site on the Public Register of Surplus Assets, the council has followed the necessary procedures to express an interest in acquiring the site, and has been invited to submit a financial offer.

4.6.3 If the site is purchased there will be an on-going business assessment of costs. As mentioned in paragraphs 1.8 and 4.5, it is essential that the council adopts an exit strategy to cover the eventuality that the site is purchased but that the scheme does not progress for any reason. Any exit strategy must ensure that the council's position is protected and that it is able to recover all costs of the site purchase from any necessary sale.

4.6.4 As outlined above, the council has a statutory duty to ensure that any decision is justified on a value for money basis, with the wider potential regeneration benefits being considered in addition to the business case. The 'Whitechapel Vision Economic and Employment Impacts Study' report is included elsewhere on this agenda, and sets out the anticipated impact on the Whitechapel area of the proposals within the masterplan. These are not easily financially quantifiable but should be considered in the context that relocation of the civic centre will support the regeneration of the area. Assessment of the implications could be undertaken using the principles adopted by the Treasury for appraisal of public projects - the 'Green Book', and should be compared to the economic benefits of relocation to the alternative sites that are under consideration.

4.6.5 Funding provision for the estimated land assembly costs of a new civic hub is available within the council's capital programme which forms part of the 'General Fund Capital and Revenue Budgets, Medium Term Financial Plan 2014-2017 and Strategic Plan 2014-15' report which is considered elsewhere on this agenda. These resources could be applied towards the purchase of the hospital site if this is the preferred option. It should be noted however that the development costs are not provided for nor has financing been identified. This would be subject to a further Council decision.

4.7 **Commercial Road Site**

4.7.1 The Commercial Road option is that the site of the current council owned depot is developed as a civic centre. Again, the consolidated town hall will be supplemented by a renovated John Onslow House building to meet the council's medium term office needs.

4.7.2 The Commercial Road site is currently the location for the council's parking service and incorporates a car pound. Alternative arrangements will need to be made for the future provision of this service, and for the purposes of financial modelling (see below) a cost of relocation has been assumed. This will need to be verified.

4.7.3 As outlined in paragraph 4.6.4, in order to undertake a full comparison between the two sites, an assessment of the wider economic benefits of relocation to the Commercial Road site should be undertaken.

4.7.4 As stated in paragraph 4.6.5, on a like-for-like basis, funding provision up to the limit set out in the Medium Term Financial Plan report exists for land assembly purposes, but not for the development costs which would require a further Council decision.

4.8 **Financial Modelling and Outline Business Case**

4.8.1 The council has appointed an external property management company advisor, GVA, to undertake financial modelling to inform an outline business case assessing options for the relocation of the civic centre. The assessment compared the capital and running costs of each option together with a high level net present value calculation, calculated over a 30 year period.

4.8.2 The assessment has been based on historic information held by the council in relation to annual running costs of its existing premises, but the major construction and capital costs of the proposed new buildings have been assessed by GVA.

4.8.3 The options in the report have been assessed against a base position, i.e. that the council remains at Mulberry Place and is able to extend the lease beyond 2020. Some elements of capital expenditure for future refurbishment of Mulberry Place and John Onslow House would be required under this base option.

- 4.8.4 Initial financial assessment of all the options proposed show that significant savings are achievable compared to this baseline position, both on a Net Present Value as well as a total cashflow basis. However it must be stressed that the two options both involve significant capital expenditure over the years from 2014 to 2019 – in the case of the Whitechapel site the land acquisition costs would probably be paid in full in 2014, with the major capital expenditure required to construct the building being incurred from 2015-16 onwards. Expenditure on the Commercial Road site would require a similar timeframe for the building element of the project, but there are no acquisition costs.
- 4.8.5 At this stage no sensitivity analysis or detailed due diligence has been undertaken on the financial business case in order to test the viability of the options, and this work will be carried out by officers in conjunction with GVA. However, if the Whitechapel site is the preferred location, there is very limited time available to purchase the London Hospital site (paragraph 4.6.2). Provided that a suitable exit plan is put in place to cover the possibility that the scheme might not proceed, and therefore to ensure that all acquisition costs are recovered, officers consider that the initial acquisition of the Royal London Hospital site is feasible (Recommendation 2c and paragraph 1.8).
- 4.8.6 With both options, over a 30 year period significant savings could be achieved compared to the existing arrangements. However, the relocation will take a number of years to complete and it must be stressed that these savings will only begin to be realised from 2020 onwards. In the medium term costs will increase while the rationalisation takes place.
- 4.8.7 The relocation of the civic centre will require significant capital investment which would have to be financed from within the limited resources available to the capital programme. Borrowing to the levels required would have a significant impact on the council's authorised borrowing limits and operational boundary for external debt, with the consequential impact on revenue budgets of the debt charges. The indicative modelling suggests that these on-going additional revenue costs could rise from approximately £2.5 million per annum from 2014-15 to in excess of £4 million per annum from 2016-17 until the expiry of the Mulberry Place lease, with these additional costs being incurred at a time when the Medium Term Financial Plan of the council is already demonstrating the need for significant annual budget reductions. Additional revenue savings exceeding £4 million per annum will therefore need to be identified in addition to the on-going savings targets that have been assumed within the MTFP. In order to mitigate these costs it will be necessary to generate capital receipts from asset sales to 'cross subsidise' these costs.
- 4.8.8 At this stage the Mayor in Cabinet is being asked to express a preference for the location of a new Civic Hub. As stated in paragraphs 4.6.5 and 4.7.4, at this stage funding has only been set aside for site assembly purposes. Any decision in relation to construction and development will be subject to further Council decision based on a full assessment of the financial implications.

4.9 **Disposal of Surplus Assets**

4.9.1 As set out above, the modelling assumes that surplus council owned assets are disposed of to part fund the significant capital expenditure requirement. These assets are listed in paragraphs 1.10 and include:

Jack Dash House
Albert Jacob House

The council owns the freehold of Albert Jacob House. Jack Dash House is held on a long lease.

4.9.2 The realisation of capital receipts from the disposal of these assets – or other assets that are declared surplus to the council’s operational requirements - is essential if the relocation project is to be viable. Whichever site is proposed, the recommendations in this report request authorisation for officers to proceed with the disposal of the assets (Recommendations 2d and 3c.)

4.10 The report also requests approval to incur expenditure of up to £200,000 to implement the decisions that arise from this report. These will initially be funded from reserves although there may be scope to capitalise these costs if the scheme progresses.

5. **LEGAL COMMENTS**

5.1 The proposals outlined in the report are dependent upon purchase and sale of land. In relation to this –

- By virtue of section 120 of the Local Government Act 1972, for the purposes of any of its functions or the benefit, improvement or development of its area, the Council may acquire any land by agreement notwithstanding that the land is not required immediately for that purpose. Until it is so required the land may be used for the purpose of any of the Council’s functions.
- Pursuant to section 227 of the Town and Country Planning Act 1990 the Council has power to acquire by agreement land which it may be authorised to acquire compulsory for development and other planning purposes if it thinks that acquisition will facilitate the carrying out of development, re-development or improvement on or in relation to the land or which is required for a purpose which it is necessary to achieve in the interests of the proper planning of the area in which the land is situated.
- Under Section 123 of the Local Government Act 1972 the Council may dispose of surplus land in any manner it wishes provided that, without the Secretary of State’s consent, the disposal is for the best consideration reasonably obtainable.

5.2 The report refers to the consultation already carried out in relation to the Whitechapel Masterplan. It proposes that stakeholder consultation will be

carried out as part of developing the full business case and that there will be a further presentation to Cabinet prior to proceeding with capital works. To the extent that the proposal is targeted at achieving continuous improvement in the way in which the Council's functions are exercised, the consultation will need to comply with the requirements of section 3 of the Local Government Act 1999 and will need to inform whether the Council proceeds with the preferred option and, if so, in what form.

- 5.3 When considering its options in relation to future office accommodation, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. Information is set out in the One Tower Hamlets section of the report relevant to these considerations. Further consultation with stakeholders as referred to in paragraph 5.2 should take into account the

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1. Sites that are released from the review will raise capital receipts on disposal or are subject to development, which supports all service areas to deliver on the Community Plan objectives, as reflected in the Strategic Plan.
- 6.2. One of the issues with buildings of a certain age, including many of the assets currently in the council's ownership, is that they are not fully accessible for those people with physical disabilities, and ensuring full accessibility and DDA compliance will be prohibitively expensive. A purpose-built civic centre development will allow the council to design the building so as to ensure it is fully accessible. This will be specified as part of the design process to ensure it is a central consideration in the design of the building.
- 6.3. When compared to Mulberry Place, the central location, transport links, and design of a purpose-built civic centre in either Whitechapel or Commercial Road will increase the openness and approachability of the civic centre, encouraging participation and engagement in the democratic process. In addition, a new purpose-built council chamber can design out many of the physical issues that exist with the Mulberry Place council chamber. This includes poor acoustics and limited sight lines, hampering involvement in the democratic process.

7. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 7.1 The council will need to agree the sustainability targets for a new civic centre development which should allow for significant reductions in carbon emissions and energy costs compared to the existing rented accommodation.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1. The project currently operates a high level risk strategy that reviews the overall risks to the council in relation to all options contained within the project review/outline business case. Once the preferred option has been adopted a more detailed risk register will be maintained in order to monitor and manage risk through the life of the project specific to the route taken.

9. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 9.1 There are no immediate crime and disorder reduction implications arising from this report. However, the improvements to public realm associated with a new civic centre development will contribute to the reduction of crime and disorder.

10. EFFICIENCY STATEMENT

- 10.1 In the current climate and Government drive to reduce costs and make efficiencies the council decision to radically rethink its accommodation and operations is very much in line with other councils that are currently or recently have, developed their own civic centres to rationalise and improve efficiencies in operation and operational costs.
- 10.2 By developing its own hub the council additionally takes control of future costs and insulates itself from the vagaries of the market and third party landlords. This also creates future flexibility by creating a new and currently not valued asset. The subsequent disposal of sites also reduces ongoing cost to the council and creates opportunity for additional housing in the borough

Linked Reports, Appendices and Background Documents

Linked Report

- EXEMPT – Asset Rationalisation Review (Depots and Town Hall) – 13th February Cabinet 2013

Appendices


- None

Background Documents – Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012

- None

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<p>Cabinet Decision 5 February 2014</p>	 TOWER HAMLETS
<p>Report of: Aman Dalvi – Corporate Director Development & Renewal</p>	<p>Classification: Unrestricted</p>
<p>Housing Revenue Account – Budget Report 2014/15 Adoption of Housing Revenue Account Capital Estimates Adoption of Housing General Fund Capital Estimates</p>	

Lead Member	Councillor Rabina Khan, Cabinet Member for Housing
Originating Officer(s)	Katherine Ball, Senior Accountant (HRA), D&R Finance Paul Leeson, Finance Manager, D&R Finance
Wards affected	All
Community Plan Theme	One Tower Hamlets
Key Decision?	Yes

Executive Summary

This is the second report on the Housing Revenue Account (HRA) for 2014/15, and follows decisions of the Mayor in Cabinet on 8th January 2014 regarding rents and tenant service charges. This report seeks Mayoral approval of the draft HRA budget for 2014/15 as set out in Appendix 1, and of the Management Fee payable to Tower Hamlets Homes.

This report also seeks Mayoral approval for the adoption of various housing capital estimates.

Recommendations

The Mayor in Cabinet is recommended to:-

Revenue

1. Approve the draft 2014/15 Housing Revenue Account budget as set out in Appendix 1.
2. Approve the draft 2014/15 Management Fee payable to Tower Hamlets Homes (THH) of £33.633 million as set out in Table 2 in section 7.16.

3. Subject to 2 above, note that under the Management Agreement between the Council and THH, THH will manage delegated income budgets of £88.034 million and delegated expenditure budgets of £24.381 million on behalf of the Council in 2014/15.
4. Note that, as referred to in paragraph 7.9, a sum of £0.205 million is being held within the HRA to provide for an assumed 1% pay award for 2014/15, and agree that the Management Fee will be adjusted – if necessary - to reflect the pay award when it is finalised.
5. Note that, as detailed in paragraph 7.10, a sum of £1.3 million is being held within the HRA to provide for a possible increase in Employer Pension contributions in 2014/15, and agree that the Management Fee will be adjusted – if necessary - to reflect this increase as and when it is finalised.
6. Note the HRA Medium Term Financial Plan (2014-17) outlined in Appendix 2.

Capital

7. Adopt a capital estimate of £6.7 million in relation to Mechanical and Electrical schemes, as outlined in paragraph 9.7 and Table 4.
8. Adopt a capital estimate of £3.5 million in relation to external works on non-Decent Homes blocks, as outlined in paragraphs 9.8 and 9.9.
9. Adopt a capital estimate of £1 million to fund Overcrowding Reduction Initiatives as outlined in paragraph 9.10.
10. Adopt capital estimates for the Aids and Adaptations programme (£750,000), the Capitalisation of Voids (£1.5 million) and the Capitalisation of Fees and Salaries (£650,000) as outlined in paragraph 9.11.
11. Adopt a capital estimate of £250,000 in order to maintain a contingency for urgent works of £1 million, as outlined in paragraph 9.12.
12. Adopt a capital estimate of £3.610 million in respect of the Extensions element of the GLA Pipeline scheme, and note that the Council will receive £1.020 million of GLA funding for this scheme (paragraphs 9.15 to 9.18).
13. Adopt a capital estimate of £995,000 for the award of Disabled Facilities Grants, as outlined in paragraph 10.1, subject to funding being confirmed from within the Department of Health Personal Social Services capital grant.
14. Adopt a capital estimate of £550,000 in respect of Private Sector Improvement Grants, including Empty Property Grants, for 2014/15, to be financed from ring-fenced resources received from the East London Renewal Partnership (paragraph 10.2).

1 REASONS FOR THE DECISIONS

- 1.1 The Mayor is required by the Local Government and Housing Act 1989 to determine a balanced Housing Revenue Account budget prior to the start of the new financial year. The Council must also approve the Management Fee payable to Tower Hamlets Homes so that it can fulfil its obligations under the Management Agreement to manage the housing stock on behalf of the Council.
- 1.2 In accordance with Financial Regulations, capital schemes must be included within the Council's capital programme, and capital estimates adopted prior to any expenditure being incurred. This report seeks the adoption of the necessary capital estimates for various schemes in order that they can be progressed.

2. ALTERNATIVE OPTIONS

- 2.1 The Council has a statutory duty to set a balanced HRA and provide Tower Hamlets Homes with the resources to fulfil its obligations under the Management Agreement. Whilst there may be other ways of delivering a balanced HRA, the proposals contained in this report are considered the most effective, having regard to the matters set out in the report.

3. BACKGROUND

- 3.1 The Housing Revenue Account (HRA) relates to the activities of the Council as landlord of its dwelling stock, and the items to be credited to the HRA are prescribed by statute. Income is primarily derived from tenants' rents and service charges, and expenditure includes repairs and maintenance and the provision of services to manage the Council's housing stock.
- 3.2 Since 1990 the HRA has been "ring-fenced"; this was introduced as part IV of the Local Government & Housing Act 1989 and was designed to ensure that rents paid by local authority tenants reflect the associated cost of services; this means that the HRA cannot subsidise nor be subsidised by Council Tax i.e. any deficits or surpluses that arise on the HRA cannot be met from or transferred to the General Fund. In addition, the HRA must remain in balance.
- 3.3 At its meeting on 8th January 2014, the Mayor in Cabinet considered the Housing Revenue Account and Rent Setting report which recommended an average weekly rent increase of £5.04 from April 2014. This rent increase has been incorporated into the 2014/15 HRA budget set out in Appendix 1.
- 3.4 This report is also seeking capital estimates for various Housing General Fund elements of the capital programme.
- 3.5 The Council's Housing Strategy includes the following objectives:
 - Delivering and maintaining decent homes

- Place making and sustainable communities
- Managing demand, reducing overcrowding
- New housing supply

The investment programme addresses these aims where appropriate.

4. HRA 30 YEAR FINANCIAL MODEL

- 4.1 Under HRA Self-Financing each Authority is required to develop and maintain a 30 Year HRA Financial Model showing the anticipated income and expenditure each year, the anticipated capital programme over 30 years, and the funding available to finance the capital programme.
- 4.2 Current modelling indicates that annual revenue surpluses will be generated over the first 10-15 years which will subsequently be needed to fund the capital programme over the remaining part of the 30 year plan as the Authority will have reached its debt cap by that point, and will therefore be unable to borrow any further to finance the capital programme. This will enable the anticipated required capital works to be delivered over the life of the Business Plan - including the delivery of the enhanced Decent Homes programme over the early years of the model.

5. PROJECTED OUTTURN 2013/14

- 5.1 Appendix 1 shows the agreed 2013/14 HRA budget. On 8th January 2014, the Mayor in Cabinet considered the Performance and Corporate Budget Monitoring Report (Quarter 2), which reported that the HRA was forecast to underspend by £0.57m; this will be used for future capital investment, as outlined in paragraph 4.2.

6. RISKS

- 6.1 A number of recent Cabinet decisions relate to the HRA and will affect the viability of the 30 Year Financial Model. In addition the previously identified two main risks to the HRA of Right to Buy and Welfare Reform are still relevant and there have been some further developments in these areas, which are discussed below.

Welfare Reform

- 6.2 There are a number of changes being made to the benefits system that will lead to budget pressures within the HRA. The main changes that will affect Council tenants are set out below.

Benefit Cap

- 6.3 The benefit cap came into effect in Tower Hamlets on August 12th 2013. Under the new rules:
- No family household will receive more than £500 per week
 - No single person household will receive more than £350 per week

Universal Credit and Direct Payments

- 6.4 Universal Credit will be introduced to replace income-based Job Seekers' Allowance, income-related Employment & Support Allowance, Income Support (including Support for Mortgage Interest), Working Tax Credits, Child Tax Credits and Housing Benefit.
- 6.5 Direct Payments will be made to claimants' bank accounts on a monthly basis, starting with new claimants and people with a change of circumstances, and gradually extended to all claimants by the end of 2017. The implementation of this element of Welfare Reform has been delayed and it is currently anticipated that this will not affect Tower Hamlets before 2015.

Impact on Tower Hamlets tenants

Benefit Cap

- 6.6 The Authority's Housing Benefit records indicate that 700 households in the borough are affected by the benefits cap, but only a small percentage of those are Council tenants. Prior to the implementation of the cap, it was estimated that it would affect 106 (approximately 1%) of LBTH tenants; as at October 2013 the actual number of households affected was 52 (0.4% of Council tenants), the majority of which are currently in receipt of Discretionary Housing Payments.

Universal Credit and Direct Payments

- 6.7 The first results from the demonstration projects were published on December 17th 2012 and showed rent collection rates ranging from 88% to 97%, with an average collection rate of 92%. Landlords regard rent arrears at these levels as unsustainable in the longer term, and hoped that collection rates would improve as the new systems and approaches began to bed in.
- 6.8 Further data was published in May 2013 and some improvement in collection rates was recorded, with collection rates varying from 91% to 97%, and an average collection rate of 94%.

Impact of Welfare Reform changes on the HRA

- 6.9 The impact on the HRA will not be known until the reforms are in place in Tower Hamlets, however for planning purposes, provision was made in the

2013/14 budget to reflect an assumed increase in bad debts equivalent to 3% of the 2013/14 rental income budget, with the level of bad debts reducing in 2014/15 and returning to historic levels in 2015/16. Due to the delays in implementing the various reforms, it is not now anticipated that the budgeted level of provision will not be fully needed in 2013/14, although an elevated level of provision has been retained in the 2014/15 HRA budget (Appendix 1) and in 2015/16 as part of the HRA MTFP (Appendix 2). The level of bad debt provision may need to be reviewed once all the welfare reforms have been implemented.

- 6.10 The extent to which budget pressures caused by welfare changes prove to be temporary in nature will depend on the Council's response to rent arrears; if tenants are unable to pay their rent in full, there will be an ongoing budget pressure in the HRA, and as rent constitutes the main source of income for the HRA, this could have a significant impact on the future viability of the HRA.

Right to Buy

Current Right to Buy Policy

- 6.11 The maximum Right to Buy discount offered to tenants in London is now £100,000. Local Authorities have been allowed to enter into an agreement with the Secretary of State whereby they are allowed to retain part of the receipt from Right to Buy sales, providing that the retained receipts are spent on the re-provision of social housing within three years, and limited to a maximum of 30% of the cost of the re-provision.
- 6.12 Tower Hamlets has signed this agreement but to date there have been no receipts retained by the Authority for the re-provision of social housing. It is anticipated that if sales continue to take place at a similar rate as is currently the case, then there will shortly be some retained receipts available to the Authority, but until sales take place, the exact level is uncertain. Further information will be reported to Members at the end of this financial year.
- 6.13 The Authority is able to terminate the agreement with the Secretary of State, in that case the retained receipts would no longer be kept by the Authority and would be payable to the government.

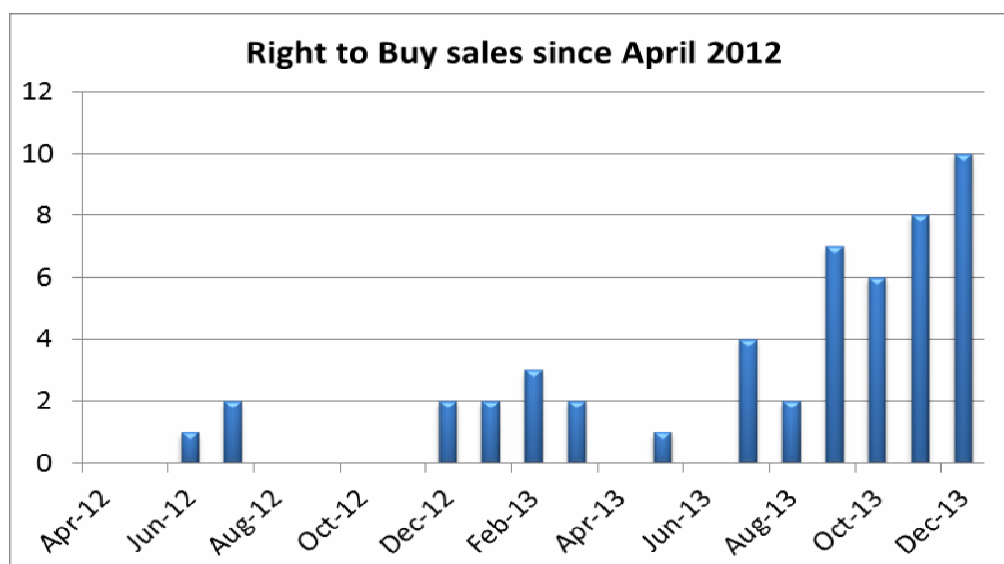
Further Changes to the Right to Buy scheme

- 6.14 On January 3rd 2014 the government announced that in addition to the changes made to the Right to Buy scheme since April 2012, further steps will be taken to reinvigorate the Right to Buy in 2014 by:
- amending the qualifying period for Right to Buy from five years to three;
 - increasing the maximum Right to Buy percentage discount for eligible social tenants in houses to 70 per cent – in line with the maximum discount for flats;

- increasing the maximum cash cap in line with CPI (the current maximum cash cap in London is £100,000);
- introducing Right to Buy Agents to offer tenants a free advice and support service to help guide tenants through the application process;
- establishing a £100m fund to improve applicants' access to mortgage finance – the fund will be available from 2015/16 and be split over two years.

Right to Buy Sales to Date

6.15 Since April 2012, over 1,000 Right to Buy applications have been received, and as at the end of December 2013, 50 Right to Buy sales have taken place, with many receiving the maximum discount. Graph 1 below shows the number of sales each month; on average, successful applications take between nine and 15 months to complete, and this time lag is clear on the graph. Given the large number of live applications it is anticipated that there will be a steady stream of sales over the coming months.



Graph 1 – Monthly Right to Buy sales between April 2012 and December 2013

6.16 In 2012/13 the average receipt received by the Council was £105,000 and the average discount was £75,000, so far in 2013/14 the average receipt received by the Council was just over £103,000, and the average discount received was over £93,000. The increase in the average discount received reflects the fact that the maximum discount in London was increased from £75,000 to £100,000 on March 25th 2013.

Future Right to Buy Sales

6.17 Modelling the number and timing of future sales is difficult; the current unfavourable economic conditions may mean that the number of sales could be relatively low, and in addition, some tenants may not fully appreciate the

responsibilities arising from being a leaseholder, and once aware, may decide not to continue with their application.

- 6.18 However, the increased discount is substantial and as discussed at 6.14, the government has recently announced further changes to the Right to Buy scheme that aim to further re-invigorate it. For budget planning purposes, it is currently estimated that there will be 50 RTB sales in 2013/14, 100 in 2014/15 and 20 in 2015/16 and 2016/17, although these assumptions may need to be revisited if the government's proposed changes lead to an increase in applications.

Leaseholder Recovery

- 6.19 Leaseholders represent 40% of the total HRA stock, and leaseholder numbers are increasing with each Right to Buy sale that takes place. Where capital works carried out on stock are of an external or communal nature, leaseholders are required to contribute to their share of the costs.
- 6.20 The Tower Hamlets HRA 30 Year Financial Model assumes full recovery of leaseholder major works over a period of seven years, however, this profiling means that a high level of leaseholder major works "forward funding" is required, and it is therefore crucial that leasehold major works debt is pursued in a robust manner as failure to do so will result in an HRA budget pressure.

Proposed Capping of Leasehold Major Works

- 6.21 The government recently issued a consultation entitled '*Protecting Local Authority Leaseholders from Unreasonable Charges*', which proposed a cap of £15,000 for leaseholders in London where the local authority has received assistance for works of repair, maintenance or improvement, provided by the Secretary of State or the Homes and Communities Agency.
- 6.22 The consultation stated that the proposed cap is not intended to affect any funding already confirmed, but would affect any allocation made from the (future) 2013 Spending Round Decent Homes funding. Therefore, although there would be no impact on the Authority in relation to our current Decent Homes funding (ending in 2014/15), if the Authority were to bid for the next round of Decent Homes Funding, the impact of the £15,000 cap would need to be taken into consideration.

Interest Rates and Debt

- 6.23 Over the next few years, the Authority will need to prudentially borrow in order to finance the capital programme. Although interest rates remain at the historically low 0.5%, as and when interest rates rise, the HRA will be exposed to interest rate risks as its current loan portfolio mainly consists of market loans at variable rates.
- 6.24 In August the governor of the Bank of England announced that the Bank would not consider raising interest rates until the unemployment rate fell below 7%.

At that time it did not expect this to happen until 2016, however, many analysts believe that the Bank will have to act sooner than that - possibly in 2015 - given the increasing strength of the UK's economy.

7. DRAFT BUDGET 2014/15

Inflation

- 7.1 September 2013's inflation indices were as follows; the Retail Price Index (RPI) - on which the following year's rent increase is based - was 3.2% and the Consumer Price Index (CPI) was 2.7%. CPI has dropped since September, with the latest reported figure being 2%.

2014/15 Rent Increase

- 7.2 The HRA Settlement assumed that local authorities would aim to achieve rent convergence in 2015/16 in line with the government's rent restructuring policy, and then implement subsequent annual rent increases of RPI + 0.5% each year thereafter.
- 7.3 On January 8th 2014 the Mayor in Cabinet agreed an average 2014/15 rent increase of 4.9% - equating to £5.04 per week - and this level of rent increase has been incorporated into the 2014/15 budget figures at Appendix 1.

'Rents for Social Housing from 2015/16' Consultation

- 7.4 On 2nd July 2013, the Department of Communities and Local Government (DCLG) stated in a letter sent to housing bodies that:

"Having considered the issue carefully, we are minded not to extend rent convergence beyond 2014/15.....' We expect most landlords to have achieved rent convergence by 2015. By that point, rent convergence policy will have been in place for almost 15 years - this is a significant period of time for landlords to make full use of the rent flexibilities the government has provided, and most have done so."

- 7.5 A consultation entitled '*Rents for Social Housing from 2015/16*' setting out the proposed changes to come into effect from April 2015 closed on December 24th 2013. The proposed changes are summarised below:

- moving from rent increases of RPI + 0.5% to increases of CPI + 1%;
- removing (from April 1st 2015) the flexibility to increase the weekly social rents by an additional £2 – i.e. ending rent convergence a year early;
- clarifying that the proposed rent policy does not apply to social tenant households with an income in excess of £60,000.

- 7.6 Modelling has been carried out of the effect of the proposed changes; the indicative impact over the 10 years of the proposed policy of an early end to rent convergence is a potential loss (inclusive of inflation) in the region of £18m. Once the responses to the consultation are published and further details are known about what changes the government is proposing to make, the HRA Financial Model will be updated to reflect the anticipated effects, and savings may need to be identified as part of next year's budget process in response.
- 7.7 As detailed in the '*Housing Revenue Account First Budget and Rent Setting report*' considered by Cabinet on January 8th 2014, we are awaiting details of how the Limit Rent will be calculated in future. Limit Rent is used to control the amount of Housing Benefit grant paid to us by the Government; any benefit paid in respect of Local Authority rents that exceed the Limit Rent is a charge to the HRA. The Government has stated that the calculation of the Limit Rent will change if rent convergence ends early, but we have not yet been informed what the Limit Rent will be for Tower Hamlets for 2014/15. Due to the changes that are being made to the welfare system - and in particular the introduction of Direct Payments – it is also unclear how this control mechanism will operate in future.

Tenant Service Charges

- 7.8 On January 8th 2014 the Mayor in Cabinet agreed an average 2014/15 increase in tenant service charges of £0.36 per week. This level of tenant service charges is reflected in the 2014/15 budget figures at Appendix 1.

2014/15 Inflation - salaries

- 7.9 The General Fund medium term financial plan anticipates that staffing costs will increase by 1% in each of the three years of the plan. The management fee calculation in table 3 does not reflect this inflationary uplift as the 2014/15 pay award is not yet finalised, but provision has been made in the HRA budget for an assumed 1% pay award. The Mayor in Cabinet is asked to agree that once a pay award has been agreed, the 2014/15 management fee will be adjusted – if necessary - to reflect this. As salaries constitute approximately £20m of the management fee, a 1% increase is estimated to be £0.205m. If no pay award is agreed then no adjustment will be made to the management fee.

2014/15 Employer's Pension Contributions

- 7.10 It is anticipated that the Council's actuaries will recommend an increase in the percentage rate that the Council, and THH contributes towards employee pensions in order to ensure the viability of the Pension Scheme. Current estimations are that this may be in the region of £1.3m, but the management fee calculation in table 3 does not reflect this as no final decision has been made. The Mayor in Cabinet is asked to agree that once a final decision has been made about the 2014/15 level of employer contribution, the 2014/15

management fee will be adjusted. If no increase is agreed then no adjustment will be made to the management fee.

2014/15 Inflation - energy

7.11 No inflation has been applied to the energy budgets for 2014/15 as we estimate that there is currently scope within this budget to absorb what is forecast to be only a minor increase in our 2014/15 energy prices. Current forecasts for 2014/15 energy contract prices are shown in Table 1 below.

Gas & Power	Forecast increase / decrease for 2014/15
Gas*	-1.28%
Half Hourly Electricity**	+2.43%
Non Half hourly Electricity***	+1.76%
Unmetered supply****	+2.47%

Table 1 – Forecast 2014/15 energy prices

Notes - due to the nature of our procurement strategy (variable purchase of commodities over a 12 month period on the wholesale market) the following applies:

**48% of our gas has been already been purchased for 2014/15*

***55% of the Half Hourly electricity has already been purchased for 2014/15*

****this purchasing strategy varies as the commodity is less volatile than the two above*

*****60% of the unmetered supply has been purchased, this is the least volatile of all and increases / decreases tend to be less significant.*

2014/15 Savings

7.12 A review has been carried out of overheads, and as a result, the 2014/15 HRA budget incorporates savings of £0.838m.

2014/15 Leasehold Service Charge Savings

7.13 An ongoing review is being carried out to identify savings, and so far approximately £0.5m of savings have been identified relating to services that leaseholder receive and are recharged for. As part of this review, front-line service delivery has been protected.

7.14 As a result of the savings review, leaseholders will see an average reduction in their 2014/15 service charge estimates of 4.6% compared to the 2012/13 leaseholder service charge actuals; this equates to an average reduction of £55 for each leaseholder.

Management Fee

7.15 In February 2013, The Mayor in Cabinet approved the 2013/14 Management Fee payable to THH for services provided to the Council. At £32.429 million, the Management Fee represented the largest single expenditure element of the HRA 2013/14 budget.

7.16 Table 2 below shows the calculation of the 2014/15 Management Fee payable to Tower Hamlets Homes.

Description	Total Fee £'000
Base Budget 2013/14	32,429
Horticulture Budget (transferred from delegated budget)	828
Right to Buy valuations (transferred to delegated budget)	-59
Revised Base Budget 2013/14	33,198
2014/15 savings	-838
Fee to reflect increased capital programme in 2014/15*	1,187
Funding of Ocean Estate Warden	34
Inflation on repairs element of management fee	52
Indicative Management Fee 2014/15	33,633

Table 2 – Calculation of the 2014/15 Management Fee

**For the purposes of the management fee, a 2014/15 capital programme of £77m has been assumed compared to a £53m capital programme in 2013/14. This is a reflection of the increased size of the Decent Homes programme in 2014/15.*

8. MEDIUM TERM FINANCIAL PLAN

8.1 Appendix 2 shows the HRA Medium Term Financial Plan (MTFP) for the period 2014-2017.

8.2 The MTFP incorporates various income and expenditure assumptions and includes known changes that will affect the budget, including the effects of changes to stock numbers due to assumed right to buy sales and the impact of agreed regeneration schemes. As can be seen, the HRA is balanced over the three year period of the MTFP, with the current planning assumption being that anticipated revenue surpluses will contribute to the financing of the HRA capital programme.

8.3 As referred to in paragraph 6.9, the MTFP currently assumes that the level of bad debts will increase in 2013/14, then reduce in 2014/15 and ultimately return to historic levels in 2015/16. However, as the cumulative impact of the various Welfare Reforms take effect, this assumption will be kept under review, and the budgeted provision may need to be increased.

8.4 As highlighted in paragraph 6.18, assumptions in the MTFP about the number of future Right to Buy sales will be kept under review. If sales are higher than currently assumed, compensatory savings will need to be made in order to offset the loss of the income to the HRA.

- 8.5 As referred to in paragraphs 7.5 and 7.7, we are awaiting details of the government's future rent policy, and in particular, how the Limit Rent mechanism will operate in future. Depending on how rent policy changes, future savings may be needed in order to offset the loss of HRA rental income.

Regeneration Schemes

- 8.6 The Council is currently in the process of assessing various regeneration projects, in addition to those already approved.
- 8.7 Going forward, the HRA 30 Year Financial Plan provides the possibility for limited new supply development. Any future regeneration schemes will need to be assessed in the context of competing demands from other projects.

Poplar Baths & Dame Colet House

- 8.8 This scheme was approved at Cabinet on January 9th 2013, and a capital estimate to the value of £36m for the development of the Poplar Baths and Dame Colet sites was adopted (£16m is the HRA element). The HRA MTFP includes indicative figures to reflect the anticipated annual revenue income and expenditure associated with the scheme.

GLA Pipeline Bids

- 8.9 The Council was successful in its bid for grant funding from the GLA's Building the Pipeline Supply Fund in respect of two sites, Bradwell Street and Ashington East, and has now secured funding towards an Extensions programme. Further details are provided at paragraphs 9.14 to 9.18.

Blackwall Reach

- 8.10 In July 2009, Cabinet agreed that £13 million be allocated to fund the costs of land assembly and decants in respect of the Blackwall Reach Development and the Woolmore Street Medical Centre. This was in addition to the £1.5 million capital receipt that had already been recycled into the scheme under the conditions of the disposal of the St Mathias site to the Homes and Communities Agency (HCA).
- 8.11 The Council is working in partnership with the Greater London Authority (GLA), which has taken over the responsibilities of the Homes and Communities Agency, and Swan Housing Group on the Blackwall Reach project.
- 8.12 As the major landholder, the Council is currently undergoing a Compulsory Purchase Order (CPO) process to acquire all land within the proposed development area. It is anticipated that resources will be set aside to finance any potential shortfall in ear-marked resources prior to the receipt of the overage that will be generated on the private sales required to cross-subsidise the public sector regeneration element within the area. These higher than

anticipated sales proceeds will be recycled into the scheme and would mitigate any risk involved in the project costs.

9. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

9.1 The Council's projected three year capital programme is included with the 'General Fund Revenue and Capital' report elsewhere on this agenda. This incorporates indicative funding of £200 million for the Housing Revenue Account element of the capital programme over the three year period from 2014/15 to 2016/17, which is summarised in Table 3 below, and detailed in Appendix 3.

	2014/15 £m	2015/16 £m	2016/17 £m
Indicative HRA Programme	109.40	75.59	15.00

Table 3 – Summary HRA Capital Programme 2014/15 to 2016/17

Mainstream HRA Capital Programme - Non Decent Homes

9.2 Although Members have already approved certain elements of the programme, including the Decent Homes works, capital estimates need to be adopted for the remainder of the programme. The HRA Business Plan identifies £15.933m of available resources earmarked for 2014/15 to fund the non Decent Homes element of the HRA capital programme. This report seeks the approval of various capital estimates so that the non Decent Homes element of the HRA capital programme can be progressed.

9.3 Resources to fully fund these capital works have been incorporated within the viable HRA Business Plan model. There is however, risk involved in entering a new financial regime, so expenditure and resources will continue to be closely monitored to ensure that the projects continue to be viable.

2014/15 Prioritised Investment Programme (Planned Maintenance Programme)

9.4 Tower Hamlets Homes has assessed the onward capital investment need of the stock and determined likely need for 2014/15. The approach taken for prioritisation has considered the following investment strands:-

- Replacement/Renewal of mechanical and electrical infrastructure which is at the end of its life and incurring both high responsive costs and increased disruption to residents, eg lifts and door entry.
- A coherent/holistic approach to improve homes which have already benefited from internal works, in particular the need to provide residents with showers. This will be achieved through spending on individual heating and boosted water pumps.

- Environmental improvements to communal heating through enabling smart metering and to estate lighting through LED installation.
- Prioritising external works to blocks currently not featuring in the mainstream Decent Homes Programme particularly those with increasing maintenance costs.

9.5 It is proposed that capital estimates are adopted at asset type level, with the schemes being developed by Tower Hamlets Homes based on a prioritisation methodology matrix which gives a priority rating based on age, condition, obsolescent components and repair frequency. This will be used to determine blocks/schemes in most urgent need of renewal.

9.6 The proposed blocks will be submitted to the Council’s Officer Major Projects Board for review and ratification, prior to being agreed individually by the Corporate Director, after consultation with the Mayor.

Mechanical and Electrical Schemes - £6.7 million

9.7 The proposed programme estimates by asset type for Mechanical and Electrical schemes are set out in Table 4 below.

Asset Type	Capital Estimate (£)
Door Entry Renewal	1,030,000
Communal Heating	1,080,000
Water Tanks	280,000
Lift Renewal	1,870,000
Boosted Water	1,200,000
Smart metering	140,000
Planned Domestic Heating	310,000
Emergency Domestic Boiler Failures	90,000
Landlords Risers & Laterals	140,000
Communal Play Areas	50,000
Estate & Balcony Lighting	300,000
TV Aerials	210,000
TOTAL	6,700,000

Table 4 – Mechanical and Electrical 2014/15 capital estimates

External works - non-Decent Homes Blocks - £3.5 million

9.8 Approximately 350 of the Council’s housing blocks are deemed to be decent and therefore are not included in any of the future Decent Homes programme years. However in some cases there is a need to undertake works to the external fabric of blocks, similar to those included in the current Decent Homes External Programme.

- 9.9 At this stage it is proposed that a capital estimate for £3.5 million is adopted to include a programme for these works in the programme. A further report will be submitted to Cabinet to approve the specific works to be undertaken. Again, Tower Hamlets Homes will prioritise blocks based on an assessment of responsive maintenance need and will use a detailed scoping/validation survey similar to that being used to validate the current Decent Homes Programme to provide accurate costs and scope of works.

Overcrowding Reduction Initiatives

- 9.10 Members are asked to formally approve a capital estimate of £1,000,000 for the inclusion within the programme of various overcrowding initiatives. This will include funding of the Cash Incentive Scheme and the Knock-through programmes, as well as providing funding for other initiatives designed to release or create family sized accommodation to relieve overcrowding.

Aids and Adaptations, Capitalisation of Voids, Capitalisation of Fees and Salaries

- 9.11 Members are asked to formally approve capital estimates for the inclusion within the programme of the Aids and Adaptations budget (£750,000), the capitalisation of the major costs involved in bringing void properties back into use (£1,500,000), and the capitalisation from the Housing Revenue Account of fees and salaries associated with the delivery of the Capital programme (£650,000).

Contingency

- 9.12 The programme for 2013/14 incorporated a contingency of £1 million to be allocated towards urgent works. It is anticipated that approximately £250,000 of this contingency will be utilised during the year, with the remaining provision of £750,000 being carried forward into 2014/15. It is suggested that the total contingency available for 2014/15 remains at £1 million, and in order to do this a capital estimate of £250,000 is sought. The utilisation of this contingency will be subject to the approval of the Corporate Director, Development and Renewal.
- 9.13 Approvals are sought for schemes totalling £10.2 million to be adopted, plus the suggested £0.250 million contingency (paragraph 9.10) and the £3.9 million of expenditure in respect of Overcrowding Reduction Initiatives, Aids and Adaptations, Capitalisation of Voids and the Capitalisation of Fees and Salaries (paragraphs 9.10 and 9.11) as detailed in Appendix 3. In total, approvals of £14.350 million are sought.

GLA Pipeline Bid - £3.610 million

- 9.14 Members have previously been notified that the Council was successful in bidding for grant from the GLA's Building the Pipeline Supply Fund in respect of two sites, Bradwell Street and Ashington East, and has been awarded

£30,000 per new home delivered. The Council needs to provide the remainder of the scheme costs. Cabinet on 6th November 2013 approved the Bradwell Street Scheme and a report on Ashington East is scheduled for the April 2014 Cabinet meeting.

Extensions

- 9.15 The Council has now been informed that it was successful in its bid for funding to support a programme of Extensions during 2014/15. To secure the funding the Council must provide at least 45 additional bedrooms from 34 homes, with works to be completed by March 2015.
- 9.16 Officers are currently finalising an assessment of potential properties for inclusion in this programme. It is proposed that a capital estimate is adopted to incorporate this scheme within the capital programme, with Tower Hamlets Homes' recommendations for the individual properties concerned to be considered by the Council's officer Major Projects Board, prior to approval by the Corporate Director – Development and Renewal.
- 9.17 The estimated development costs and funding requirements of the scheme are shown in Table 5 below:

Description	Extensions £,000
<u>CAPITAL EXPENDITURE</u>	
Estimated Capital Cost	3,610
GLA - Pipeline Supply Grant	(1,020)
LBTH Financing Requirement	2,590

Table 5 – GLA Pipeline Programme funding

- 9.18 It is proposed that the Council's contribution of £2.590 million is funded from within the resources of £9.89m Revenue Contribution to Capital (RCCO), set aside within the 2014/15 Housing Revenue Account budget, (as shown in Appendix 1.) The remainder of the 2014/15 RCCO is needed to fund Decent Homes capital commitments in 2014/15.

10. ADOPTION OF HOUSING GENERAL FUND CAPITAL ESTIMATES

Disabled Facilities Grants

- 10.1 Mayoral approval is sought to formally adopt a capital estimate of £995,000 for the inclusion of the Private Sector Disabled Facilities Grant (DFG) programme within the General Fund element of the housing capital programme. The Council has recently been advised that its allocation of Department of Communities and Local Government (DCLG) DFG funding for 2014/15 is £744,462. The remaining funding is subject to confirmation from the Department of Health, and subsequent Cabinet approval as part of the

Education, Social Care and Wellbeing Capital Programme report to be considered later in the year.

Private Sector Renewal Grant

- 10.2 Mayoral approval is sought to formally adopt a capital estimate of £550,000 for the inclusion of the Private Sector Renewal Grant programme within the General Fund element of the housing capital programme. These resources will support the aims and objectives of the Council's Private Sector Housing and Empty Properties Framework, including Home Repairs Grants for minor aids and adaptations, energy efficiency, minor repairs, home security, hazard removal and relocation assistance; Empty Property Grants and Discretionary Disabled Facilities Grants. The scheme will be financed from residual ring-fenced resources received from the East London Renewal Partnership.

11. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 11.1 This report sets out the proposed budget for the Housing Revenue Account for 2014/15 and also asks Members to approve the draft management fee payable to Tower Hamlets Homes to manage the dwelling stock on behalf of the Authority.
- 11.2 The budgets have been prepared by the Authority in conjunction with Tower Hamlets Homes, in accordance with the terms of the management agreement. Section 7 of the report outlines the efficiency and other savings that have been incorporated across delegated budgets, and within the management fee.
- 11.3 The Council is required to maintain a reasonable level of reserves in the HRA to mitigate possible financial risks. Since April 2012 the Authority has been responsible for the financing of all HRA expenditure, including the capital works necessary to maintain and improve the housing stock, including completion of the Decent Homes programme. All future capital work will be funded through a combination of, primarily, borrowing (within the constraints of HRA Business plan viability and the HRA's debt cap), contributions from reserves, leaseholder contributions and grants.
- 11.4 Although the 2014/15 budget incorporates significant savings, it is essential that the process is continued in conjunction with Tower Hamlets Homes, to identify and generate further efficiencies and savings within this and future years' budgets, to ensure that the Council complies with its statutory requirement to maintain a balanced Housing Revenue Account, and that the capital investment programme is fully financed.
- 11.5 This report outlines the indicative HRA Housing Investment Programme for 2014/15 to 2016/17 (Appendix 3). The programme will be financed through available resources identified within the Authority's HRA 30 Year Financial Model. The capital estimates for the main elements of the Decent Homes programme are already in place, with this report seeking the adoption of capital estimates for Prioritised Investment Programme schemes, as detailed

in paragraphs 9.4 to 9.13. The schemes are anticipated to fully spend by the end of 2014/15, however, any slippage arising will be a first call against the Council's housing capital resources for later financial years.

- 11.6 This report also seeks a capital estimate for the Extensions Programme, which is partly funded through the Mayor of London's Housing Covenant – Building the Pipeline scheme.
- 11.7 The Authority was allocated £1,020,000 of funding towards the total scheme costs of £3,610,000, leaving a residual cost of £2,590,000 to be funded from the Council's own resources as shown in Table 5 at paragraph 9.17. This Council contribution will be funded from a Revenue Contribution to Capital (RCCO) as detailed in paragraph 9.18.
- 11.8 In order to receive the grant income it is essential that the GLA grant conditions are met, including the specific delivery deadlines. It should be noted that the scheme costs that were incorporated in the GLA bid were compiled in conjunction with external advisors. The projects will be subject to a tendering process and it should be noted that the Council will be liable for any additional costs if the contract values returned are higher than were anticipated in the bid.
- 11.9 The GLA grant is payable on completion and delivery of the full projects. The Council will therefore need to forward fund the costs until the grant can be claimed at the end of the scheme.
- 11.10 The indicative capital programme proposed in this report will be undertaken over the same time period as the currently ongoing substantial Decent Homes programme. In a capital programme of this size over a long period, there will inevitably be changes to the scope and timing of some schemes as they are worked up and detailed consultation takes place. It is therefore important that sufficient flexibility exists within the programme to ensure that schemes can be managed in line with available resources, and to ensure that, in particular, the Authority maximises its external year-specific financing, e.g. Decent Homes backlog funding.
- 11.11 The capital programme will continue to be managed robustly in line with resources available, with commitments only being entered into if they remain affordable within the HRA 30 Year Financial Model.
- 11.12 It should be noted that a significant element of the costs of the capital programme will be chargeable to leaseholders, and although the Authority will be required to finance the works initially, it is vital that all costs are appropriately recharged in accordance with the terms of the lease.
- 11.13 The report seeks the formal adoption of a capital estimate of £995,000 to fund the Authority's Disabled Facilities Grant regime. As outlined in paragraph 10.1, the resources to fund this programme are assumed to consist of the anticipated DCLG grant funding of £744,462, plus £250,000 from within the Department of Health Personal Social Services capital grant. Confirmation of

this funding is awaited, and if the external funding is not at the level anticipated, the programme will have to be adjusted in line with the specific resources allocated.

- 11.14 The report also seeks the formal adoption of a capital estimate of £550,000 to fund the Private Sector Improvement Grants. As outlined in paragraph 10.2, this programme is fully funded from ring-fenced resources received from the East London Renewal Partnership.

12. LEGAL COMMENTS

- 12.1 The report proposes that the Mayor approves the HRA budget for 2014/15. The Council is subject to an obligation under Part VI of the Local Government and Housing Act 1989 to maintain a housing revenue account (HRA). The Council is required to prepare proposals in January and February each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be based on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.
- 12.2 The Mayor is asked to agree the management fee for Tower Hamlets Homes Ltd ("THH"). Schedule 6 of the management agreement with THH provides the method for calculation of the management fee. The report proposes that the management fee reflect specified savings and it is understood that the proposed management fee is put forward as an amount that it would be reasonable for the Council to pay for the services provided by THH.
- 12.3 The report seeks approval for capital estimates in relation to a variety of schemes. In compliance with section 151 of the Local Government Act 1972, the Council has in place Financial Regulations and Financial Procedures. The Financial Regulations set a threshold of £250,000, above for which Cabinet approval is required for a capital estimate. The Financial Procedures supplement this requirement. The various capital schemes must be capable of being carried out within the Council's statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works meet this requirement. In particular the maintenance and repair of dwellings may be considered consistent with the Council's repairing obligation under section 11 of the Landlord and Tenant Act 1985.
- 12.4 The Council administers the disabled facilities grant scheme under Part 1 of the Housing Grants, Construction and Regeneration Act 1996. The Secretary of State makes a contribution to the expenditure incurred, but there is no barrier to a further allocation being made by the Council if the cost of the scheme exceeds the government contribution. The Council has obligations to provide aids and adaptations under a variety of legislation.

- 12.5 It will be for officers to ensure that individual commitments are carried out in accordance with legal requirements. The terms of specific grant funding must be complied with, as must the terms of any section 106 agreement under which funding is to be made available. Any procurement associated with works or projects must be carried out in accordance with the Council's procurement procedures and the requirements of the Public Contract Regulations 2006. If the costs of works are to be recharged to leaseholders must comply with the statutory consultation requirements.
- 12.6 Before agreeing any of the report's recommendations, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. Information relevant to these considerations is contained in section 16 of the report.

13. ONE TOWER HAMLETS CONSIDERATIONS

- 13.1 The Council is required to agree a balanced housing revenue account, which means striking a balance between maximising resources available to the Council for social housing purposes and avoiding undue additional hardship to vulnerable tenants. In conjunction with Officers from Tower Hamlets Homes, an Equalities Impact Assessment has been undertaken in relation to the proposed rent increases. The analysis was provided to the Mayor in Cabinet in January 2014 and is appended to this report for further consideration. The analysis of THH tenants has provided a detailed understanding of the most vulnerable tenants, and the action plan set out in the Equalities Impact Assessment has identified a number of mitigating actions which, once implemented, would ensure that the most vulnerable tenants are supported. Actions include enhancing the provision of advice and guidance for the most vulnerable tenants, ensuring that there is continuous analysis of the impacts on tenants, particularly the non-housing benefit claimants as well as continuous analysis and assessment of the Welfare Reforms once the proposals are implemented in earnest post 2013. The Action Plan will be continuously monitored to ensure that these actions are being progressed.
- 13.2 The savings expected from Tower Hamlets Homes, which are reflected in the proposed management fee, and the reduction in leasehold service charges will have to be implemented by Tower Hamlets Homes in a manner consistent with the Equality Act 2010. Some equality analysis has already been carried out by Tower Hamlets Homes as part of the implementation process.

14. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 14.1 There are no specific implications arising from the recommendations in this report.

15. RISK MANAGEMENT IMPLICATIONS

- 15.1 Since the introduction of Self-Financing, Tower Hamlets is responsible for running its HRA as a viable business, using HRA income in order to fund all HRA expenditure, including the capital works necessary to maintain and improve the housing stock, and the Decent Homes programme.
- 15.2 Various areas of risk and uncertainty are highlighted in section 8. Over the next few months, it will be essential to review and update the HRA medium-term financial strategy to reflect economic conditions and policy changes.

16. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 16.1 There are no significant implications arising from these specific recommendations.

17. EFFICIENCY STATEMENT

- 17.1 Efficiency savings have been incorporated into the draft budget in order to ensure that the HRA remains in balance. Projects will be undertaken in partnership with Tower Hamlets Homes to identify further ongoing efficiency savings to ensure that the HRA remains sustainable in the longer term.

Linked Reports, Appendices and Background Documents

Linked Report

- None

Appendices

- Appendix 1 – HRA Draft Budget 2014/15
- Appendix 2 – HRA Medium Term Financial Plan projections 2014-2017
- Appendix 3 – Indicative HRA Capital Programme – 2014/15 to 2016/17
- Appendix 4 – Equality Impact Assessment - Rent Review 2014/15

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- None

Officer contact details for documents:

- n/a

Originating Officers and Contact Details

Name	Title	Contact for information
Katherine Ball	Senior Accountant (HRA)	020 7364 0997

HOUSING REVENUE ACCOUNT

DRAFT BUDGET 2014/15

Housing Revenue Account	2013/14	2013/14	2014/15
	Budget	Projected Outturn	Draft Budget
	£'000	£'000	£'000
INCOME			
Dwelling Rents	(65,300)	(65,950)	(69,000)
Non-dwelling Rents	(3,653)	(3,433)	(3,438)
Tenant Charges for Services & Facilities	(6,749)	(6,895)	(6,591)
Leaseholder Charges for Services & Facilities	(10,500)	(10,501)	(11,310)
Contributions towards expenditure	(115)	(115)	(115)
HRA Subsidy Receivable	-	-	-
GROSS INCOME	(86,317)	(86,894)	(90,453)
EXPENDITURE			
Repair & Maintenance	21,795	21,930	22,388
Supervision & Management	23,458	22,910	22,003
Special Services	13,023	12,753	12,701
Rents, Rates, Taxes and other charges	3,049	3,269	3,044
Provision for Bad Debts	1,900	1,900	1,400
Interest Payable - Item 8	3,105	3,121	3,597
Depreciation - HRA Dwellings	14,086	14,085	14,045
Depreciation - Non Dwellings	1,552	1,552	1,552
Debt Management Costs	76	76	78
GROSS EXPENDITURE	82,044	81,597	80,807
NET COST OF HRA SERVICES	(4,272)	(5,297)	(9,646)
Amortisation of Premiums & Discounts	(78)	(78)	(78)
Interest & Investment Income	(160)	(158)	(168)
(SURPLUS)/ DEFICIT ON HRA	(4,510)	(5,533)	(9,982)
Appropriations			
Revenue Contribution to Capital Expenditure	6,062	4,962	9,892
NET POSITION	1,552	(571)	-
Contribution from Major Repairs Reserve	(1,552)	-	-
NET POSITION AFTER RESERVE DRAWDOWN	-	(571)	-
Balances			
Opening balance	(15,003)	(16,234)	(16,805)
Net (Surplus)/ Deficit on HRA	-	(571)	-
Closing balance	(15,003)	(16,805)	(16,805)

MEDIUM-TERM FINANCIAL PLAN 2014/15 – 2016/17

INDICATIVE HRA BUDGETS

Housing Revenue Account	2014/15	2015/16	2016/17
	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000
INCOME			
Dwelling & non dwelling rents	(72,438)	(72,996)	(74,683)
Tenant & Leaseholder service charges	(17,901)	(17,787)	(17,685)
Investment Income received	(168)	(184)	(210)
General Fund contributions	(115)	(115)	(115)
GROSS INCOME	(90,621)	(91,082)	(92,693)
EXPENDITURE			
Repairs & Maintenance	22,388	22,961	23,568
Supervision & Management	22,003	20,477	20,316
Special Services, Rents rates & taxes	15,745	16,267	16,809
Increased provision for bad debts	1,400	900	900
Capital Financing charges	19,193	19,828	21,261
GROSS EXPENDITURE	80,729	80,434	82,853
NET COST OF HRA SERVICES	(9,892)	(10,649)	(9,840)
Appropriations			
Revenue Contribution to Capital Outlay (RCCO)	9,892	10,649	9,840
NET POSITION	-	-	-
Balances			
Opening balance (Surplus)/ Deficit on HRA	(16,805)	(16,805)	(16,805)
Closing balance	(16,805)	(16,805)	(16,805)

**INDICATIVE HRA CAPITAL PROGRAMME
2014/15 – 2016/17**

	2014-15 £m	2015-16 £m	2016-17 £m	Total £m
<u>Anticipated Expenditure</u>				
<u>Capital Estimates already in place:</u>				
Decent Homes Backlog Programme	70.47	22.99	-	93.46
Malmesbury Estate Decent Homes Programme	3.55	-	-	3.55
GLA Pipeline Programme - Bradwell Street	2.21	-	-	2.21
Dame Colet House / Poplar Baths (HRA Element)	-	16.00	-	16.00
	76.23	38.99	-	115.22
<u>Capital Estimates sought in this report</u>				
Prioritised Investment Programme	14.35			
GLA Pipeline Programme - Extensions	3.61			3.61
	17.96	-	-	17.96
<u>Schemes under Development:</u>				
Non Decent Homes Schemes	1.58	15.00	15.00	31.58
Watts Grove	-	22.00	-	22.00
GLA Pipeline Programme - Ashington House	10.63	-	-	10.63
Indicative Provision to fund New Housing Supply	3.00	-	-	3.00
Indicative HRA Capital Programme	109.40	75.99	15.00	200.39
<u>Summarised Assumed Financing</u>				
Decent Homes Grant Backlog Funding	46.00	-	-	46.00
Major Repairs Reserve	15.93	15.00	15.00	45.93
GLA Pipeline Grant	2.97	-	-	2.97
Net Use of HRA and other Balances / Unsupported Borrowing	41.50	22.99	-	64.49
Capital Receipts	3.00	-	-	3.00
Credit Approvals	-	38.00	-	38.00
	109.40	75.99	15.00	200.39

Equality Analysis (EA)

Section 1 – General Information

Name of the proposal including aims, objectives and purpose:

2014/15 Rent Review

An average weekly increase of £5.04 in Council rents is being proposed from 1st April 2014. In the current economic environment any rent increase can be considered to have an adverse effect on social tenants, however, the proposed amount is in line with the government's policy that all social landlords (local authorities and housing associations) should offer similar rents for similar properties, whilst maintaining substantial discounts to market rents.

The proposed rent increase is at a level that will sustain the Council's obligations under the HRA (Housing Revenue Account) self-financing regulations and meets the requirements of current rent policy.

Under HRA Self-Financing, the Council is responsible for financing all council housing expenditure from its HRA income streams. The proposed rent increase is needed to fund the expenditure necessary to manage, maintain and improve the Council's housing stock, including the capital investment programme that will bring the Council's stock up to the Decent Homes standard and maintain that standard over a 30-year period.

Even with the proposed increase, the social rents charged by the Council for its housing stock will still be the lowest in Tower Hamlets.

The rent increase is required in order to adhere to the assumptions contained within the Self-Financing Final Determination, published in February 2012. This valued Tower Hamlets' HRA business over 30 years, and assumed that the Authority would continue with rent restructuring with the aim of achieving rent convergence in 2015/16. The government is currently consulting on changes to future social rent policy, and is proposing to end rent convergence a year early in 2014/15 and link future rent increases to CPI (consumer price index) rather than RPI (retail price index); any changes will take effect from April 2015.

We estimate that the proposal to end rent convergence a year early in 2014/15 will cause a shortfall in our rental income of approximately £18m (including inflation) over the 10 years of the policy, therefore it is important that we continue to follow current rent policy so as to maximise our rental income base prior to any changes to rent policy being introduced. As rent is the major component of HRA income, a lower increase would also be problematic as regards the self-financing settlement as this assumed rent income at the government set guideline level, and any shortfall is embedded in the calculation of the debt settlement. This would mean a higher level of debt to be financed with a lower level of rental income in future years.

This would also require an equivalent level of savings in order to ensure that the HRA remains in balance, as legally it must do. This could mean reductions to the provision of HRA services and/or to the capital investment programme. This could severely impact on our ability to achieve decent homes as well as services supporting vulnerable residents.

Notes:

Under **HRA Self Financing**, there has been a substantial change in the way in which Tower Hamlets' HRA is financed. The annual HRA subsidy system has been abolished, and the Council now retains all

HRA income but is responsible for financing all HRA expenditure. Therefore, implementation of a 2014/15 rent increase consistent with that assumed in the Self-Financing Draft Determination is crucial in contributing to the long-term viability of the HRA.

Rent Convergence Under the original proposals announced in 2000, similar properties would be charged similar rents by 2012 (the date was subsequently moved to 2015), regardless of whether the property was owned by the local authority or a social housing provider; this is known as rent convergence. Under the HRA Subsidy system each year, the Department of Communities and Local Government issued a “guideline” rent level to which councils should move their present rents in order to help them reach rent convergence in 2015/16. The HRA Self-Financing Final Settlement assumed that Authorities would continue with rent restructuring, and then implement rent increases of RPI (retail price index) + 0.5% each year after that.

The formula for calculating rent increases in order to follow rent restructuring for local authorities is RPI + 0.5% plus £2 per week. The reference point for RPI is the September in the year preceding the start of the financial year to 31 March – for the 2014/15 rent increase, the applicable RPI figure is 3.2%.

The government is currently consulting on changes to future social rent policy, and is proposing to end rent convergence one year earlier than previously anticipated - in 2014/15 rather than in 2015/16 - and link future rent increases to CPI (consumer price index) rather than RPI.

Who is expected to benefit from the proposal?

The rent increase will directly benefit all tenants in properties to which the rent increase is applied. (i.e. council tenants), as all rental income is used to fund housing management services and the Housing Capital Programme. The Housing Capital Programme is the means by which the housing stock is bought up to, and maintained at a Decent Homes standard.

The rental income is “ring-fenced” to the Housing Revenue Account, ensuring that it is used for no other purpose.

Is this a policy or function?	Policy <input type="checkbox"/>	Function <input type="checkbox"/>
Is this a new or existing policy or function?	New <input type="checkbox"/>	Existing <input type="checkbox"/>
Is the policy or function strategic, developmental or operational/functional?		
Strategic <input type="checkbox"/>	Developmental <input type="checkbox"/>	Operational/Functional <input type="checkbox"/>

Date when the original policy/function was initiated: Council housing, for which tenants paid a lower market rent, was developed as early as 1919 when council homes were built to meet general needs.

Date on which the policy/function is to be reviewed: Rent levels are reviewed on an annual basis. The last rent review was approved by Cabinet in February 2013.

Names and roles of the people carrying out the Equality Analysis:

Dyana Browne – Directorate Equalities Lead
 Katherine Ball – Senior Accountant
 Aman Berhanu – Resources and Business Support Analyst, Tower Hamlets Homes
 Beverley Greenidge – Head of Rents, Tower Hamlets Homes
 James Caspell – Customer Insight Officer, Diversity, Tower Hamlets Homes

Section 2 – Evidence

Key Findings

From the perspective of the tenant, the rent increase will be viewed as having an adverse impact. The Equalities Assessment is undertaken from this perspective and has been assessed as not having a disproportion adverse effect on any specific group.

An average weekly rent increase of £5.04 in Council rents is being proposed from 1st April 2014.

Increases for 2014/15 have been calculated in accordance with the rent restructuring formula as per government guidelines aiming for target rent convergence by 2015/16. The formula rent is based on September 2013 RPI of 3.2% + 0.5%

This will make the average weekly rent in the borough £108.60.

The actual amount of increase as a proportion on current rent will vary across property sizes. Smaller properties tend to have a greater rent increase than larger units e.g. (studio and one bed units). (See Annex A: Table 10 – Average Increase per dwelling - by bedsize).

The rent increase is applied to all Council dwellings. The increase is applied to the property in that it has no bearing on the profile of the tenants, age, race gender etc. The rent increase does not target or disproportionately affect any group of people based any of the protected characteristics

Whilst the rent increase does not target any specific group, the increase will have more of an impact on households on lower incomes.

There are 12,455 LBTH dwellings, managed by Tower Hamlets Homes (ALMO). The profile of Council tenants is set out in Annex A: to this document.

In 2013 the median gross income of Tower Hamlets residents was £30,850. (Source: Median household income CACI Paycheck data).

Tenants on low income are able to obtain Housing Benefit to assist with rent payments. 70% of tenants are on Housing Benefit: 34% are on Full HB and 36% are on partial HB.

Recent welfare reforms mean that benefits will be capped. The benefit cap was implemented from April 2013 in four local authorities in London, with the remaining local authorities implemented the cap from the 15 July 2013.

Prior to its implementation, it was estimated that this would affect 106 (approximately 1%) of tenants. As at October 2013 the actual number of households affected was 52 (0.4% of Council tenants).

LBTH Housing Benefit records indicate that 700 households are affected across the borough by the benefits caps. Only a small percentage of those are LBTH tenants.

Tenants aged over 65 who are reliant on state benefit can expect a pension increase in April 2014 of approx. 2.7%.

Evidence Base

The following evidence was considered to help us to think about the impacts or likely impacts on service users.

Tenant Profiles

- Tenant profile by Ethnicity
- Tenant profile by Gender
- Tenant profile by Age
- Tenant profile by Disability
- Tenant profile by Religion & Belief
- Tenant profile by Sexual Orientation
- Tenant profile by Gender Re-assignment
- Tenant profile by Marriage/Civil Partnership
- Pregnancy & Maternity

Rent Analysis

- Average Increase per dwelling - by bedsize (14/15)
- Social Rent Cap Levels (Registered Social Landlords)
- Comparison of Average Rent & Social Rent Cap Levels 2013/14
- HB/ Welfare Reform figures as of 2013
- Rent Charge Comparison (2014-15)
- Average actual rent /average rent charge (14/15)

Housing Benefit Analysis

- Nos. & % Tenants claiming Housing Benefit
- Tenants on Full Housing Benefit
- Partial Housing Benefit.
- Tenant on HB aged 65+

Property & Tenant Profile Analysis

- Stock Profile by bedsize
- Gender & Property Bed Size
- Age & Property Bed Size

Community and Population Data (Tower Hamlets, 2011 Census)

- Population by ethnic group
- Population by Religion
- Gender Proportions

**Section 3 – Consideration of data and research
Identifying Differential / Adverse Impacts**

Target Groups What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	Impact – Positive or Adverse	Reason(s) <ul style="list-style-type: none"> • Please add a narrative to justify your claims around impacts and, • Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making • Can the negative impact be justified on the grounds of promoting equality?
Race	A	The rent increase does not have a disproportionately adverse effect on tenants on the grounds of race. People of Asian Origin make up the largest percentage of tenants at 39%, people of white ethnicity making up the second largest group at 21% and White British & Irish people make up 19.36% of tenants. This is reflective of the general make-up of the wider Tower Hamlets population, which comprises of Bangladeshi as the largest group at 32% and White British as the second largest ethnic group at 31%. Whilst all households are affected. Those in smaller properties 0-1 bed sized properties are likely to face a slightly larger increase. Families of Bangladeshi descent tend to occupy larger family sized accommodation where the percentage increase in likely to be lower than for studios & one bedroom properties.
Disability	A	The rent increase does not have a disproportionately adverse effect tenants on the ground of disability. Records indicate that approximately 17.65% of residents have a disability. Whilst the rent is

Target Groups What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	Impact – Positive or Adverse	Reason(s) <ul style="list-style-type: none"> • Please add a narrative to justify your claims around impacts and, • Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making • Can the negative impact be justified on the grounds of promoting equality?
		calculated on the property properties, no additional charges are levied to take account of and disabled adaptations. This is indicated by the fact that if an abled bodied person was to occupy the flat, the rent charge would be the same.
Gender Page 51	A	<p>The rent increase does not have a disproportionately adverse effect on tenants on the ground of gender.</p> <p>Females make up 54.9% of tenancy holders. Gender is not a consideration in the way the rent increase is applied. Whilst women comprise the greater proportion of those impacted by the rent increase this is because women make up more than half of the tenancy holders,</p> <p>It is noted that the rent increase is proportionately larger for occupants of bedsit and one bedroom properties. These tend to be occupied by young males. The proportion of male:females occupying bedsits is 69.96% male: 30.04% female</p> <p>It is noted that the male:female ratio of tenancy holders is the reverse of the wider population, in that the population of Tower Hamlets is 51.5 % men and 48.5 % women - a gender ratio of 106 male residents per 100 female residents. (Census 2011).</p>
Gender Reassignment	A	<p>The rent increase does not have a disproportionately adverse effect on tenants based on gender re-assignment.</p> <p>The collection of data in continually improving in this area, however a large percentage of tenants</p>

Target Groups What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	Impact – Positive or Adverse	Reason(s) <ul style="list-style-type: none"> • Please add a narrative to justify your claims around impacts and, • Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making • Can the negative impact be justified on the grounds of promoting equality?
Page 52		still prefer not to provide this information. Of the data collected 0.9% have declared a re-assignment of gender. On the basis that the increased rent charge applied to the property, not the occupant, i.e. it applies to the tenant regardless of gender; the increase is not considered to have a disproportionately disadvantage effect on the ground of gender re-assignment.
Sexual Orientation	A	The rent increase does not have a disproportionately adverse effect on tenants of a specific sexual orientation. 52.61% of tenants indicate a sexual orientation of heterosexual; with a large percentage (29.24%) preferring not to say, however, sexual orientation has bearing of the application of the rent increase.
Religion or Belief	A	The rent increase does not have a disproportionately adverse effect on tenants based on their Religion or Belief. The 2011 Census revealed that 35% of LBTH citizens are of the Muslim faith, with the second largest faith in LBTH as Christian (27%). The tenant profile information confirms this trend is similar although the percentages differ, with 46.90% of tenants of a Muslim faith and 15.17% of Christian faith. The faith of approx. 37% of tenants is unknown as a number chose not to disclose this information.
Age	A	The rent increase does not disproportionately disadvantage tenants based on their age.

Target Groups What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	Impact – Positive or Adverse	Reason(s) <ul style="list-style-type: none"> • Please add a narrative to justify your claims around impacts and, • Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making • Can the negative impact be justified on the grounds of promoting equality?
Page 53		<p>The profile of our tenants shows that the largest proportions of tenants are in the following age bands: over 65 = 22.55%, between 30-39 = 22.51% , between 40-49 = 21.13%.</p> <p>Older people who rely on state pensions are not expected to be more disadvantaged than those in work or on other benefits as it is estimated that (under the terms of the Triple Guarantee) the basic state pension is likely to increase by 2.7% . This compares favourable when considered alongside the ONS data (December 2013) that reported “The median weekly income for full-time employee shows a rise of 2.2%”.</p>
Socio-economic	A	<p>Social Housing is generally the preferred option for people on lower incomes. This is reflected in the fact that approx. 70% of tenants are in receipt of some Housing Benefit.</p> <p>The Benefits Cap is now being applied and those tenants who will be affected have already been identified and are being supported to explore a suitable options.</p> <p>Research shows that Somali tenants in receipt of housing benefit are 10 times more likely to be impacted by the Housing Benefit cap than other groups. Work to support this group is already underway.</p> <p>Since 2010 rent arrears by this group has fallen by 6% demonstrating that the support to assist this group in meeting their rent payment is effective. This work will continue alongside other mainstream support.</p>

Target Groups What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	Impact – Positive or Adverse	Reason(s) <ul style="list-style-type: none"> • Please add a narrative to justify your claims around impacts and, • Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making • Can the negative impact be justified on the grounds of promoting equality?
Marriage and Civil Partnerships.	A	The rent increase does not have a disproportionately adverse effect on those tenants in a marriage or civil partnership.
Pregnancy and Maternity	A	The rent increase does not have a disproportionately adverse on tenants with regards to pregnancy or maternity status. The application of the rent increase cannot be affected by the tenant's situation regarding pregnancy or maternity responsibilities.

Section 4 – Conclusions and Recommendations

From the analysis and interpretation of evidence in Section 2 and 3 – Is there any evidence of or view that suggests that different equality or other target groups have a disproportionately high/low take up of the service/function?

Yes? No?

Section 5 – Action Plan and Monitoring Systems

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
Inform all tenants of Rent increase in February.	Mandatory notice February		THH Rent Teams	
Inform tenants in March what they need to pay taking into account their new housing benefit entitlement from April	Work with Housing Benefit to identify new awards. Have all letters checked and ready to be posted prior to the increase to ensure tenants know what to pay from April.		THH Rent Teams	
Provide tenants with explanation of the rent increase with the offer of support.	Design and prepare insert to be sent out with the mandatory notice in February and with the notice in March. Leaflet to offer support where tenants feel they will struggle with the increase.		THH Rent Teams	
Provide adequate staffing levels when notices are sent out in order to deal increased contact generated.	Create customized rota and reduce annual leave for the selected period to ensure adequate staffing levels.		THH Rent Teams	
Inform front line staff from other departments of the increases in order to manage enquiries.	Provide front line Staff with FAQ's in order to respond to queries and sign post tenants to the relevant department.		THH Rent Teams	

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
Identify new impacted cases early as possible to provide advice to tenants on benefits on potential on entitlements	Work with Housing Benefit to identify cases as and when they are impacted and not when they fall into arrears. Hold 'Welfare Reform surgeries' 3 times a week. Book appointments with tenants		THH Rent Teams	
Revisit and monitor all cases affected by BC and BT, provide help, support and advice	<ul style="list-style-type: none"> - Assess if any exemption apply. - Help tenants register to downsize. - Help tenants to apply for DHP where. Applicable. - Make referrals to partner advice agencies for budgeting, income maximisation and debt advice. 		THH Rent Teams	

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Have monitoring systems been put in place to check the implementation of the policy/function and recommendations?

Yes? No?

How will the monitoring systems further assess the impact on the equality target groups?

The above activities will be reviewed alongside measures that are in place to monitor the effectiveness of the rents pilot and impact on target groups.

Name: (signed off by)	
Position:	
Date signed off: (approved)	

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Section 7 Appendix – FOR OFFICE USE ONLY

Policy Hyperlink :

Equality Strand	Evidence
Race	
Disability	
Gender	
Sexual Orientation	
Religion and Belief	
Age	
Socio-Economic	
Other	

Link to original EQIA	Link to original EQIA
EQIAID (Team/Service/Year)	

Annex A - Tenant Profile by Protected Characteristics

Table 1 - Tenant profile by Ethnicity

Ethnicity	% of Tenants
Any Other Ethnic Group	0.56%
Asian Or Asian British:Bangladeshi	42.96%
Asian Or Asian British:Chinese	0.61%
Asian Or Asian British:Indian	0.63%
Asian Or Asian British:Other Asian	1.25%
Asian Or Asian British:Pakistani	0.45%
Asian Or Asian British:Unknown	2.70%
Asian Or Asian British:Vietnamese	0.66%
Black Or Black British:African	2.07%
Black Or Black British:Caribbean	2.64%
Black Or Black British:Other African	0.45%
Black Or Black British:Other Black	1.28%
Black Or Black British:Somali	2.84%
Black Or Black British:Unknown	0.17%
Dual:Asian & White	0.13%
Dual:Asian and Black	0.00%
Dual:Black African & White	0.50%
Dual:Black Caribbean & White	0.24%
Dual:Other	0.28%
Dual:Unknown	0.04%
Prefer Not to Say	8.58%
Unknown	1.05%
White: Any Other White Background	4.24%
White:British	20.86%
White:Irish	1.50%
White:Other White	0.17%
White:Unknown	3.14%
Total	100.00%

Table 2 - Tenant profile by Gender

Gender	% of Residents	% of Tenants
Female	49.92%	54.90%
Male	49.05%	44.96%
Unknown	1.02%	0.13%
Total	100.00%	100.00%

Table 3 - Tenant profile by Age

Age Group	% of Tenants
Under 16	0.30%
16-19	0.16%
20 -29	9.08%
30-39	22.51%
40-49	21.13%
50-59	16.76%
60-69	11.60%
70+	17.28%
Prefer Not to Say	0.69%
Unknown	0.49%
Total	100.00%
*Over 65	22.55%

Table 4 - Tenant profile by Disability

Disability	% of Residents	% of Tenants
No Disability	79.74%	77.46%
Unknown	8.62%	4.89%
Disabled	11.64%	17.65%
Total	100.00%	100.00%

Table 5 - Tenant profile by Religion & Belief

Religion & Belief	% of Residents	% of Tenants
Buddhist	0.26%	0.35%
Christian	12.75%	15.17%
Hindu	0.34%	0.16%
Jewish	0.53%	0.48%
Muslim	41.55%	46.49%
No Religion	6.50%	5.89%
Other	0.30%	0.30%
Prefer Not to Say	24.47%	18.75%
Sikh	0.12%	0.13%
Unknown	13.17%	12.28%
Total	100.00%	100.00%

Table 6 - Tenant profile by Sexual Orientation

Sexual Orientation	% of Tenants
Bisexual	0.31%
Gay	0.32%
Heterosexual	52.61%
Lesbian	0.07%
Other	0.03%
Prefer Not to Say	29.24%
Unknown	17.43%
Total	100.00%

Table 7 - Tenant profile by Gender Re-assignment

Gender Reassignment	% of Tenants
Gender Reassigned	0.09%
Prefer Not to Say	12.56%
Unknown	69.17%
Gender Identity Same as that at Birth	18.19%
Total	100.00%

Table 8 - Tenant profile by Marriage /Civil Partnership

Marriage & Civil Partnership	% of Tenants
Co-Habiting	0.08%
Divorced	0.13%
Married	21.93%
Prefer Not to Say	0.15%
Same-Sex Registered Civil Partnership	0.01%
Separated Marriage/Civil Partnership	0.27%
Single	1.44%
Unknown	75.74%
Widowed	0.24%
Total	100.00%

Table 9 – Maternity & Pregnancy

Pregnancy & Maternity	% of Tenants
Baby Expected	0.21%
Unknown	99.79%
Total	100.00%

Annex B – Rent Analysis

Table 10 - Average Increase per dwelling - by bedroom size 2014/15

Bedsize	Average of Actual Rent 13/14	Average of RENT CHARGE 14/15	Average of % Increase 14/15	Average of £ Increase 14/15
0	£79.11	£83.36	5.37%	£4.25
1	£92.08	£96.76	5.08%	£4.68
2	£104.37	£109.36	4.78%	£4.99
3	£117.23	£122.79	4.75%	£5.56
4	£131.63	£137.77	4.66%	£6.13
5	£146.03	£152.90	4.70%	£6.87
6	£149.49	£156.48	4.68%	£6.99
7	£156.15	£162.83	4.27%	£6.68
8	£184.44	£189.13	2.54%	£4.69

Table 11 - Social Rent Cap Levels (Registered Social Landlords)

Bedsize	Rent Cap in 2013-14	Rent Cap in 2012-13	Rent Cap in 2011-12	Rent Cap in 2009-10	Rent Cap in 2009-10
	£	£	£	£	£
Bedsit & One Bed	132.16	127.57	119.67	113.32	113.78
2 Bed	139.92	135.06	126.70	119.98	120.46
3 Bed	147.70	142.57	133.74	126.65	127.16
4 Bed	155.47	150.07	140.78	133.31	133.85
5 Bed	163.24	157.57	147.81	139.97	140.53
6 Bed and above	171.01	165.07	154.85	146.64	147.23

Source: HCA Guideline rent limit for private registered providers 2013-14 (Dec 12)

Table 12 - Comparison of Average Rent & Social Rent Cap Levels 2013/14

Bedsize	LBTH Average of Actual Rent 2013/14	Rent Cap in Levels 2013-14
	£	£
0	79.11	132.16
1	92.08	
2	104.37	139.92
3	117.23	147.70
4	131.63	155.47
5	146.03	163.24
6	149.49	171.01
7	156.15	
8	184.44	

Table 13 - HB/ Welfare Reform figures as of 2013

HB/ Welfare Reform figures as of 2013		
Total Number of Tenants	12,035	
	No.	%
Tenants on HB	8,450	70%
Tenants on Full HB	4,131	34%
Partial HB	4,319	36%
Tenant on HB aged 65+	2,317	19%
Benefit Cap (as of October 2013)	52	0.4%

Table 17 - Stock Profile by Bedsize

Bed Size	Social Housing	Council
Beds 0	820	6.6%
Beds 1	3,390	27.1%
Beds 2	5,006	40.1%
Beds 3	2,682	21.5%
Beds 4	503	4.0%
Beds 5	78	0.6%
Beds 6	9	0.1%
Beds 7	4	0.0%
Beds 8	2	0.0%
Total	12,494	100%

Annex D - Community & Population Data

Figure 2 Population by ethnic group, Tower Hamlets, 2011 Census

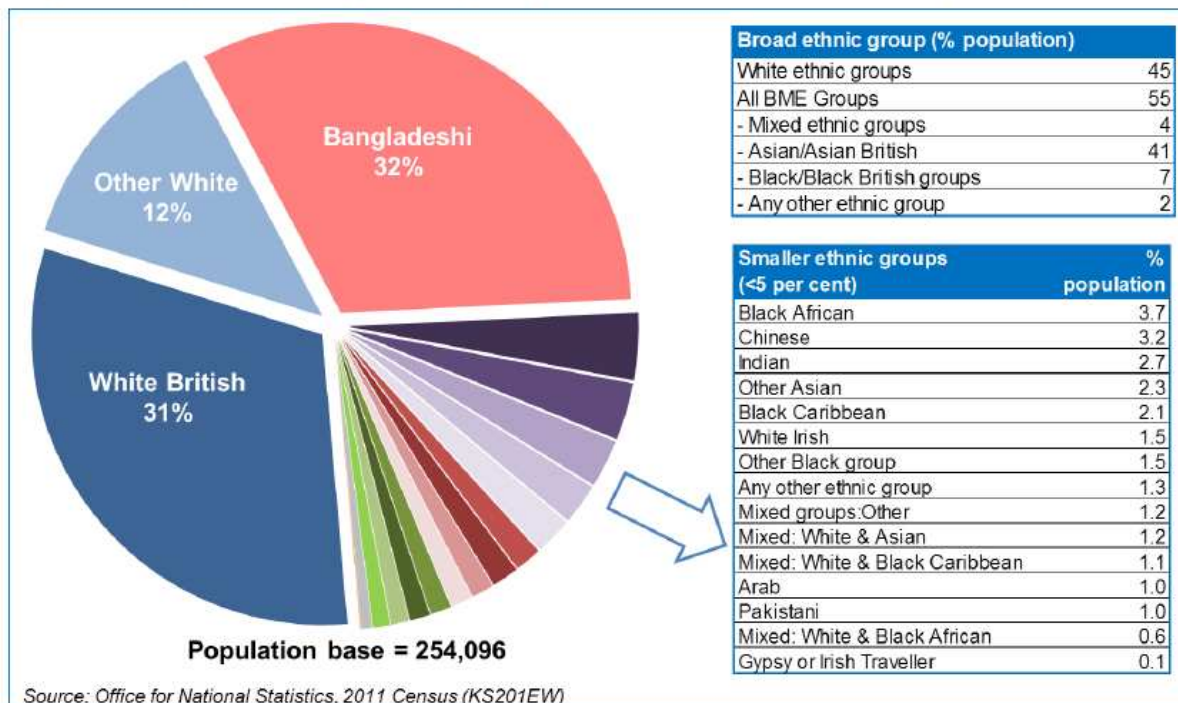


Figure 1 Population by religion, Tower Hamlets, 2011

What is your religion?

This question is voluntary

No religion

Christian (including Church of England, Catholic, Protestant and all other Christian denominations)

Buddhist

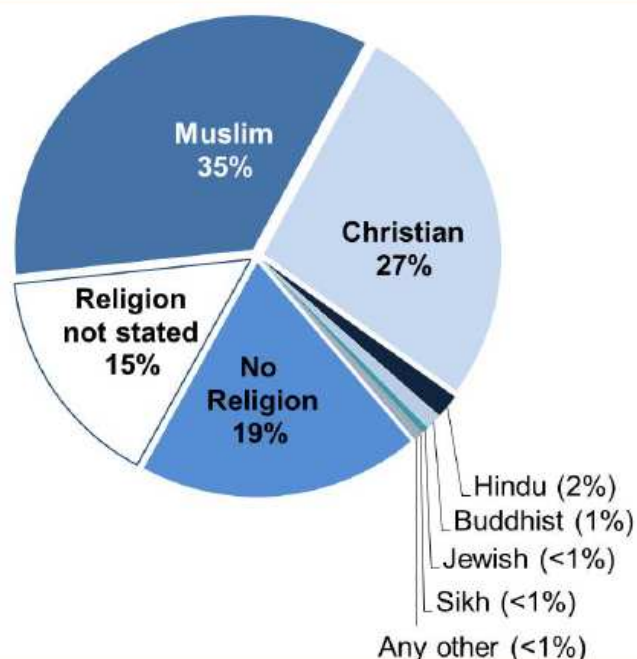
Hindu

Jewish

Muslim


Sikh

Any other religion, write in



Source: Office for National Statistics, Census 2011 (KS209).

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Cabinet 5 February 2014	 TOWER HAMLETS
Report of: Chris Holme, Interim Corporate Director of Resources	Classification: Unrestricted
General Fund Capital and Revenue Budgets, Medium Term Financial Plan 2014-2017 and Strategic Plan 2014-15	

Lead Member	Cllr Alibor Choudhury (Cabinet Member for Resources)
Originating Officer(s)	Chris Holme, Interim Corporate Director of Resources Louise Russell, Service Head, Corporate Strategy and Equality
Wards affected	All
Community Plan Theme	One Tower Hamlets
Key Decision?	Yes

1. SUMMARY

1.1. This report sets out proposals which form part of the draft Medium Term Financial Plan (MTFP) covering the three year period from 2014-2015 to 2016-2017. It includes a revised assessment in each of the next three years of the General Fund, Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and the Capital Programme including:

- the financial resources available to the Council;
- the cost of providing existing services; and,
- the overall level of savings that have been and still need to be identified to give a balanced, sustainable budget over the medium term financial planning period.

A summary of the projected General Fund budget for each of the three years is shown in [Appendix 1](#) with a more detailed service analysis in [Appendix 2](#).

1.2. It also contains outline proposals for the 2014-2015 Strategic Plan which will be delivered within the resources identified for the 2014-2015 budget.

1.3. The latest version of the Council's MTFP was agreed by Cabinet at its meeting in October 2013 and considered the impact of the Spending Round announced by Government in June 2013.

- 1.4. The 2014-2015 local government provisional finance settlement was announced on the 18th December 2013 following the Chancellor's Autumn Statement. The outcome of the settlement is reflected in the report.
- 1.5. Despite recent signs of a more positive economic position, the economic climate remains extremely challenging. Since the Spending Review by the Government in 2010, the Government has made it clear that their austerity programme is likely to continue until, at the least, the end of the decade. The United Kingdom's budget deficit will continue to exist regardless of the political party that is in power which will mean that local government budgets will continue to reduce for the foreseeable future. The Council forecasts that cuts to its grant, increases due to inflation and demographic pressures, over the next three year period from 2014-2015 to 2016-2017 will result in a budget shortfall of £67.176m.
- 1.6. As reported to Cabinet in October 2013, the savings agreed to date represent the largest reduction in spending ever experienced by this authority, some 24% and this has been achieved through a series of efficiencies with the aim of minimising impact on service delivery. The Council has continued to deliver on its priorities despite the achievement of significant savings. The Outline Strategic Plan 2014/15 appended to this report outlines how the council will continue to deliver on key priorities over the coming year.
- 1.7. The Mayor has set the following principles in this Medium Term Financial Plan, which builds on the priorities set in the previous three budgets:
 - Protecting the vulnerable and the services residents rely on
 - Reducing the cost of living for residents
 - Creating growth and regeneration
 - Be a lean, flexible and citizen centred Council
- 1.8. The MTFP, of necessity, includes a number of key planning assumptions which will need to be closely tracked as part of the Council's established financial and performance monitoring process. This will ensure that any significant variances are quickly identified together with appropriate mitigating actions

2. RECOMMENDATIONS

The Mayor in Cabinet is recommended to:

- 2.1. Agree a General Fund Revenue Budget of £292.358m and a Council tax (Band D) at £885.52 for 2014-2015 be referred to Full council for consideration.

2.2. Consider and comment on the following matters -

a. Budget Consultation

The results of the feedback for the budget consultation are being collated but could not be completed prior to publication of this report as the second budget roadshow took place on the 27th January 2014. The results will be presented as an addendum to this report.

b. Funding

The funding available for 2014-2015 and the indications and forecasts for future years set out in Section 8.

c. Base Budget 2014-2015

The Base Budget for 2014-2015 as £295.732m as detailed in Appendix 1.

d. Growth and Inflation

The risks identified from potential inflation and committed growth arising in 2014-2015 and future years and as set out in Section 9 and in Appendix 3.

e. General Fund Revenue Budget and Medium Term Financial Plan 2014-2015 to 2016-2017

The initial budget proposal and Council Tax for 2014-2015 together with the Medium Term Financial Plan set out in Appendix 1 and the budget reductions arising.

f. Savings

Previously agreed savings items to be included in the budget for 2014-2015 and the strategic approach for future savings to be delivered are set out in Section 10, Appendix 4 and paragraph 7.13 of the report.

g. Capital Programme

The capital programme to 2016-2017; including the proposed revisions to the current programme as set out in section 14 and detailed in Appendices 8.1, 8.2 & 8.3.

h. Dedicated Schools Grant

The position with regard to Dedicated Schools Grant as set out in Section 12 and Appendices 6.1 & 6.2.

i. Housing Revenue Account

The position with regard to the Housing Revenue Account as set out in Section 13 and Appendix 7.

j. Financial Risks: Reserves and Contingencies

Advise on strategic budget risks and opportunities as set out in Section 11 and Appendices 5.1, 5.2 and 5.3.

k. Reserves and Balances

The position in relation to reserves as set out in the report and further detailed in Appendices 5.1 and 5.3

l. Mayor's Priorities

An initiative to be included in the budget for 2014-15 is set out in paragraphs 8.29 to 8.36 of this report and a detailed proforma in Appendix 3.

3. REASONS FOR THE DECISIONS

- 3.1. The Council is under an obligation to set a balanced budget for the forthcoming year and to set a Council Tax for the next financial year by 7th March 2014 at the latest. The setting of the budget is a decision reserved for Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with the Overview & Scrutiny Committee following this meeting to allow for due process.
- 3.2. The announcements that have been made about Government funding for the authority require a robust and timely response to enable a balanced budget to be set.
- 3.3. In deciding its budget, the Council needs to have regard to the key priority activities for delivery as set out in the Outline Strategic Plan.

4. ALTERNATIVE OPTIONS

- 4.1. The authority is bound to respond to the budget reductions to Government funding of local authorities and to set an affordable Council Tax and a balanced budget, while meeting its duties to provide local services. This limits the options available to Members. Nevertheless, the authority can determine its priorities in terms of the services it seeks to preserve and protect where possible, and to a limited extent the services it aims to improve further, during the period of budget reductions.

5. BACKGROUND

5.1. The Council's integrated financial and business planning process is the key mechanism for reviewing plans and strategies to ensure priorities are being met and that resources are allocated effectively to underpin their achievement. The process culminates in changes to the budget and medium term financial strategy that delivers a revised Community Plan and Strategic Plan.

5.2. The refresh of the Medium Term Financial Plan (MTFP) presented to Cabinet on 9th October 2013 showed that the budget was balanced for 2014-2015. The report also projected forward a further two years and it indicated that further budget reductions in the region of £71m would be required for the period 2015-2016 to 2016-2017.

5.3. The main body of the report is in eleven Sections:

Strategic Approach (Section 6)

Medium Term Financial Plan & Proposed Budget (Section 7)

Financial Resources (Section 8)

Budget Growth Pressures (Section 9)

Budget Process and Savings Proposals (Section 10)

Risks and Opportunities (Section 11)

Schools Funding (Section 12)

Housing Revenue Account (Section 13)

Capital Programme (Section 14)

Treasury Management Strategy (Section 15)

Consultation (Section 16)

5.4. The key planning assumptions that support the draft MTFP are set out below and in the attached appendices listed in Section 24. Those planning assumptions have taken account of the Autumn Statement announced by the Chancellor of the Exchequer in early December and the subsequent local government provisional finance settlement that was published on the 18th December 2013.

6. STRATEGIC APPROACH

6.1. The Council has a well-embedded approach to strategic and resource planning (SARP). Key priorities are agreed with residents and partners in the Community Plan 2020 and these are reflected in a set of strategic objectives in the Council's three year Strategic Plan, which is annually refreshed.

6.2. The Strategic Plan sets out the Council's approach to delivering the key Community Plan priorities of achieving:

- A Great Place to Live
- A Healthy and Supportive Community
- A Prosperous Community
- A Safe and Cohesive Community; and
- One Tower Hamlets

6.3. Notwithstanding the need to manage within a very challenging financial context, the Council remains focused on delivering these key priorities. Specifically the Mayor has made clear those priorities that he wishes to see reflected in the allocation of Council resources, namely:

- Improving the condition of social housing
- Increasing the supply of affordable social housing (particularly family sized housing)
- Maintaining the provision of services for young people
- Delivering programmes of skills development, employment and enterprise activity
- Maintaining support to vulnerable adults
- Minimising the impact on resident household budgets
- Protecting investment in activity that promotes community safety

6.4. In addition to this, the Mayor has also asked officers to fundamentally challenge how the council delivers its business so that the following principles are embedded in the way we work:

- Employ a workforce that fully reflects the community it serves
- Ensure its staff are never paid below the London living wage
- Minimise job losses and promote career development
- Fully open its supply chain to local suppliers
- Support the work of our community partners in the delivery of services

6.5. This year the Mayor has set the following principles, which builds on the priorities set in the previous three budgets:

- Protecting the vulnerable and the services residents rely on, through:
 - Maintaining all our children's and youth centres
 - Delivering high quality day services and activities for older and disabled residents
 - Keeping our Libraries and Ideas Store open
 - Ensuring residents can access services through One Stop Shops, on the telephone and online
 - Creating enough schools places to meet the growing demand
- Reducing the cost of living for residents, through:

- The ongoing freeze of Council Tax
- Protecting the Council Tax Benefit Scheme
- Continuing the Mayor's Education Award and University Grant
- The continued use of the Preventing Homelessness Fund and Mayor's Temporary Accommodation support fund
- Continuing to provide Free Home Care
- Delivering the Tower Hamlets Energy Co-operative
- Creating Growth and regeneration, through:
 - Delivering the Whitechapel Vision, Ocean Estate and Robin Hood Regeneration Scheme

6.6. Key proposed activities for 2014/2015 include:

- Ongoing delivery of affordable family housing and decent Council homes
- Regeneration and improvement in Robin Hood Gardens, Whitechapel and Poplar
- Ensuring access to affordable fuel through the Tower Hamlets Energy co-operative
- Improving parks, open spaces, leisure centres and play facilities
- New initiatives to enhance resident engagement, particularly at local ward and neighbourhood level
- Expanding free early education for 2 year olds and raising attainment in early years
- Continuing to increase the number of young people getting 5 good GCSEs and going on to university
- Maintaining investment in youth services and provision for young people
- Maximising adoption opportunities for children in care
- Assisting more people into work, including through our in-house temporary agency and through use of our planning and procurement activity
- Working with partners to maintain and improve community safety and reduce anti-social behaviour
- Working with the health service to join up health and social care to improve outcomes for our most vulnerable residents
- Maximising incomes for local people through implementing key recommendations of the Fairness Commission and continuing to mitigate the impact of welfare reform
- Reducing the number of council homes that fall below a decent standard
- Increasing household waste sent for re-use, recycling and composting
- Supporting local businesses and further improving our markets and town centres
- Supporting sustainable local transport, including cycle improvements
- Working in partnership to improve our public realm

- 6.7. These are included within the Outline Strategic Plan presented with this report, demonstrating key activities to continue to drive forward the delivery of key priorities within the context of ongoing savings imperatives. The Outline Plan will be the subject of further development before the Strategic Plan is presented to Cabinet for approval in the new municipal year.
- 6.8. Since 2010-2011 the Council has used five key strands to deliver savings which have been developed through the budget process:
- A leaner workforce: with a particular focus on rationalising senior management; stripping out duplication and bureaucracy; and creating a flatter, more generic operational structure designed both to enable the progression of talented employees and to be more acutely focused on serving the needs of our residents.
 - Smarter Working: with a particular focus on the vacation of Anchorage House in 2013; more localised patterns of working; better use of new technology to enable council officers to do their jobs more effectively and at less cost and; opening up opportunities for residents to access our services in ways that reflect the realities of their lives be that in their homes, on-line, over the phone or in our offices and one stop shops.
 - Better utilisation of our assets: with a particular focus on underutilised buildings being put to better use and, where not possible, disposed of to support the council's capital programme and a root and branch review of our treasury management and capital planning arrangements.
 - Income Optimisation: with a particular focus on ensuring that charges are set fairly and in a manner that protects our most vulnerable residents; ensuring money owed to us is collected in a timely and efficient manner; and on a review of our commercial charges.
 - Better Buying: with a particular focus on supporting local businesses to access the council's supply chain, ensuring a continuing role for the third sector in the delivery of services and ensuring that private sector contractors give value for money and deliver efficiency savings where appropriate, whilst working within the values and ethos of the council.

- 6.9. A summary of the savings agreed to date through each of these streams is shown below:

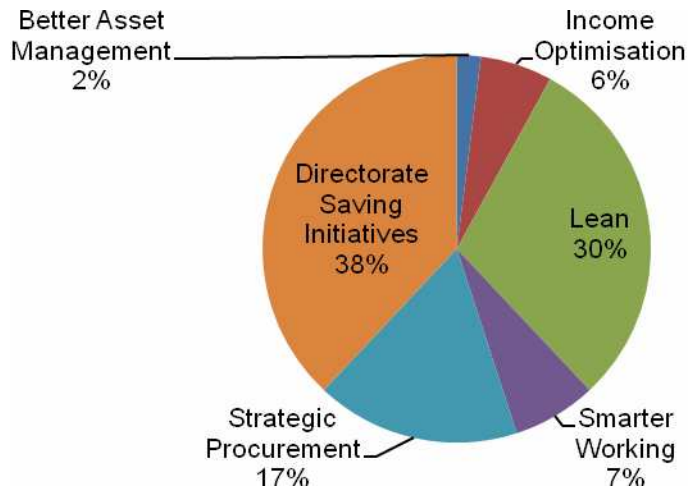


Chart 1 – Savings since 2010-2011 by theme

- 6.10. Given the scale of the financial challenge facing the Council in the coming years it has also been necessary to consider cost reduction and resource prioritisation proposals. This was and will continue to be done having regard to the needs of service users and residents more generally.

Accordingly public engagement and consultation have been undertaken so that views and opinions can be canvassed and debated and used to inform the final decisions of Council as detailed in Section 16 of this report.

7. MEDIUM TERM FINANCIAL PLAN & PROPOSED BUDGET

- 7.1. The revised Medium Term Financial Plan is set out at [Appendix 1](#), and the detail by service area at [Appendix 2](#). The detailed figures and assumptions incorporated in these tables are explained in detail in this report. The figures assume a Council budget requirement of £292.358m for 2014-2015 and a Council Tax at Band D of £885.52.

Spending Round – June 2013

- 7.2. As reported to Cabinet in October 2013, following the Spending Round in June 2013 the Government's austerity programme will continue for the foreseeable future.

- 7.3. The 2013 Spending Round was announced on 26th June 2013 and set out expenditure limits for individual Government departments for 2015-2016. Subsequently a number of consultations have been issued by the Department for Communities and Local Government, providing further detail and clarity on a number of elements referred to in the announcement.
- 7.4. The announcement and subsequent consultations identify there will be a 9.8% reduction in the local government Revenue Distribution Expenditure Limit in 2015/2016 and not specifically from revenue support grant which was the expectation in the previous medium term financial plan. The revenue support grant decreases by 28.9% and although retained business rates increased by 1.0% the settlement funding assessment element of overall Revenue Distribution Expenditure Limit decreased by 14.6%.
- 7.5. Given that Tower Hamlets relies more on government funding, the cut in revenue support grant results in a 28.9% loss compared to 27.6% nationally. Revenue Support Grant will reduce from approximately £150m in 2013/2014 to less than £90m from 2015.

Autumn Statement – December 2013

- 7.6. The Chancellor set out his Autumn Statement at the beginning of December and reaffirmed spending reduction assumptions for local authorities as outlined in the summer Spending Round. The Autumn Statement also confirmed that for 2015/16, £70m (approx. 35%) of New Homes Bonus will be transferred from London boroughs to the GLA. This is a London only transfer of grant. It was further announced that business rate increases would be capped at 2% rather than the September 2013 inflation rate of 3.2%.
- 7.7. Subsequent to this, on the 18th December the provisional 2014/15 Local Government Finance Settlement was announced by the Secretary of State, along with an “illustrative” local authority figures for 2015/16. This report incorporates officers’ consideration of the provisional settlement implications for the Borough. Overall the position is broadly as outlined in the report to Cabinet in October.

Use of Reserves

- 7.8. The Council’s strategy of using reserves to smooth the delivery of savings provides time to develop and implement savings proposals which will reduce costs while doing as much as possible to preserve services. This strategy needs to be kept under review but remains affordable. The MTFP set out in [Appendix 1](#) assumes the use of general reserves over the review period 2014-2015 to 2016-2017 of £38.455m. Further detail on reserves can be found in [Appendix 5.1](#).

The Updated Council's Medium Term Financial Plan

7.9. The Council's updated MTFP is summarised in the table below:

Summary Draft Medium Term Financial Plan 2013-17				
	2013-14	2014-15	2015-16	2016-17
	£'000	£'000	£'000	£'000
Net Service Costs	292,004	295,732	292,358	311,545
Growth (Incl Public Health)	40,566	5,044	3,881	7,619
CLG Grants transferring into baseline	23,717	0	0	0
Savings				
Approved	(26,029)	(6,692)	0	0
New	0	0	0	0
Inflation	5,760	4,842	5,500	5,500
Core Grants (incl Public Health)	(40,522)	(4,266)	9,074	1,540
Earmarked Reserves (Directorates)	(530)	(804)	0	0
Contribution to/from Reserves	766	(1,498)	732	0
Total Funding Requirement	295,732	292,358	311,545	326,204
Government Funding	(150,670)	(122,551)	(86,595)	(69,271)
Retained Business Rates	(100,800)	(102,816)	(104,872)	(106,970)
Council Tax	(63,343)	(66,396)	(67,392)	(68,402)
Collection Fund Surplus	(1,645)	0	0	0
Total Funding	(316,458)	(291,763)	(258,859)	(244,643)
Budget Gap (excl use of Reserves)	(20,726)	595	52,686	81,560
Unallocated Contingencies	0	0	0	0
Budgeted Contributions to Reserves	(766)	(1,034)	0	0
General Fund Reserves	21,492	439	(24,510)	(14,384)
Unfunded Gap	0	0	28,176	67,176
Savings to be delivered in each year	0	0	(28,176)	(39,000)
	31/03/2014	31/03/2015	31/03/2016	31/03/2017
Balance on General Fund Reserves (£000s)	59,552	59,991	35,481	21,097

Table 1 – Summarised MTFP for 2014-2015 to 2016-2017

- 7.10. As set out in the table above and in detail in Appendix 2 the Council has a balanced budget in 2014-2015 which is in line with the planning assumption reported to the Budget Council in 2013. The MTFP identifies a budget shortfall of £28.176m and £39.000m to be achieved in 2015/2016 and 2016/2017 respectively.
- 7.11. There has been a movement in the MTFP presented to Cabinet in October 2013, due to:
- A review of growth and Inflation requirement
 - Update of the Council tax base assessment
 - Autumn statement update on settlement
 - Underspend in the corporate budget in 2012-13
- 7.12. There have been a number of changes being made to the report submitted to Cabinet in January 2014 due to:
- Specific grant update announced
 - Growth provision for loss of grant funding
 - Approved growth and inflation requirement for 2013-2014 awarded to directorates.

Budget Reduction Opportunities for 2015-2016 Onwards

- 7.13. The Mayor is working with the Corporate Management Team to devise a strategy to manage the budget gap from 2015-2016 onwards. CMT has established a programme of work to review and consider future budget reduction opportunities. Work is progressing on three specific fronts. The focus of these will be through the following principles:
- Working up a set of proposals which build on the Lean, Flexible and Citizen Centred principles of our existing savings programme looking at how we can be more efficient in areas such as rationalisation and alignment of services and functions and further improving and consolidating procurement
 - Service by service challenge to ensure that each service is delivering or contributing to priority outcomes as effectively as possible; and
 - Establishment of a Think Tank to focus on longer term approaches which might enable the authority to continue to deliver key priorities for local people with a reduced budget.

Think Tank approach

The Think Tank has established a broad framework for thinking about opportunities to maintain our priorities and deliver for local people, maintaining our commitment to One Tower Hamlets and reducing inequality, with reduced funding.

Within this broad framework, the Think Tank is progressing a number of work streams as follows:

- *Understanding and projecting the local population* – Gain a better understanding of what services our local residents will require from us going forward, how and whether demographic change will impact on need and expectations.
- *Harnessing economic growth* – assessing the contribution that economic growth within the borough might make towards offsetting the savings target, particularly in the light of business rate retention, Council Tax growth, the New Homes Bonus and Community Infrastructure Levy - plus the potential for increased private sector funding or upfront investment to fund social outcomes.
- *Prevention and Meeting Needs* - considering how new targeted investment in key preventative services could reduce the need for intensive, more expensive care and support.
- *Resident-centred Service Re-design* – considering how we re-design and streamline how we serve residents.
- *New Delivery Models* – following on from the above themes, which will help provide greater focus on **what** the Council will deliver, this theme will consider in more detail alternative, more cost-effective ways of delivering this, where there are clear savings and this does not undermine the ability to deliver core outcome objectives.
- *Asset Management* – progressing current work on the corporate landlord model, driving out duplication and greater potential for efficiencies including updating the asset management strategy, clarifying the buildings we need and costs and opportunities for more efficient use or disposal.
- *Workforce efficiency* - In addition, underpinning these themes of work, the Think Tank is exploring how we best deploy our valuable workforce resource. This includes the potential to offer staff more flexible working options including the opportunity to take voluntary redundancy, retire early, retire flexibly through working reduced hours in the last years of employment, and work more flexibly in terms of different hours and

develop their careers more easily through greater generic working and competency based approaches to recruitment and promotion. We are, for example, looking at the Timewise model, promoted by the Timewise Foundation and currently being adopted by some other London Boroughs which seeks to enable organisations to offer more flexible working options to employees and to yield social, economic and business benefits as a result.

- 7.14. Officers will undertake the work bearing in mind the priorities and principles established by the Mayor and these will be developed over the coming months with a view of being presented in sufficient time to ensure that officers are able to put in place the necessary arrangements to meet the budget shortfall of £28.176m for 2015/2016 on the 1st April 2015.

8. **FINANCIAL RESOURCES**

- 8.1. Financial resources are continuing to reduce year-on-year as a result of Government austerity measures.

- 8.2. The Council has five main streams of financial resources:

- Retained Business Rates and Revenue Support Grant (RSG)
- Core Grants
- Council Tax
- Fees and Charges
- One-off use of Reserves

Retained Business Rates and RSG

- 8.3. As outlined in the budget report for 2013/2014, the needs-related Formula Grant, which was the main non-ringfenced grant supporting the General Fund, was abolished from 1st April 2013. In its place, the Local Government Finance Act 2012 introduced a system whereby future increases in funding will be governed by the Council's own performance in generating business rates income.

- 8.4. The current MTFP assumes that income over the next three year period through RSG and retained business rates will be as follows:

	2014/2015	2015/2016	2016/2017	Total
	£'m	£'m	£'m	£'m
Revenue Support Grant	122.551	86.595	69.271	278.417
Retained Business Rates	102.816	104.872	106.970	314.658

Table 2 – Assumed RSG and retained business rates income from 2014-2015 to 2016-2017

- 8.5. It is estimated that by the end of the current financial year the Council will have received £100.800m through business rates which is inline with the budget set by Council for 2013/2014. For 2014/15, a 2% cap has been assumed as per recent government announcements.
- 8.6. The variance over each of the next three years between the Government assumed business rate income versus the projected income by the Council is summarised in the table below:

	2014/2015 £'m	2015/2016 £'m	2016/2017 £'m	Total £'m
Government Estimate of Retained Business Rates Income for LBTH	99.321	102.062	104.879	306.262
Forecast Retained Business Rates Income	102.816	104.872	106.970	314.658
Variance	(3.495)	(2.810)	(2.091)	(8.396)

Table 3 – Variance between Government estimated retained business rates income for LBTH against assumed retained income in the MTFP

- 8.7. Clearly the surplus income of £8.396m over the MTFP period is not guaranteed and depends upon collection performance, economic conditions and decisions of the Valuation Office and therefore provision for these risks have been factored into the calculation. In the longer term, it is hoped that significant development, including in Canary Wharf, City Fringe and Spitalfields, Blackwall Reach and the Lea Valley will continue to give us a larger share of the money that was available than Formula Grant would have done. The next revaluation by the Valuation Office is due to take place in 2017.
- 8.8. However the Department of Communities and Local Government will review and reset the base line funding for the business rates retention scheme in 2020 for all local authorities. At this time the government estimate of retained business rates for the Council will be reviewed and is likely to be more aligned with the actual level of business rates being received.

Core Grants

- 8.9. The Council will be in receipt of a number of specific or special grants in addition to main funding allocation. These are categorised between those which are ring-fenced and those that can be used to fund any Council Service. For the most part, the Council accounts for service specific grants on the expectation that any movements in this grant funding are either applied or mitigated by the service concerned. Table 2 under paragraph 8.4 sets out the Core Grants and the projected level of funding over the next three years.

Residual Core Grants -Non Ringfenced

8.10. The table below sets out the remaining non-ringfenced core grants the Council is expected to receive in 2014/2015, together with forecast figures for later years. Non-ringfenced grants are those that the authority can utilise on any purpose within the General Fund.

	2013/14 Allocation £'m	2014/15 Indicative £'m	2015/16 Indicative £'m	2016/17 Indicative £'m
Council Tax Freeze Grant	0.846	0.884	0.884	-
New Homes Bonus	16.070	19.478	15.478	15.478
Local Lead Flood	0.128	0.128	-	-
Settlement Funding Assessment	-	1.054	-	-
Council Tax Support - One off Implementation grant	0.540	-	-	-
Housing Benefits Administration	4.012	4.210	4.210	4.210
TOTAL NON-RINGFENCED	21.596	25.754	20.572	19.688

Table 4 – Non Ringfenced Grants

Council Tax Freeze Grant

8.11. For the last three financial years the Council has accepted the Government's Council Tax freeze grant which was equivalent to a 1% Council tax increase in each of the years and therefore hasn't increased Council tax during these years. For 2014-2015 the Council will receive £0.884m which is equivalent to a 1% rise in Council tax. The table below summarises the Council tax freeze grant received since 2012/2013 with a forecast for 2014/2015:

	2012/2013 Actual £'m	2013/2014 Actual £'m	2014/2015 Forecast £'m	Total £'m
Council Tax Freeze Grant 2012-2013	1.968	0.846	0.884	3.698

Table 5 – Council Tax Freeze Grant received since 2012-2013 and forecast for 2014/2015

New Homes Bonus (NHB)

- 8.12. The principle behind the New Homes Bonus is to reward those authorities who increase the housing stock either through new build or bringing empty properties back into use. Each additional band D equivalent property attracts grant funding equivalent to the band D tax rate and the funding lasts for six years.
- 8.13. The MTFP formerly assumed additional grant of £3.000m per annum from 2014-2015 onwards over and above the 2013-2014 allocation of £19.070m.
- 8.14. As part of the 2013 Spending Round the Government have stated that the NHB national funding pot will be top sliced by 35% in 2015/2016, with the money being channelled through regional and sub-regional Local Enterprise Partnerships as part of the Single Local Growth Fund, for reinvestment at a regional level. This was unexpected and means that the Council is likely to lose 35% of its whole allocation from 2015 onwards - a loss of almost £7.000m of grant per annum. The decrease in NHB could have a greater adverse impact on Tower Hamlets than any other local authority in the country given the Borough's continued success in delivery new homes.
- 8.15. The updated MTFP assumes NHB receivable for 2014-2015 to 2016-2017 of £50.434m. The table below summarised the movement from the former to the current MTFP:

	2014/2015 £'m	2015/2016 £'m	2016/2017 £'m	Total £'m
Previous MTFP	19.070	22.070	25.070	66.210
Revised MTFP	19.478	15.478	15.478	50.434
Movement	0.408	(6.592)	(9.592)	(15.776)

Table 6 – Movement in New Homes Bonus

- 8.16. Members have previously set aside £11.000m of NHB received by the Authority to support investment in the Decent Homes Backlog Programme. The balance of the anticipated and received to date NHB supports the ongoing delivery of general fund services.

Residual Core Grants – Ringfenced

8.17. In addition there are a number of remaining ringfenced grants which the Government has retained. These are normally announced one year at a time.

	2013/2014 Allocation £'m	2014/2015 Indicative £'m
Support for Social Care Benefiting Health (from the NHS)	5.243	5.500
Integration Transition Fund Planning		1.200
Public Health	31.382	32.261
Dedicated Schools Grant	312.560	315.061
TOTAL RINGFENCED	349.185	354.022

Table 7 – Ringfenced Grants

NHS Better Care Fund (BCF)

8.18. The Spending Round in June 2013 announced an investment of £3.8bn to provide better integration of funding between health and social care. The funding is an opportunity to improve the lives of some of the most vulnerable people in our society, providing them with control by placing them at the centre of their own care and support, therefore providing them with a better service and better quality of life.

8.19. The BCF will include funding to be transferred to Local Authorities from existing NHS funds and also replace a number of funding streams that are already in existence between health and social care. The investment will be utilising the following existing funding streams which equate to £3.800bn:

- £1,880m – Existing funding already allocated across NHS and Social Care for integration
 - £900m – General Section 256 Funding
 - £200m – Integration Transformation Funding
 - £130m – Carers Breaks
 - £300m – Clinical Commissioning Group Reablement Funding
 - £130m – Social Care Capital
 - £220m – Disabled Facilities Grant Capital
- £15,900m – Additional Funding from NHS Allocations
 - £1,000m – Performance Related
 - £900m – Demographic Pressure and Care Bill Costs

- 8.20. The existing funding streams include funding to support demographic pressures in adult social care and some of the costs associated with the Care Bill. £1bn of this funding will be performance related to meet local and national targets.
- 8.21. Of the existing funding streams none are currently funding recurring expenditure and therefore there is limited risk to the MTFP. Due consideration will need to be given to the non-recurrent activities funded through these sources if funding is not invested in these areas in future years.
- 8.22. The Council's share of the national allocation of £3.8bn and the full detail of how the funding will work in practice is yet to be received from the Government or NHS England. However, we are developing a local plan which will be finalised by March 2014. The plan will need to set out how the funding will be used and the ways in which national and local targets for the performance related funding will be met. The plan will also set out how any transitional funding will be utilised for 2014/2015.
- 8.23. Plans for the funds are currently being developed by the Council in partnership with the Local Clinical Commissioning Group. They will need to be signed off by the Health and Wellbeing Board and will also be subject to an assurance review by NHS England. The Health and Wellbeing Board are due to consider the 2014/15 plan in February 2014.
- 8.24. There may be opportunities to utilise a proportion of the Tower Hamlets allocation to redistribute existing mainstream funding and this will be considered during 2014-2015. The MTFP does not currently make any assumptions regarding this.

Public Health

- 8.25. A ring-fenced grant of £31.382m was provided to fund activities in 2013/14 following the transfer of the Public Health function to the local authority from the NHS on the 1st April 2013. In the long term the MTFP has been constructed on the basis that the costs of public health services will be contained within that sum. In 2013/2014 £3.1m of the grant was earmarked to cover commitments on the free school meals initiative (£1.3m) and any risk associated with volume driven contract/services.
- 8.26. In the long term it is hoped that there will be on-going financial benefits from the transfer of public health, but the scale of this will only become clear with time and will be reviewed and ascertained during 2014-2015.
- 8.27. The grant settlement that was announced was for two years and it is not known what the longer term prospects for funding will look like. The grant allocation for 2014/2015 is £32.261m and it is anticipated that £2.7m of this allocation will be held to cover risk contingencies as in 2013/2014.

- 8.28. In September 2013, the government announced that free school meals will be provided for all children in the first three years of primary school from September 2014. The mechanism for how this funding will be made available is yet to be announced. As a result of this, assumptions are being made to reinvest this allocation to the mayoral priority for 2014-15 detailed below.

Budget Growth Opportunities for 2014/15: Working Start for Women in Health and Childcare

- 8.29. In accordance with the principles, set out in paragraph 6.5, the Mayor has proposed to allocate additional funding to the following initiative in the year 2014/15
- 8.30. Following the government's announcement in September 2013 that they will fund Free School Meals for Key Stage 1, the £1.3m public health funding set aside to fund Free School Meals in 2014/15 is no longer required
- 8.31. The terms of the public health grant require investment whose primary purpose is to improve the health and wellbeing of the local population. The findings of the Tower Hamlets Joint Strategic Needs Assessment highlight the importance of early years for future health and relatively poorer health of 0-5 year olds in the borough. This age group have amongst the highest levels of obesity by age 5, higher levels of tooth decay, a lower proportion have good levels of cognitive development and a higher proportion of babies have low birth weight. We know there are issues around smoking in pregnancy, maintaining breast feeding and healthy weaning. It is a major priority of the Health and Wellbeing Strategy to address health in early years.
- 8.32. In order to build on existing work in these areas, the Mayor proposes to use this money to create a programme to identify and train local women in the skills required to support the health and wellbeing of 0-5 years as an opportunity to pursue future careers in public health and healthcare. This will develop and support the creation of local skilled and available workforce that can have a significant impact in addressing the health needs of young children. The roles will included support to the work of local public health and health care professional working in early years and could lead to professional career pathways including health visiting, child care, midwifery, nursing, and social care.
- 8.33. The programme will be targeted at women over 25 years of age, with qualifications below degree level who are not eligible for either Council or central government apprenticeship or training. These could also include women with caring responsibilities or those returning to the workplace
- 8.34. The programme will fund the equivalent of 50 full time roles or 100 part time roles, but with an emphasis on part time and flexible work and training hours, as well as the opportunity to undertake the programme over a two year period.

- 8.35. This will work towards the council's programme to improve the support for women into employment and mitigate the impact of welfare reform, as well as towards our key public health outcomes of improving maternal and early years' health.
- 8.36. Officers from Economic Development and Public Health have been tasked to develop a full proposal to be considered in February Cabinet

Dedicated Schools Grant

- 8.37. The largest single grant received by the authority is Dedicated Schools Grant (DSG), which is ringfenced to fund school budgets and services that directly support schooling. Further detail on the DSG is set out in Section 12.

Reserves

- 8.38. The Council holds a number of reserves which can be categorised as follows:
- General (Non-earmarked) Reserve - these are held to cover the net impact of risks and opportunities and other unforeseen emergencies
 - Earmarked (Specific) Reserves - these are held to cover specific known or predicted financial liabilities.
 - Other Reserves - these are reserves which relate to ring-fenced accounts which cannot be used for general fund purposes (e.g. Housing Revenue Account and Schools)
- 8.39. A summary of the Council's reserves and associated risk analysis is attached in appendices 5.1, 5.2 & 5.3. This also shows the projected movement on the reserves for both the current financial year 2013/2014 and then 2014/2015 to 2016/2017.
- 8.40. It is projected that the Council will have non-earmarked General Fund Reserves of £59.552m as at 31st March 2014. This is greater than projected in the Medium Term Financial Plan previously reported due to budget contingencies not being required in 2013/2014 to cover off additional spending, and a net overspend on Directorate budgets as reported in the quarter two monitoring report (£0.151m).
- 8.41. The level of General Fund Reserves over the 2014/2015 to 2016/2017 will reduce to £21.097m. The strategy established in previous budget years to utilise general reserves to smooth the impact of savings remains valid, subject to the level of

reserves never falling below the minimum level. The MTFP has been designed to achieve this but spending and income levels will need to be constantly scrutinised to ensure this strategy remains achievable.

- 8.42. There are no budgeted contributions to reserves from 2014/2015 onwards and therefore all risks and costs arising will need to be met from existing reserves or from approved budgets. This position will need to be kept under review as we move forward and it is possible that officers will recommend further allocations to reserves if budget risks increase. In the event that General Fund Reserves fall below the recommended minimum value, prompt action would be required to increase the level of reserves to a safe level. This will need to be kept under review.

9. BUDGET PRESSURES

Service Demand and Unit Cost Pressures

- 9.1. The Council's budget monitoring reports over the first six months of 2013/2014 have highlighted a net overspend on Directorate budgets of £0.151m. This is predominantly due to the non-closure of one of the Council's One Stop Shops which was approved as a saving in a previous budget setting period. Unless the decision is taken to proceed with the closure, a budget pressure of £0.252m will continue over the financial planning period and therefore will need to be reflected in the new base budgets against which savings decisions will be considered.
- 9.2. A schedule detailing the budget pressures in each service area is attached as [Appendix 3](#). Over the three year planning period the growth pressures excluding inflation total some £14.847m. The pressures for 2014/2015 which are in line with those highlighted in the previous budget setting process are as follows:
- Demographic Pressures in Adult Social Care (£1.4m) – a higher demand for services, including in learning disabilities with children transitioning into adult social care.
 - Communities, Localities and Culture (£1.03m) – resulting from the increased cost of waste disposal to landfill sites and the escalating cost of the government's Freedom Pass Scheme.
 - Investment Income (£0.8m) – reflecting a reduction in investment income due to lower interest rates and a projected reduction in cash balances going forward.

9.3. Additional budget pressures which will need to be reviewed and costed once further detail is available include:

- Care and Support Bill, including the introduction of a cap on contributions toward care costs and assessments and services for carers. It is proposed that the NHS Better Care Fund (see paragraph 8.18 to 8.24) will support this in part or full.
- Children and Families Bill, expected to become law in 2014 and will extend the Local Authority's responsibility to ensure access to education for young people with special education needs (SEN), from the current age limit of 19, upto the age of 25.
- New government guidance being consulted on in early 2014 regarding parking enforcement changes may have a negative impact on revenue collected.

Inflation

9.4. In addition to the specific service demand pressures the other single most significant financial risk facing the Council is the impact of inflation.

9.5. The Government's projections for Consumer Price Index (CPI) inflation which are reflected in the MTFP is 2.0% throughout the review period. Most of the Council's contracts for goods and services which span more than one year contain inflation clauses and although service directorates have been successful in negotiating annual increases which are below inflation this will be a difficult position to maintain, especially if inflation remains at its current level for a long period.

9.6. The inflation budget for 2013/2014 was set at £5.760m, which was split 30% for pay inflation and 70% for non-pay inflation.

Pay Inflation

9.7. The Council remains part of the National Joint Council for Local Government Services for negotiating pay award arrangements. For 2013/2014 a 1% pay award was agreed with effect from 1st April 2013, this was not agreed for senior officers on chief officer payscales. The MTFP anticipates that staffing costs will increase by 1% in each year of the three year plan. Provision has been made for the payment of the London Living Wage to Council staff.

10. SAVINGS

10.1. In previous years' budget processes the Council has already approved a number of revenue investments and savings for 2013/14 and 2014/15 sufficient to balance the budget in these two financial years. These total £33.4m. A

schedule of the savings approved by Full Council in February 2012 and March 2013 is detailed in Appendix 4.

11. RISKS AND OPPORTUNITIES

- 11.1. When setting the draft MTFP, Service Directors have provided their best estimate of their service costs and income based on the information currently available. However there will always be factors outside of the Council's direct control which will vary the key planning assumptions that underpin those estimates.
- 11.2. There are a number of significant risks that could affect either the level of service demand (and therefore service delivery costs) or its main sources of funding. In addition there are general economic factors, such as the level of inflation and interest rates that can impact on the net cost of services.
- 11.3. Similarly there are opportunities either to reduce costs or increase income which will not, as yet, have been fully factored into the planning assumptions. The main risks and opportunities are summarised below.

Risks

General Economic Factors

- Higher than projected levels of inflation
- A general reduction in debt recovery levels
- Lower than planned investment income
- Further reductions in Third Party Funding
- Further reductions in grant income
- Reductions in the level of income generated through fees and charges
- Increase in fraud

Increases in Service Demand

- Children's Service including an increase in the number of looked after children
- Housing (and homelessness in particular)
- General demographic trends
- Impact of changes to Welfare Benefits
- Support to people trying to get back into employment

Efficiencies and Savings Programme

- Impact of the governments' Local Government Resource Review
- Slippage in the savings programme
- Non-delivery of some proposals

Opportunities

- New freedoms and flexibilities
- Public Health (see paragraph 8.25)

- NHS Better Care Fund (see paragraph 8.18 to 8.24)
- Growth in local Taxbase for both housing and businesses

11.4. In addition to the above there is a risk that the combined impact of some of these factors will adversely impact on service standards and performance.

11.5. An assessment of the possible impact of these risks and opportunities is shown in the risk analysis in appendix 5.2. This will form the basis of an on-going review of Reserves and Contingencies and indicates a net financial impact between £20m and £39m over the planning period. This has therefore been reflected in the recommended level of unearmarked General Fund Reserves that need to be maintained and equates to between 5% and 7.5% of gross expenditure (excluding schools and housing benefit payments).

12. SCHOOLS FUNDING

12.1. Schools funding is principally provided via Dedicated Schools Grant, Education Funding Agency (EFA) grant to post 16 and Pupil Premium. Funding is ringfenced to schools and its allocation is largely based on the decisions of the Schools Forum. Appendices 6.1 & 6.2 set out the details of the expected schools settlement for 2014/2015.

13. HOUSING REVENUE ACCOUNT

13.1. HRA Self-Financing has now been in force since April 2012, when £236.200m of our housing debt was redeemed. Under Self-Financing, we now retain all rental income, but must finance all costs relating to council housing – both revenue and capital.

13.2. Indicative modelling of the HRA over 30 years indicates that the Authority will be able to finance the projected capital programme - including Decent Homes - but will need to borrow up to its debt cap of £184m, and use the revenue surpluses forecast to be generated in the early years of Self-Financing.

13.3. When valuing each authority's housing business prior to the start of Self-Financing, the government assumed that authorities would continue with rent restructuring, aiming to achieve rent convergence in 2015-2016. It was also assumed that post 2015/2016, authorities would increase rents by RPI + 0.5% each year.

13.4. In October 2013, the government issued a consultation entitled 'Rents for Social Housing from 2015-2016' which proposed to move from rent increases of RPI + 0.5% to increases of CPI + 1% and end rent convergence a year early. The consultation also clarified that the proposed rent policy does not apply to social

tenant households with an income of over £60,000. Further details are provided in the HRA Budget report elsewhere on this agenda.

- 13.5. There are a number of risks to the HRA in the short to medium term; the reinvigorated Right to Buy (RTB) scheme has led to an increased number of applications and sales; since the changes were made in April 2012 there have been 50 sales, and over 1,000 applications have been made. Although the Authority retains part of each RTB sale receipt, on its own this is insufficient to replace the number of properties sold. In addition, there is a risk to rental income from the various forthcoming Welfare Reforms, although some of the implementation dates have slipped so the effect may be later than previously anticipated. The HRA Budget report elsewhere on this agenda provides more details on these risks.
- 13.6. Appendix 7 shows an indicative summary of the HRA medium-term financial plan for 2014/2015 to 2016/2017. Details of the 2014/15 HRA budget are contained within the HRA Budget report elsewhere on this agenda.

14. CAPITAL PROGRAMME

Civic Centre

- 14.1. The current capital programme is set out at Appendix 8. The programme has been amended during the year to take account of decisions taken by the Council, Mayor and officers, including the application of additional grant resources that have become available.
- 14.2. During the coming financial year, the Council through its Asset Management Board will review the asset and capital strategy in the context of significant demographic, service and financial changes that are likely between now and 2020. The capital strategy was last updated in February 2011 and sets out priorities and objectives for using capital resources in the context of rapid population growth but in an environment of reducing resources. Increasingly all capital investment decisions are reliant on local funding, be that through generation of capital receipts, prudential borrowing (funded through local taxes and rents) or development agreements, as government grants reduce.
- 14.3. A key driver of any revised asset strategy is a requirement to consider the long term location of the Town Hall. The current Town Hall is not owned by the Council and costs around £6m a year in rent and service charges. The current lease will expire in March 2020 and officers have for some time been reviewing possible options for the Council at termination with regard to remaining in place or moving to a new Civic Centre. Furthermore the landlord has been consulting on outline plans for redevelopment of the East India Dock Estate. This could mean that the Council will have no choice other than to relocate come September 2019.

- 14.4. In December Cabinet 2013 the Council adopted the Whitechapel Vision Supplementary Planning Document, which identified the following key benefits to be delivered through the Masterplan: 3,500 new homes by 2025, including substantial numbers of local family and affordable homes; 5,000 new jobs; the transformation of Whitechapel Road; 7 new public squares and open spaces.

The Vision document also identified the old Royal London Hospital Site as ideally suited for the development of a new Civic Centre for Tower Hamlets. It could enable the Council to capitalise on the arrival of Crossrail in 2018, bring the new Civic Centre into the heart of the borough and create a catalyst for the regeneration of the Whitechapel area.

This proposed new Civic Centre is an Invest to Save opportunity for the Council which will create an asset owned by the Council and residents of Tower Hamlets, able to serve the borough for many years to come.

- 14.5. The Council is now in negotiations with The Barts Health Trust to secure the site. In order to progress these negotiations it is proposed that capital programme provision, using unallocated prudential borrowing, agreed in 2012 be allocated for the purchase of this site. Any further costs would be dependent on disposal of surplus assets.

Business planning and feasibility work demonstrate that once acquired, a new Civic Centre would be more affordable to the Council and result in an overall reduction in ongoing costs. Officers have prepared a separate report to be presented to this Cabinet meeting.

15. TREASURY MANAGEMENT STRATEGY

- 15.1. The Treasury Management Strategy Statement was recently revised by Audit Committee and Full Council in accordance with the CIPFA Treasury Management Code of Practice. The Statement sets out the proposed strategy with regard to borrowing, the investment of cash balances and the associated monitoring arrangements.
- 15.2. The key factor underpinning the current strategy is that short term interest rates are expected to remain very low for at least the next twelve months in contrast to medium and long term rates. This means that there will be a “cost of carry” if funds are borrowed in advance of capital expenditure being incurred. Therefore the Council anticipates continuing to run a strategy of keeping cash balances low and investing short term, so only borrowing when required.
- 15.3. Some limited amendments to the Council’s lending limits, the period over which monies could be placed on deposit and the type of investment ‘product’ that can be used were agreed in order to provide some further investment capacity and

increase the return on investment without any increase in risk. These proposals were put forward having taken advice from the Council's treasury management advisers and were deemed prudent enough to ensure the credit rating of approved counterparties are commensurate with the level and term of investments

- 15.4. The proposed prudential indicators set out in the Treasury Management Strategy are based on the capital programme as detailed in Section 14 above and Appendix 8. Prudential indicators may need to be revisited subject to Government capital funding announcements and decisions relating to the capital programme and if necessary revised. Any revisions to the indicators will need to be approved by Full Council.

16. CONSULTATION

- 16.1. It is a statutory requirement, and good practice, to consult and engage service users, residents, staff, unions and elected council members during the Council's budget setting process. Elected council members are consulted and engaged in line with the Council's Budget and Policy Framework and through the work of the Overview and Scrutiny Committee.

Public and Partnership Consultation

- 16.2. The views of local partners are key elements to include when seeking to deliver a budget that meets the needs and aspirations of Tower Hamlets. A Budget congress will be held with local partners and the outcome will be reported to the next cabinet meeting.

Resident Engagement

- 16.3. Residents have been offered an opportunity to engage in the budget setting process through two public events which were communicated through the Council's communication routes. The first was on Tuesday 21st January 2014 at Bow Idea Store and the second on Monday 27th January 2014 at Whitechapel Idea Store.
- 16.4. The events were promoted via My Tower Hamlets, engaging in the region of 7000 residents and; Twitter which has approximately 4,300 followers. The events were advertised in East End Life and the East London Advertiser and on the Council's website.
- 16.5. The purpose of the events was to engage residents in the budget setting process for 2014-2015 by providing an overview of the Council's medium term financial plan and saving opportunities being considered.

- 16.6. The events were presented by the Mayor, Deputy Mayor, and Lead Member for Resources along with the Corporate Director of Resources and appropriate Service Head. Turnout was significantly higher than previous years and resident responses are being collated. An addendum report on these will be published for Cabinet as soon as possible after it has been completed.

Budget and Policy Framework

- 16.7. The Council's Budget and Policy Framework, as set out in its constitution, requires the Cabinet to submit initial budget proposals to the Chair of Overview and Scrutiny Committee and to allow 10 working days for a response before considering final proposals.
- 16.8. The decisions taken by Cabinet in January constituted its initial proposals for the purposes of consultation. These were considered by the Overview and Scrutiny Committee at a meeting on 20 January 2014.
- 16.9. The report to January Cabinet was presented to Overview and Scrutiny and a separate report setting out the deliberations of the Overview and Scrutiny committee will be presented elsewhere in the agenda.
- 16.10. Any further results of consultation or feedback received subsequent to consideration by Cabinet will be reported to the Council meeting.

17. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 17.1. The comments of the Chief Financial Officer have been incorporated into this report of which he is the author.

18. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 18.1. The Council is required each year to set an amount of council tax. The obligation arises under section 30 of the Local Government Finance Act 1992 ("the 1992 Act") and must be done by 11 March each year for the following year. In order to set council tax, the Council must calculate the budget requirement in accordance with section 32 of the 1992 Act. This requires consideration of estimated revenue expenditure in carrying out Council functions, estimated payments into the general fund, allowances for contingencies and required financial reserves, amongst other things.
- 18.2. Both the setting of council tax for a financial year and calculation of the budget requirement are matters that may only be discharged by the full council. This is specified in section 67 of the 1992 Act. The Council's Constitution reflects the statutory requirement. Article 4 of the Council's Constitution specifies that approving or adopting the budget is a matter for Full Council. The Budget and

Policy Framework Procedure Rules in Part 4 of the Constitution specify the procedure to be followed in developing the budget.

- 18.3. Before calculating the budget requirement, the Council is required by section 65 of the 1992 Act to consult with persons or bodies who the Council considers representative of persons who are required to pay non-domestic rates under the Local Government Finance Act 1988. The procedure in the Budget and Policy Framework Procedure Rules requires the Executive to publish its timetable for making proposals for adoption of the budget and its arrangements for consultation. There must be consultation with the Overview and Scrutiny Committee. The report sets out proposals for the budget consultation for consideration by the Mayor in Cabinet.
- 18.4. In circumstances where the Council is calculating the budget requirement, the chief finance officer (the Corporate Director of Resources) is required by section 25 of the Local Government Act 2003 to report on the following matters: the robustness of the estimates made for the purposes of the calculations; and the adequacy of the proposed financial reserves. The Council is required to have regard to the chief finance officer's report before calculating the budget requirement. This report provides information from the chief finance officer about these matters.
- 18.5. The Council is obliged by section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is consistent with sound financial management and the Council's obligation under section 151 of the Local Government Act 1972 for the Council to adopt and monitor a medium term financial plan. The medium term financial plan informs the budget process and may be viewed as a related function.
- 18.6. The report provides information about risks associated with the medium term financial plan and the budget. This is consistent with the Council's obligation to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit (England) Regulations 2011 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and consideration of information about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.
- 18.7. The report provides details of the revised capital programme. The capital program does not form part of the determination of the budget requirement for the purposes of section 32 of the Local Government Finance Act 1992, but is nevertheless a closely related matter and it is appropriate for information to be provided about it at this time. Before the capital programme is agreed, there will be a need to ensure that projects are capable of being carried out within the Council's statutory functions and that any required capital finance will meet the

requirements of Part 1 of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

- 18.8. The report deals with the application of the dedicated schools grant (DSG). The financing of maintained schools is dealt with in Chapter IV of Part II of the School Standards and Framework Act 1998. The Council is required to allocate a budget share to every maintained school and this is progressively calculated by a prescribed process that requires determination of the LEA budget, the Council's schools budget, the individual schools budget and the maintained schools' budget share. For the financial year commencing 1 April 2014, detailed provision is to be made in new Regulations dealing with School and Early Years Finance ("the 2014 Regulations"). At the date of preparing this report, the 2014 Regulations had been the subject of consultation, but had not yet been made. Officers will need to ensure that the proposed application of the DSG complies with the 2014 Regulations when made.
- 18.9. The report proposes that the Mayor in Cabinet adopts an outline strategic plan, which is set out in Appendix 9. It is understood that the outline plan would be the subject of later development to create the Council's Strategic Plan, which would be brought forward for adoption by Cabinet in the new municipal year. The Council's Strategic Plan is closely aligned with the Community Plan, which sets out the Council's sustainable community strategy within the meaning of section 4 of the Local Government Act 2000. The Strategic Plan will specify how the Council will prioritise delivery of its functions and thus ranges across the council's statutory powers and duties. The development of the Strategic Plan, delivery of the Plan and monitoring should help the Council to discharge its best value duty under section 3 of the Local Government Act 1999 to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness".
- 18.10. The Equality Act 2010 requires the council in the exercise of its functions to have due regard to the need to avoid discrimination and other unlawful conduct under the Act, the need to promote equality of opportunity and the need to foster good relations between people who share a protected characteristic and those who do not. The report proposes that the council's Single Equality Framework will be incorporated into the Strategic Plan which the medium term financial plan and budget will help to deliver. It is also relevant to consider that the Community Plan was the subject of equality analysis during its preparation. Further equality analysis will likely be required in the preparation of the final Strategic Plan and for delivery of actions under the Strategic Plan to ensure the council complies with its equality duty. The budget has been the subject of consultation which is to be reported in an addendum and should address whether any further equality analysis is required prior to presentation to Full Council.
- 18.11. One of the growth schemes outlined in the appendices to this report is to target unemployed women returning to the labour market. The Council is permitted under the Equality Act 2010 to take positive action in relation to people sharing a

protected characteristic (in this case women) in specified circumstances. One such circumstance is that the Council reasonably thinks that participation in an activity (in this case employment) is disproportionately low. The Council may in such circumstances, take proportionate action to enabling or encouraging women to participate in employment. This does not extend to giving women preference in recruitment or employment, but it is understood this is not the intention of the programme. There is information in the relevant Appendix concerning the identified lower participation and it will be for the Council to be satisfied that the proposed programme is a proportionate means of addressing that deficit.

19. ONE TOWER HAMLETS CONSIDERATIONS

- 19.1. The Mayor's priorities to support vulnerable people; delayer management; develop a workforce that more closely reflects our community and; tackle the issues which drive inequality in the Borough, including poor housing, employment and community safety, have shaped the approach officers have taken to identifying the saving principles. Throughout the process of developing saving principles, officers have and will continue to assess the potential for these proposals to affect equality between people, both residents and staff, through:
- Completing an initial screening assessment of all savings proposals to identify those which are likely to have a direct impact on services received by residents or on the number or grade of staff in a specific service
 - Undertaking an equality analysis of those savings proposals which the screening suggested could have an impact on residents or staff to identify the effect of the proposed changes on equality between people from different backgrounds
- 19.2. The steps outlined above have been adopted to ensure that the Council's commitment to tackling inequality informs decision making throughout the budget review process and to support transparency.
- 19.3. The Outline Strategic Plan indicates how the Council's Single Equality Framework will be incorporated into the final Strategic Plan. It demonstrates how equality objectives consistent with the Council's public sector equality duty will be built into the day to day work of the Council. This may be the subject of further development and analysis prior to adoption of the Strategic Plan in the new municipal year.

20. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 20.1. The sustainable action for a greener environment implications of individual proposals in the budget are set out in the papers relating to those proposals.

21. RISK MANAGEMENT IMPLICATIONS

- 21.1. Managing financial risk is of critical importance to the Council and maintaining financial health is essential for sustaining and improving service performance. Setting a balanced and realistic budget is a key element in this process. Specific budget risks are set out in Section 10 of this report.

22. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 22.1. The crime and disorder implications of individual proposals in the budget are set out in the papers relating to those proposals.

23. EFFICIENCY STATEMENT

- 23.1. The Council is required to consider the value for money implications of its decisions and to secure best value in the provision of all its services. It is important that, in considering the budget, Members satisfy themselves that resources are allocated in accordance with priorities and that full value is achieved. The information provided by officers on committed growth and budget options assists Members in these judgments.

24. APPENDICES

Appendix 1	Summary of the Medium Term Financial Plan
Appendix 2	Detailed analysis of the Medium Term Financial Plan by Service Area
Appendix 3	Detailed analysis of projected budget revenue growth resulting from increased service demand and higher unit costs
Appendix 4	Approved savings schedule 2013-15
Appendix 5.1	Reserves and Balances
Appendix 5.2	Risk Evaluation
Appendix 5.3	Projected Movement in Reserves
Appendix 6.1	Schools Funding Report
Appendix 6.2	Schools Budget Allocation (2014-15)
Appendix 7	The Housing Revenue Account Medium Term Strategy
Appendix 8.1	Current Capital Programme (2013-14 to 2015-16)
Appendix 8.2	Indicative schemes to be funded from external sources 2014-15 to 2016-17
Appendix 8.3	Summary of Proposed Capital Programme 2013-14 to 2016-17
Appendix 9	Outline Strategic Priorities 2014-15

Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

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

Brief description of "Background Paper"

None Chris Holme, London E14 2BG. 0207 7364 4262

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SUMMARY OF MTFP

Summary Draft Medium Term Financial Plan 2013-17

	2013-14 £'000	2014-15 £'000	2015-16 £'000	2016-17 £'000
Net Service Costs	292,004	295,732	292,358	311,545
Growth (Incl Public Health)	40,566	5,044	3,881	7,619
CLG Grants transferring into baseline	23,717	0	0	0
Savings				
Approved	(26,029)	(6,692)	0	0
New	0	0	0	0
Inflation	5,760	4,842	5,500	5,500
Core Grants (incl Public Health)	(40,522)	(4,266)	9,074	1,540
Earmarked Reserves (Directorates)	(530)	(804)	0	0
Contribution to/from Reserves	766	(1,498)	732	0
Total Funding Requirement	<u>295,732</u>	<u>292,358</u>	<u>311,545</u>	<u>326,204</u>
Government Funding	(150,670)	(122,551)	(86,595)	(69,271)
Retained Business Rates	(100,800)	(102,816)	(104,872)	(106,970)
Council Tax	(63,343)	(66,396)	(67,392)	(68,402)
Collection Fund Surplus	(1,645)	0	0	0
Total Funding	<u>(316,458)</u>	<u>(291,763)</u>	<u>(258,859)</u>	<u>(244,643)</u>
Budget Gap (excl use of Reserves)	(20,726)	595	52,686	81,560
Unallocated Contingencies	0	0	0	0
Budgeted Contributions to Reserves	(766)	(1,034)	0	0
General Fund Reserves	21,492	439	(24,510)	(14,384)
Unfunded Gap	0	0	28,176	67,176
Savings to be delivered in each year	0	0	(28,176)	(39,000)
	31/03/2014	31/03/2015	31/03/2016	31/03/2017
Balance on General Fund Reserves (£000s)	59,552	59,991	35,481	21,097

DETAILED ANALYSIS MTFP BY SERVICE

Detailed analysis of the Medium Term Financial Plan by service area 2013/14 to 2016/17

Service	Total	Savings		Growth	Adjustments	Total	Savings		Growth	Adjustments	Total	Savings		Growth	Adjustments	Total
	2013-14 £'000	Approved £'000	New £'000	£'000		2014-15 £'000	Approved £'000	New £'000	£'000	£'000	2015-16 £'000	Approved £'000	New £'000	£'000		2016-17 £'000
Education, Social Care and Wellbeing	195,442	(2,010)	0	1,105	(7,005)	187,532	0	0	138	(272)	187,398	0	0	1,111		188,509
Communities, Localities and Culture	79,471	(350)	0	1,654	(1,604)	79,171	0	0	1,235	(259)	80,147	0	0	910		81,057
Development & Renewal	19,648	(1,534)	0	(2,062)	(1,365)	14,687	0	0	261	(150)	14,798	0	0	339		15,137
Resources	6,795	(230)	0	19	(36)	6,548	0	0	0	0	6,548	0	0	0		6,548
Chief Executives	9,760	0	0	13	(381)	9,392	0	0	0	0	9,392	0	0	0		9,392
Public Health	29,982	0	0	0	0	29,982	0	0	0	0	29,982	0	0	0		29,982
Net Service Costs	341,098	(4,124)	0	728	(10,391)	327,311	0	0	1,634	(681)	328,264	0	0	2,360	0	330,624
Other Net Costs																
Capital Charges	9,444	0	0	1,845	0	11,289	0	0	0	0	11,289	0	0	0		11,289
Levies	1,661	0	0	0	0	1,661	0	0	0	0	1,661	0	0	0		1,661
Pensions	14,393	0	0	2,599	0	16,992	0	0	2,000	0	18,992	0	0	1,500		20,492
Other Corporate Costs	(6,230)	(2,568)	0	(128)	4	(8,922)	0	0	247	0	(8,675)	0	0	3,759		(4,916)
Total Other Net costs	19,268	(2,568)	0	4,316	4	21,020	0	0	2,247	0	23,267	0	0	5,259		28,526
Public Health Grant	(31,382)	0	(879)	0	0	(32,261)	0	0	0	0	(32,261)	0	0	0		(32,261)
Core Grants	(23,452)	(3,408)	(2,265)	2,286	0	(26,839)	(3,000)	529	11,545	0	(17,765)	0	1,540	0		(16,225)
Reserves																
General Fund (Corporate)	0	0	0	0	0	0	0	0	(766)	0	(766)	0	0	0		(766)
Earmarked (Directorate)	(9,799)	0	0	(239)	9,822	(216)	0	0	0	681	465	0	0	0		465
General Fund (Smoothing)	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Inflation	0	0	(1,500)	6,342	0	4,842	0	(1,500)	7,000	0	10,342	0	(1,500)	7,000		15,842
Total Financing Requirement	295,732	(10,100)	(4,644)	13,433	(565)	292,358	(3,000)	(971)	21,660	0	311,545	0	40	14,619		326,204
Government Funding	(150,670)	0	(82)	28,201	0	(122,551)	0	(119)	36,075	0	(86,595)	0	(139)	17,463		(69,271)
Retained Business Rates	(100,800)	0	(2,016)	0	0	(102,816)	0	(2,056)	0	0	(104,872)	0	(2,098)	0		(106,970)
Council Tax	(63,343)	0	(3,053)	0	0	(66,396)	0	(996)	0	0	(67,392)	0	(1,011)	0		(68,402)
Collection Fund Surplus	(1,645)															
Total Financing	(316,458)	0	(3,135)	28,201	0	(291,763)	0	(1,115)	36,075	0	(258,859)	0	(1,150)	17,463		(244,643)

GROWTH

Summary of Growth Bids - 2014/15 - 2016/17

REF	Education Social Care & Well Being	2014/15	2015/16	2016/17	Total	2014/15 - 2016/17
		£000's	£000's	£000's		£000's
GRO ESCW 1-14	Demographic Pressures in Adult Social Care	1,413	1,456	1,501		4,370
GRO ESCW 2-14	Home – School Transport	-31	-180	-390		-601
GRO ESCW 3-14	Discretionary Awards Post-16	-138	-272	0		-410
	Earmarked Reserves	138	272	0		410
		1,382	1,276	1,111		3,769

REF	Communities, Localities & Culture	2014/15	2015/16	2016/17	Total	2014/15 - 2016/17
		£000's	£000's	£000's		£000's
GRO CLC 1-14	Freedom Pass	563	570	573		1,706
GRO CLC 2-14	Transportation, treatment and disposal of waste (including recyclate materials)	465	1,425	337		2,227
		1,028	1,995	910		3,933

REF	Development & Renewal	2014/15	2015/16	2016/17	Total	2014/15 - 2016/17
		£000's	£000's	£000's		£000's
GRO D&R 1-14	Carbon Reduction Commitment	201	261	339		801
	Corporate Cost	-201	-261	-339		-801
		0	0	0		0

REF	Corporate Costs	2014/15	2015/16	2016/17	Total	2014/15 - 2016/17
		£000's	£000's	£000's		£000's
	Capital Charges	1,000	0	0		1,000
	Pension Costs	2,000	2,000	1,500		5,500
	Auto Enrolment - Pension Fund	800	0	0		800
	Welfare Benefit Reform Contingency	-1,000	0	0		-1,000
	Investment Income	845	0	0		845
	Inflation	4,842	5,500	5,500		15,842
		8,487	7,500	7,000		22,987
	Total Growth Bids (All directorates)	10,897	10,771	9,021		30,689

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

Item Ref. No:
GRO/ESCW/01/14

TITLE OF ITEM: Demographic Pressures in Adult Social Care

DIRECTORATE: Education, Social Care & Wellbeing

SERVICE AREA: Adult Social Care

LEAD OFFICER:
John Rutherford

FINANCIAL INFORMATION:

	Contingency / Budget allocation	Bid (Base is 2013/14 Budget)			
		2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Employees (FTE)					
Employee Costs					
Other Costs	54,529	1,413	1,456	1,501	
Income					
To Reserves					
TOTAL	54,529	1,413	1,456	1,501	

*Committed growth agreed on an annual basis, therefore future years are included as indicative figures to aid medium term financial planning

DESCRIPTION & JUSTIFICATION

Growth Calculation: [Use this box to illustrate the empirical assumptions built into this bid and how they relate to historic/ developing trends]

The growth calculation assumes that increases in population, combined with other demographic factors detailed below will lead to more clients needing social care support for longer. The estimated average rate of growth per client group is different and is influenced by a number of factors such as age, ethnicity, deprivation and other such demographic factors. It is also assumed that this will lead to additional cost pressures in within homecare, day care, meals service, direct payments and residential and nursing care.

Client Group	Budgets 2013/14 (£'000)						Estimated Growth Rate	Estimated Growth Requirement
	Homecare	Day care	Meals	Direct Payments	Residential/ Nursing care	Total Budget		
PD	8,799	209	714	2,070	2,149	13,941	1.0%	139
LD	2,730	63	-	2,501	10,534	15,828	2.4%	380
OP	2,553	3,452	-	1,083	11,341	18,429	3.8%	704
MH	477	-	-	261	5,593	6,331	3.0%	190
TOTAL	14,559	3,724	714	5,915	29,617	54,529		1,413

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Predicted population growth in Tower Hamlets will inevitably bring an increase in the number of people who need adult social care services. Tower Hamlets has high levels of deprivation, which in turn is associated with poor mental and physical health. Deprivation levels may be further exacerbated by welfare reform. An increase in the number of people living for longer with poor health is also a factor driving an increase in demand for adult social care across all client groups.

There is likely to be an increased demand for adult social care from all sections of the population as it continues to expand. Based on the latest GLA projections, the borough's population is expected to grow by 10% over the next five years (2013 to 2018), equating to an average annual population growth rate of 2%. A 20% increase is expected by 2023, equating to 320,200 residents. The projected growth is mainly in the lower working age range (people aged 30 to 44) who account for 53 per cent of the growth in the next five years and 46 per cent of the growth in the next 10 years. A proportion of this group will require support and services from adult social care.

High levels of deprivation are strongly linked to poor mental and physical health. Tower Hamlet is the 7th most deprived local authority in England out of the 326 local authorities. There is also a link between some learning disabilities and poverty. Possible explanations include poor nutrition and low uptake of screening programmes and antenatal care, which increase the prevalence of learning disabilities. Levels of deprivation may be further worsened by welfare reform changes which are starting to come into effect. It is likely that this may have an impact on demand, due to the evidence that high levels of deprivation are a driver for increased need for social care services. Further, Demos analysis suggests that the welfare reform changes will have particularly negative economic consequences for disabled people, with significant knock-on effects.

Trends show that increases in healthy life expectancy have not kept pace with improvements in total life expectancy. If the extra years from increased longevity are mostly spent in disability and poor health, there will be an increase in demand for social care across all client groups.

Older people in Tower Hamlets have worse health in many areas compared to England averages. In addition, a higher than average proportion of older people in the borough live alone. Older people who live alone are significantly more likely to have a social care need than those who do not live alone.

Survival rates of young people with profound and multiple learning disabilities are improving and this cohort is now coming through to adult hood. Tower Hamlets is a young borough and there is considered to be a higher rate of learning disabilities in the school-age population. Due to a complex set of reasons, there are higher prevalence rates of profound and multiple learning disabilities in children of a Bangladeshi ethnic background. Tower Hamlets has a significant Bangladeshi community.

The Tower Hamlets Mental Health Strategy Needs Assessment lists a number of "risk factors" and "protective factors" in relation to mental health. On some of these, Tower Hamlets has been shown to face a greater

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BUDGET 2014/15- 2016/17**

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challenge than the rest of London (carers, older people, drug and alcohol misuse) but all need attention because of the specific risks they pose to mental health or because all are linked to the high levels of deprivation which exist in the borough. One of the most significant drivers of demand in mental health is the high population turnover in Tower Hamlets.

The introduction of the Care Bill and the predicted rise in the number of adults requiring adult social care is likely to result in an increased demand for carer assessments and carer services.

This bid uses estimated growth rates from the Department of Health sponsored systems 'Projecting Adult Needs and Service Information' (PANSI) and 'Projecting Older People Population Information' (POPPI) systems. These systems combine population projections with benefits data and research on expected prevalence rates to produce projections of the likely future demand on social care and health services. Projections from POPPI and PANSI for previous years have proven to be reasonably accurate and we are satisfied that these are the most robust figures available for calculating projections of future growth.

1. RISKS AND IMPLICATIONS:

Why is this expenditure inescapable and what are the consequences/ risks if funding is not approved? If it is demanded provide details of the increase in client numbers and the basis of any projections.

Older People

There has been a progressive increase in services provided to older people since 2009/10. Spend on commissioned older people's services has increased by 19.1% over the past five years. Due to the health and demographic factors, demand for adult social care services from older people is predicted to continue to increase between now and 2020. Assuming an annual average growth rate of 3.82%, **growth requirement in 2014/15 for Older People Services is estimated at £704k.**

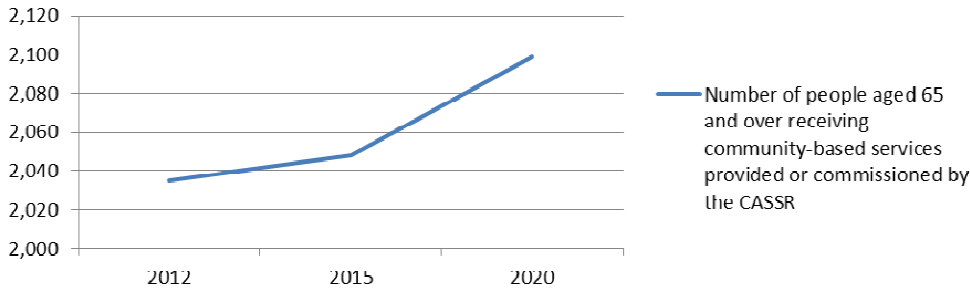
Home care, which is particularly heavily used by older people in Tower Hamlets, is expected to continue to be under growing pressure over the next 8 years. The charts below uses POPPI projections, applied to Tower Hamlets RAP returns from 2008/9-2011/12, to forecast the projected increase in demand for community-based, residential and nursing care services.

The chart below shows the number of older people aged 65 and over predicted to need community-based services between now and 2020.

**COMMITTED / UNAVOIDABLE GROWTH BID
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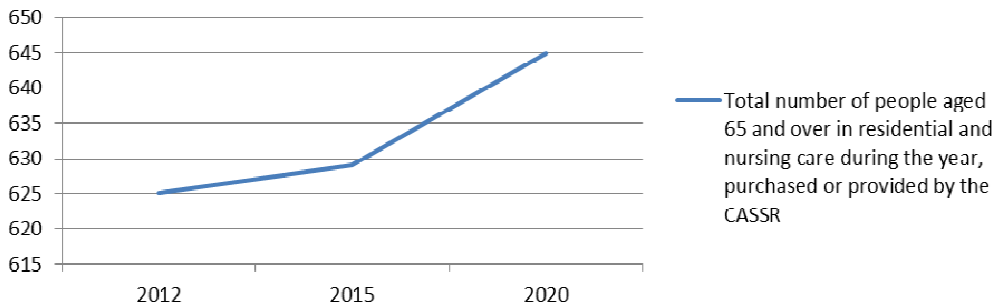
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**Number of people aged 65 and over receiving
community-based services provided or
commissioned by the CASSR**



The chart below shows the number of people aged 65 and over predicted to need residential and nursing care services between now and 2020.

**Total number of people aged 65 and over in
residential and nursing care during the year,
purchased or provided by the CASSR**



Clients with Learning Disabilities

A great deal of national and local research indicates that we can expect a significant increase in demand for support from adult social care for adults with a learning disability over the next five years. However, local evidence suggests that this may be at a slow and steady rate, rather than the relatively high increase rates predicted in 2011.

The Tower Hamlets JSNA used Emerson and Hatton's prevalence estimates for 2011 and 2021 to estimate existing and future numbers of people with severe and moderate learning disabilities in Tower Hamlets. The table below shows the estimated numbers of people with a severe or moderate learning disability in Tower Hamlets in 2011 and 2021 based on UK prevalence rates adjusted for age groups.

This equates to a 24% increase overall, and an average increase of 2.4% for each year, which indicates an **estimated annual growth requirement of £380k for LD client services.**

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Age range	% in 2011	% in 2021	Number of people in 2011	Number of people in 2021
15-19	0.68%	0.68%	81	98
20-24	0.60%	0.61%	111	116
25-29	0.53%	0.53%	169	174
30-34	0.45%	0.54%	152	190
35-39	0.61%	0.61%	167	189
40-44	0.62%	0.63%	120	170
45-49	0.56%	0.49%	78	126
50-54	0.48%	0.49%	50	80
55-59	0.55%	0.55%	44	66
60-64	0.43%	0.43%	27	38
65-69	0.36%	0.36%	17	24
70-74	0.34%	0.34%	15	17
75-79	0.23%	0.23%	8	8
80+	0.18%	0.18%	9	11
Total			1,049	1,307

Projecting Adult Needs and Services Information (PANSI) uses the same Emerson and Hatton prevalence estimates and Office of National Statistics figures to come up with predictions for adults aged 18 to 64 with a moderate or severe learning disability. It is noticeable that demand is expected to be proportionately higher in Tower Hamlets compared to our neighbours:

The table below shows data from PANSI on people in Tower Hamlets aged 18-64 predicted to have a severe or moderate learning disability and hence be likely to receive services

	2012	2014	2016	2018	2020
Tower Hamlets	1046	1114	1180	1236	1290
Tower Hamlets cumulative % increase	0%	6%	13%	18%	23%
Newham cumulative % increase	0%	3%	6%	8%	10%
Hackney cumulative % increase	0%	2%	5%	7%	9%

Mental Health Clients

Evidence suggests there has been a steady increase in the number of adults who have a mental health problem and who are eligible to receive support from adult social care.

The table below shows that whilst the number of community referrals made to mental health services has decreased, demand has increased in other areas. This includes the number of Mental Health Act assessments, the use of mental health voluntary sector services, and the number of adults aged 18 to 64 years old with mental health as their “primary client group” receiving mental health services from adult social care:

Mental Health Service usage 2008-9 to 2012-13

	2008-9	2009-10	2010-11	2011-12	2012-13
Community referrals	12,764	13,751	13,410	11,234	-
Number of Mental Health Act assessments	427	500	572	564	-
Number of adults 18-64 receiving a mental health service from ASC	-	-	538	643	682

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The number of adults aged 18 to 64 years old with mental health as their “primary client group” receiving mental health services from adult social care has increased by 19% between 2010-11 and 2011-12 and then 6% between 2011-12 and 2012-13, a total of 27% in the last three years, equating to an average annual increase of 9%.

However, Projecting Adult Needs and Services Information (PANSI) has a number of future predictions for mental health prevalence rates amongst working-age adults in Tower Hamlets. This information is categorised according to mental health condition, and does not give an indication as to who might be eligible for adult social care.

PANSI predictions for Tower Hamlets – Number of adults aged 18-64 with a common mental disorder 2012-16

	2012	2014	2016
Number of adults 18-64 with a common mental disorder	30,461	32,295	33,888

This shows a 6% increase between 2012 and 2014, and a 5% increase between 2014 and 2016. There is an average annual increase of 3%.

Thus the real growth requirement within MH services is likely to be between 3%-9%. On the basis that the 9% based on LBTH average is likely to be skewed by the 19% in 2011-12, it has been assumed that the PANSI rate of 3% may represent a more realistic, steady state estimate. A 3% increase in demand for MH services is likely to lead to **growth requirement of £190k per annum**.

Clients with Physical Disabilities

Projecting Adult Needs and Services Information (PANSI) has a number of future predictions for physical disability and sensory impairment prevalence rates amongst working-age adults in Tower Hamlets. This information is categorised according to health condition, and does not give an indication as to who might be eligible for adult social care. The below table is therefore intended for illustration purposes only:

PANSI predictions for Tower Hamlets – Number of adults aged 18-64 with a moderate or severe physical disability 2012-16

	2012	2014	2016
Number of adults 18-64 with a moderate physical disability	11,302	12,011	12,716
Number of adults 18-64 with a severe physical disability	2708	2886	3088
Total	14,010	14,897	15,804

This shows a 6% increase between 2012 and 2014, and a 6% increase between 2014 and 2016. There is an average annual increase of 3%.

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In contrast, Tower Hamlets local evidence suggests that there has been no increase in demand in the number of working-age adults who have a physical disability or sensory impairment and who are eligible to receive support from adult social care. There are no strong indications from past trends that suggest we can expect an increased demand in future.

However, in light of the PANSI predictions for Tower hamlets and the fact that care package costs for PD clients can be very high, a prudent 1% provision for growth is recommended. This would equate to an **annual growth requirement of £139k for PD client services.**

2 | VALUE FOR MONEY/EFFICIENCY

Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/inspection judgements

The amounts required for growth is intended to pay for homecare, day care, meals, direct payments and residential and nursing care services.

Commissioning arrangements are regularly reviewed to ensure rates paid by Tower Hamlets are competitive and represent value for money. However, as most contracts now contain a requirement to pay the London living wage to staff directly providing services, this is likely to impact on the competitiveness of rates paid by Tower Hamlets compared to other local authorities.

There has been a more dramatic increase in the number of adults with a learning disability receiving home care, day care and direct payments. However, the average cost of a care package has reduced over the last three years. This may be partially explained by the overall decrease in the number of adults in long-term residential or nursing care placements as more clients are offered cheaper, more flexible customer centred supported accommodation options. Efficiency initiatives such as the 2012 domiciliary care retender may also have contributed to keeping costs down.

Framework-I commissioning budget report on the average care package cost over the last three years for adults with a learning disability indicates that the average of care packages have reduced by over 1%.

Year	Average cost of care package (per person)
2010/11	£37,150
2011/12	£39,605
2012/13	£36,772

Compared to other London authorities, we are a low user of institutional care as we seek to offer choice to our service users and focus on them maximising their independence in their community.

The development of extra care sheltered housing (ECSH) as an alternative to institutional care, at an average annual cost of £9,676 per service user against £28,600 per institutional placement, is another efficiency driver. There are now six ECSH schemes in Tower Hamlets, providing 161 apartments for rent. This includes two new ECSH schemes opened in the borough in 2012 providing 57 additional flats.

Day Services across all client groups are currently being reviewed with a view to delivering further efficiencies and the success of these initiatives will help manage demand and reduce costs.

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2013/14- 2016/17**

Item Ref. No:
GRO/ESCW/02/14

TITLE OF ITEM:	Home – School Travel		
DIRECTORATE:	Education Social Care and Wellbeing		
SERVICE AREA:	G78 Pupil Support	LEAD OFFICER:	Terry Bryan

FINANCIAL INFORMATION:

	Contingency / Budget allocation	Bid (Base is 2013/14 Budget of £0.910m)		
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Employees (FTE)		0	0	0
Employee Costs		0	0	0
Other Costs	+98	-31	-180	-390
Income		0	0	0
To Reserves				
TOTAL	+98	-31	-180	-390

*Committed growth agreed on an annual basis, therefore future years are included as indicative figures to aid medium term financial planning

DESCRIPTION & JUSTIFICATION

Growth Calculation:

The current budget for home-school travel is £0.910m for direct transport only. The pro-forma for 2013/14 had a higher figure of £0.993m, including associated costs of bus passes and reimbursement of parent's travel costs. The spending 2013/14 is running higher than the budget of £0.910m for this reason.

The figures have been reassessed for the next three year period on the basis of the snapshot of provision in November 2013 and the expected change in numbers at current rates.

The initial rise in spending is based on the existing demand for school places, given that available places do not correlate to the areas where demand is greatest. The LA's commitment to continue the existing transport arrangements for current recipients is being honoured; although under review as per the LA's revised Travel Assistance policy and families are increasingly being offered other forms of travel assistance where possible. Demand for places remains high, but new admissions policies will assist in getting more pupils in local schools. This is a complex situation and uncertainties remain about whether strategies for managing the expected demand will be entirely successful (i.e. whether new school places will be built; whether the new admissions arrangements will promote a better correlation between pupils and places). Therefore it is likely that there may be further demand on local school places and this will impact on the need for travel assistance beyond those identified in this report.

The current number of families being provided with travel assistance is 318 (248 children receiving school bus transport and 70 families receiving other forms of assistance such as a Travelcard or bus pass issued to the parent/child) with current annual cost of £0.945m. When considering the different forms of assistance it is important to note that school transport is the only provision where we are able to provide a cost per child. With the other forms of assistance such as a bus pass, whilst the average cost of is £714.75 per year, this is issued to the parent but in effect means that the LA is providing travel assistance for all the eligible children in that family.

Therefore, the addendum to Table 4 provides a further breakdown to indicate the **numbers** of children who are

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receiving each form of travel assistance.

It is projected that by the spring of 2014 the number of children that will require school bus transport will increase by an additional 8 Reception aged children (see table 1), which would increase the total spend to £1.008m for 2013/14. The number of reception children requiring travel assistance will not rise as significantly compared to previous years due to the introduction of the priority catchment areas which has enabled families to access local school places.

Table 1 shows further breakdown of children requiring school places by area and the projected increase is due to the shortage of places in the Isle of Dogs and Poplar area. Evidently, if the Authority is unable to successfully continue its strategy of providing places in the areas where this is most needed; these projections will need be revised and the cost is likely to increase.

Table 1 – Projected number of reception aged children that will require school bus transport by spring 2014

Area	No of Children out of School	Vacancies	Variance
Bethnal Green		24	24
Bow North	1	4	3
Bow South	2	1	-1
Isle of Dogs	5	0	-5
Poplar	4	2	-2
Stepney		6	6
Wapping		6	6
Grand Total	12	43	31

Table 2 summarises the current and revised MTFP position arising from this refreshed analysis.

Table 3: Provides a snapshot of the current unit cost of school bus transport at £17.66 per child per school day. This cost has been determined by applying a formula based on number of children; schools; size and cost of the transport vehicles. (See **Table 3** at the end of this pro forma)

Table 4: Provides a snapshot of the current unit cost per day for the following forms of assistance

- School bus transport
- Travelcard
- Bus pass
- Private Escort
- Refund of Travel Costs
- Direct payment (Petrol)
- Post 16 Bursary

It also provides a breakdown of the other associated cost consisting of reimbursements and salary (See **Table 3** at the end of this pro forma)

Table 5: Estimated number of pupils likely to require Travel Assistance from 2013/14 through to 2016/17 School Year (See **Table 5** at the end of this pro forma)

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Table 2: Projected cost for the next four (financial) years. The total annual cost projection is based on a current average of cost £3461.61 per pupil in receipt of school bus transport, plus £865.85 per pupil/parent in receipt of a school travel card and £714.75 per pupil/parent in receipt of a school bus pass.

Table 2: Four Year Cost Projections

Financial Year	MTFP Profile 2012	Revised Forecast Cost (2013)	Difference from 2012 MTFP Profile	Difference from 2013-14 Budget
2013-14*	£0.910m	£1.008m	£0.098m	£0.098m
2014-15**	£0.890m	£0.879m	-£0.011m	-£0.031m
2015-16**	£0.800 m	£0.730m	-£0.070m	-£0.180m
2016-17**	£0.699m	£0.520m	-£0.179m	-£0.390m

Due to the differences between the financial year and the school year, a yearly forecast will consist of the Summer term of the current school year and the Autumn and Spring term of the following school year, for example:

**Projection for 2013-14 is based on the actual spends for Summer term of the 2012/13 school year (April to August at £359,583) and the projected costs for the Autumn & Spring term of 2013/14 school year.*

***Projection for 2014-17 is based on one thirds of academic year and two third of the next.*

1. RISKS AND IMPLICATIONS:

Why is this expenditure inescapable and what are the consequences/ risks if funding is not approved? If it is demand-led provide details of the increase in client numbers and the basis of any projections.

Projections can be revised, based on the impact of the Council's revised travel assistance policy and the increase in school place provision in areas where there has been a higher demand such as the north east of the borough for example Bonner (Mile End), CET, Woolmore, Canary Wharf College and (possibly) Seven Mills. This expansion will lead to a reduction in the numbers of families having to travel to a school place over 2miles and hence, requiring travel assistance. Furthermore, as a result of the revised policy, the LA is also carrying out a review of all those receiving travel assistance, so it is expected that there will be a further reduction in the overall cost of travel assistance. Although, there may be a subsequent increase in the numbers of families receiving other forms of assistance.

The actual spending for this year has exceeded the projected figures forecasted in 2012 (by 98k) and it is expected that this trend will continue in the next financial year as a result of the Reception aged children requiring assistance as well as the large numbers of children who are arriving in the borough and require school places, which may not be available locally. It is therefore difficult to produce accurate medium term projections.

However, the overall spending is expected to then decrease from 2014/15 as the LA's admission policies continue to improve access to local school places, further school expansion continues in areas with a high demand for school places and the on-going review will also have an impact.

The LA has a **statutory duty** to provide travel assistance (Education Act 1996, Sections 508A, 508B and 508C) and if funding is not approved, then it will mean that families are unable to access school provision and education, especially those that are vulnerable or hard to place and it will mean that the LA is not fulfilling its statutory duty.

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As mentioned earlier in table 3, the revised per pupil cost of £3461.61 on school bus is 15% higher than the rate of £2950.18 per pupil determined for 2012/13. The average cost of travel pass is £865.85 per pupil and £714.75 per pupil for school bus pass.

2 | VALUE FOR MONEY/EFFICIENCY

Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/ inspection judgements

It would ideally be better value for money if school places were available in the right parts of the borough and such journeys were not required at all.

The introduction of the priority catchment areas is expected to reduce the need for this support, but this will only happen over time.

Furthermore, the revised travel assistance policy has meant that a growing proportion of the families receiving travel assistance are now being provided with forms of assistance other than school transport which are much more cost effective. In all instances of applications for travel assistance, the LA seeks to provide the most appropriate and cost effective form of assistance.

The travel assistance review will also ensure that value for money principles are taken into consideration when continuing with any forms of travel assistance.

Spending money on school transport continues to be the largest expense of the Transport budget and whilst this may be considered a generous arrangement, this is under review and needs to be managed and balanced in association with the adverse impact on children, families and schools. Furthermore, the withdrawal/cancellation of school transport for any family is subject to an appeal process during which provision must continue so any change in the costs will not be immediate.

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2013/14- 2016/17**

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Table 3 – Snapshot of school bus transport recipients (November 2013)

School	Number Children	Number of Vehicles	Cost per Day	Estimated Annual Cost (196 school days)	Average cost per child per day
Bangabandhu	2	1	£ 64.00	£ 12,544.00	£ 32.00
Bangabandhu	5	1	£ 88.00	£ 17,248.00	£ 17.60
Ben Johnson	4	1	£ 88.00	£ 17,248.00	£ 22.00
Canon Barnett	6	1	£ 152.00	£ 29,792.00	£ 25.33
Canon Barnett	24	2	£ 172.00	£ 67,424.00	£ 14.33
Cayley School	2	1	£ 64.00	£ 12,544.00	£ 32.00
Christ Church	5	1	£ 88.00	£ 17,248.00	£ 17.60
Christ Church	7	1	£ 152.00	£ 29,792.00	£ 21.71
Christ Church	24	2	£ 172.00	£ 67,424.00	£ 14.33
Columbia	2	1	£ 64.00	£ 12,544.00	£ 32.00
Elizabeth Selby / Lawdale	12	1	£ 172.00	£ 33,712.00	£ 14.33
Globe	3	1	£ 64.00	£ 12,544.00	£ 21.33
Hague	1	1	£ 64.00	£ 12,544.00	£ 64.00
Harry Gosling	11	1	£ 172.00	£ 33,712.00	£ 15.64
Hermitage	6	1	£ 152.00	£ 29,792.00	£ 25.33
Hermitage	12	1	£ 172.00	£ 33,712.00	£ 14.33
John Scurr	4	1	£ 88.00	£ 17,248.00	£ 22.00
Manorfield / Lansbury Lawrence	4	1	£ 88.00	£ 17,248.00	£ 22.00
Malmesbury/ Bonner	3	1	£ 64.00	£ 12,544.00	£ 21.33
Mowlem	1	1	£ 64.00	£ 12,544.00	£ 64.00
Osmani	13	1	£ 172.00	£ 33,712.00	£ 13.23
Shapla	2	1	£ 64.00	£ 12,544.00	£ 32.00
Smithy School	3	1	£ 64.00	£ 12,544.00	£ 21.33
Smithy School	4	1	£ 88.00	£ 17,248.00	£ 22.00
St Anne's / St John's	3	1	£ 64.00	£ 12,544.00	£ 21.33
Globe / St John's	3	1	£ 64.00	£ 12,544.00	£ 21.33
St Matthias	3	1	£ 64.00	£ 12,544.00	£ 21.33
St Matthias	10	1	£ 172.00	£ 33,712.00	£ 17.20
St Pauls Whitechapel	5	1	£ 88.00	£ 17,248.00	£ 17.60
St Peter's	1	1	£ 64.00	£ 12,544.00	£ 64.00
Stewart Headlam	5	1	£ 88.00	£ 17,248.00	£ 17.60
Stewart Headlam	12	1	£ 172.00	£ 33,712.00	£ 14.33
Thomas Buxton	7	1	£ 152.00	£ 29,792.00	£ 21.71
Thomas Buxton	26	2	£ 172.00	£ 67,424.00	£ 13.23
William Davis	13	1	£ 172.00	£ 33,712.00	£ 13.23
Total	248	38	£ 3,864.00	£ 858,480.00	£ 17.66

** Schools may be listed more than once, due to the different costs associated to the size of the vehicle.

Average Cost per Pupil - £3461.61

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Table 4 – Snapshot of Travel Assistance Recipients (November 2013)

Form of assistance	Number*	Cost per Day (Adult/Child)	Cost per Term (Adult/Child)	Estimated Annual Cost per Adult/Child (196 school days)	Projected Total Spend on Provision
School transport	248	£ 17.66	£ 1,324.60	£ 3,461.61	£ 858,480.00
Bus Pass *	45	£ 3.65	£ 273.50	£ 714.75	£ 32,163.60
Travel card (Child & Adult) *	16	£ 4.42	£ 331.32	£ 865.85	£ 13,853.59
Private Escort *	2	£ 35.00	£ 2,625.00	£ 5,250.00	£ 5,250.00
Refund of Travel Costs *	4	£ 2.20	£ 165.00	£ 431.20	£ 1,724.80
Direct payment (Petrol) *	1	£ 1.50	£ 112.50	£ 294.00	£ 294.00
Post 16 Bursary	2	£ 1.33	£ 100.00	£ 300.00	£ 300.00
Total	318	£ 64.43	£ 4,931.92	£ 11,017.41	£ 912,065.99
Other Costs (Reimbursement)	n/a	n/a	n/a	£ 500.00	£ 500.00
Salary	1	£ 165.51	£ 12,413.08	£ 32,439.52	£ 32,439.52
Total	1	£ 165.51	£ 12,413.08	£ 32,939.52	£ 32,939.52
Total Cost of LA's Travel Assistance Policy					£ 945,005.51

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*Please note that these figures represent the number of families receiving this form of assistance and not the number of children. See table below for a further breakdown

Form of Assistance	Number of Families	Number of Children	As % of total No of children receiving travel assistance
School transport	248	248	71.47%
Bus Pass	45	67	19.31%
Travel card (Child & Adult)	16	20	5.76%
Private Escort	2	3	0.86%
Refund of Travel Costs	4	6	1.73%
Direct payment (Petrol)	1	1	0.29%
Post 16 Bursary	2	2	0.58%
Total Travel Assistance	318	347	100%

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Table 5: Estimated number of pupils likely to require Travel Assistance from 2013/14 through to 2016/17 School Year

Year Group	Snapshot - November 2013				2013/14 (1st Apr - 31st Mar)				2014/15 (1st Apr - 31st Mar)				2015/16 (1st Apr - 31st Mar)				2016/17 (1st Apr - 31st Mar)			
	Bus Transport	Travel Card	Bus Pass	Total Receiving Transport	Bus Transport	Travel Card	Bus Pass	Total Receiving Transport	Bus Transport	Travel Card	Bus Pass	Total Receiving Transport	Bus Transport	Travel Card	Bus Pass	Total Receiving Transport	Bus Transport	Travel Card	Bus Pass	Total Receiving Transport
Year 6 Pupils - 1 term from previous academic year					10	1		11	13	1	1	15	14	2	2	18	22	1	2	25
Reception	6	1	3	10	14	1	3	18	0	0	0	0	0	0	0	0	0	0	0	0
Year 1	16	3	14	33	16	3	14	33	14	1	3	18	0	0	0	0	0	0	0	0
Year 2	25	2	3	30	25	2	3	30	16	3	14	33	14	1	3	18	0	0	0	0
Year 3	52	2	13	67	52	2	13	67	25	2	3	30	16	3	14	33	14	1	3	18
Year 4	67	2	5	74	67	2	5	74	52	2	13	67	25	2	3	30	16	3	14	33
Year 5	43	2	4	49	43	2	4	49	67	2	5	74	52	2	13	67	25	2	3	30
Year 6	39	2	3	44	39	2	3	44	43	2	4	49	67	2	5	74	52	2	13	67
Year 10		1		1		1		1												
Year 11		1		1		1		1		1		1								
Total	248	16	45	309	266	17	45	328	230	14	43	287	188	12	40	240	129	9	35	173
Total Cost	£ 858,480.00	£ 13,853.59	£ 32,163.60	£ 904,497.19	£ 920,789.03	£ 14,719.44	£ 32,163.60	£ 967,672.08	£ 796,170.97	£ 12,121.89	£ 30,734.11	£ 839,026.97	£ 650,783.23	£ 10,390.20	£ 28,589.87	£ 689,763.29	£ 447,701.94	£ 7,504.03	£ 24,777.88	£ 479,983.85
Other Form of Assistance	£ 2,522.93	£ 2,522.93	£ 2,522.93	£ 7,568.80	£ 2,522.93	£ 2,522.93	£ 2,522.93	£ 7,568.80	£ 2,522.93	£ 2,522.93	£ 2,522.93	£ 7,568.80	£ 2,522.93	£ 2,522.93	£ 2,522.93	£ 7,568.80	£ 2,522.93	£ 2,522.93	£ 2,522.93	£ 7,568.80
Other Costs (Reimbursement & Salary)	£ 10,979.84	£ 10,979.84	£ 10,979.84	£ 32,939.52	£ 10,979.84	£ 10,979.84	£ 10,979.84	£ 32,939.52	£ 10,979.84	£ 10,979.84	£ 10,979.84	£ 32,939.52	£ 10,979.84	£ 10,979.84	£ 10,979.84	£ 32,939.52	£ 10,979.84	£ 10,979.84	£ 10,979.84	£ 32,939.52
Total Projection				£ 945,005.51				£ 1,008,180.40				£ 879,535.29				£ 730,271.61				£ 520,492.17
Cost per term (Three terms)	£ 290,660.92	£ 9,118.79	£ 15,222.12	£ 315,001.84	£ 311,430.60	£ 9,407.41	£ 15,222.12	£ 336,060.13	£ 269,891.25	£ 8,541.56	£ 14,745.63	£ 293,178.43	£ 221,428.67	£ 7,964.32	£ 14,030.88	£ 243,423.87	£ 153,734.90	£ 7,002.27	£ 12,760.22	£ 173,497.39

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

Item Ref. No:
GRO/ESCW/03/14

TITLE OF ITEM:	Discretionary Awards Post 16		
DIRECTORATE:	Children, Schools and Families		
SERVICE AREA:	G26 School Improvement Secondary	LEAD OFFICER:	Di Warne

	Contingency / Budget allocation	Bid (Base is 2013/14 Budget)		
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Employees (FTE)				
Employee Costs				
Other Costs	410	-138	-272	
Income				
To Reserves	-410	+138	+272	
TOTAL	0	0	0	

*Committed growth agreed on an annual basis, therefore future years are included as indicative figures to aid medium term financial planning

DESCRIPTION & JUSTIFICATION

Growth Calculation: In May 2013, Cabinet agreed to extend the Mayor's Educational Allowance from its original planned two academic year duration for a third year. This takes the initiative through to the summer term of 2014 and into 2014/15 financial year.
The costs are on the basis of the estimated take-up for 2 payments of £200 per academic year, plus £40k admin per year as set out below.

Financial year	2011/12	2012/13		2013/14		2014/15		Total
Year	Jan-12 Actual 11/12 ay	Apr-12 Actual 11/12 ay	Jan-13 Provisional 12/13 ay	Apr-13 Estimated 12/13 ay	Jan-14 Estimated 13/14 ay	Apr-14 Estimated 13/14 ay	Jan-15 Estimated	
Total eligible	650	889	1,050	1,050	1,750	1,750		
Admin cost	£0.020m	£0.020m	£0.020m	£0.020m	£0.020m	£0.020m		
Total cost (ie eligible x £200 per instalment)	£0.150m	£0.198m	£0.230m	£0.230m	£0.350m	£0.350m		
Revised Financial Year cost	£0.150m	£0.428m		£0.502m		£0.272m		£1.352m

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

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1.	RISKS AND IMPLICATIONS:
Why is this expenditure inescapable and what are the consequences/ risks if funding is not approved? If it is demand-led provide details of the increase in client numbers and the basis of any projections.	
<p>Educational attainment has risen to above national averages at GCSE. Improvements at post 16 have reached national norms. The reduction in the government's funding support post-16 will have a further detrimental effect on the ability of young people to remain in education. Without Discretionary Funding students from low income families struggle to support their needs for basic subsistence, travel, and ability to purchase learning materials and specialist equipment.</p> <p>Educational improvement at all levels and the ability to secure employment in the future is a Strategic Priority</p> <p>The decision of central government to end the EMA scheme and replace it with a targeted support scheme will have a serious financial impact on students in school sixth forms and FE colleges who could have expected an EMA of £30 per week in the 2011/12 academic year.</p> <p>Transitional arrangements have been put into place by the Young Peoples Learning Agency (YPLA) to compensate students who received an EMA in 2009/10 of any value or an EMA of £30 in the 2010/11 academic. These students will continue to receive a weekly payment in lieu of their EMA, but this ceases from the start of academic year 2012/13.</p> <p>On the financial risks, the costs are driven by the numbers of eligible students. Overall numbers of eligible students cannot be guaranteed from year to year. Original estimates of eligible students have proven to be too generous in the first year. Improvements or changes to the attendance criteria (95%) would mean that many more individuals would be eligible for payment.</p>	
2	VALUE FOR MONEY/EFFICIENCY
Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/ inspection judgements	
<p>The 16-19 FE Award would be a grant scheme aimed at long term residents of Tower Hamlets who would have received a £30 EMA if the scheme had continued and who are not eligible for a weekly payment under the YPLA's transitional arrangements for continuing students.</p> <p>Students would be required to be settled in the UK/EEA and to have lived in Tower Hamlets for three years before the start of the course.</p> <p>The 16-19 FE Award will only be considered where a student's household income is less than £20,871 in the 2010/11 financial year.</p> <p>The award will consist of two payments of £200 paid to the student in the Spring and Summer terms. The supposition is that students will receive any YPLA support they are entitled to in the Autumn term.</p> <p>The release of payments will be triggered by a positive indication from a school or college that a student has reached accepted levels of attendance, and progress towards their targets.</p>	

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

Item Ref. No:
GRO/CLC/01/14

TITLE OF ITEM:	Freedom Pass		
DIRECTORATE:	Communities, Localities and Culture		
SERVICE AREA:	Public Realm	LEAD OFFICER: Jamie Blake	

	Contingency / Budget allocation	Bid (Base is 2013/14 Budget)		
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Employees (FTE)				
Employee Costs				
Other Costs	8,402	563	570	573
Income				
To Reserves				
TOTAL	8,402	563	570	573

*Committed growth agreed on an annual basis, therefore future years are included as indicative figures to aid medium term financial planning

DESCRIPTION & JUSTIFICATION

The Freedom Pass scheme provides free travel on public transport for pass holders over 60 and registered as disabled throughout London. The scheme is administered by London Councils and decisions on apportioning the costs of the scheme between boroughs are made by Members of London Councils' Transport & Environment Committee.

London Councils manage the negotiation of the Freedom Pass settlement with TfL and the allocation process between all the London Boroughs of their respective budget contributions to TfL. The methodology for this is as follows :-

1. TfL state the overall Freedom Pass cost for London
2. London Councils receive a DfT grant towards Freedom Passes (about 11% of total cost)
3. The DfT grant is then deducted from the total cost to calculate the deficit remaining

London Councils has in the past apportioned the deficit to boroughs based on usage data (bus and underground) in proportion to Relative Needs Formula.

On 12th December 2013 London Councils' Transport & Environment Committee are due to discuss a revised method of apportionment that will move away from the 'Relative Needs Formula' to one based wholly on usage.

The schedule produced by London Councils shows that the re-based contribution required by LBTH in 2014/15 will be £ 8.965m, an increase of £ 0.563m on the 2013/14 figure. The figures currently model the impact of population growth on freedom pass usage to determine contributions by local authorities over the next three years. The figure for 2015/16 and 2016/17 are indicative and based on London Councils' current information.

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Growth Calculation:

Calculations are based on the schedule of contributions provided by London Councils which reflect the factors highlighted in the section above. In addition future years growth bids incorporate inflation at a rate of 2.5%.

1. RISKS AND IMPLICATIONS:

Why is this expenditure inescapable and what are the consequences/ risks if funding is not approved? If it is demanded provide details of the increase in client numbers and the basis of any projections.

The Council is bound to pay a contribution to the Freedom Pass scheme and may not legally withdraw from the scheme. The apportionment methodology is determined by the Boroughs working through London Councils.

An indicative settlement was received by the Authority on 25th November 2013 indicating that the Authority's 2014/15 contribution will be £ 9.021m (based on a 1% fare increase above RPI (3.1%). However, more recent correspondence from London Councils states that a decision is expected to be made by the Mayor of London (early in December) that proposes a 0% increase on fares, which will then bring LBTH's contribution in line with the level used in this bid.

Other work currently being undertaken on demographic and social changes within the Borough indicate that the Authority has an increasing population which may mean an increased demand for freedom passes. It should be noted therefore that further re-basing exercises undertaken by London Councils moving away from RNF to usage could mean that the Authority's contributions will again rise (comparative to other local authorities) in future years.

Inflation is not incorporated into the London Councils' base figures. For the purpose of the current growth bid LBTH's own inflation figure of 2.5% has been used – especially given that London Councils are stating RPI at 3.1%. Should actual inflation be higher or lower than the 2.5% figure then the requirement will change.

2 VALUE FOR MONEY/EFFICIENCY

Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/inspection judgements

The Authority has no individual control over the amount of money levied upon it to fund the Freedom Pass scheme. Arguably the Freedom Pass scheme represents value for money in offering enhanced mobility to traditionally less mobile members of the community and enhances sustainable travel by encouraging the use of public transport.

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

Item Ref. No:
GRO/CLC/02/14

TITLE OF ITEM: Waste Collection and Treatment

DIRECTORATE: Communities, Localities and Culture

SERVICE AREA: Public Realm

LEAD OFFICER:
Jamie Blake

FINANCIAL INFORMATION:

	Contingency / Budget allocation	Bid (Base is 2013/14 Budget)		
		2013/14 £'000	2014/15 £'000	2015/16 £'000
Employees (FTE)				
Employee Costs				
Other Costs	15,045	465	1,425	337
Income				
To Reserves				
TOTAL	15,045	465	1,425	337

*Committed growth agreed on an annual basis, therefore future years are included as indicative figures to aid medium term financial planning

DESCRIPTION & JUSTIFICATION

In the 3 year period 2014/15 to 2016/17 waste collection and treatments costs will increase due to growth in the quantity of Municipal Waste brought about by the economic recovery gaining momentum along with the anticipated growth in the housing stock within the borough (and associated growth in the population).The details are set out below:

Growth in Waste Treatment and Disposal Costs

The Council currently has contracts in place for the treatment and disposal of waste and recyclable materials that utilise spare operating capacity at existing waste facilities within and around London. The Council's residual Municipal Waste and Other wastes (organic and healthcare waste) are managed through a contract with Veolia, which will run until 2017.

The sorting of the Council's dry recyclable material is managed through a contract with Viridor which will run until the end of January 2015.

These services are charged on a unit rate basis per tonne of waste treated or disposed of.

The budget provision for 2013/14 has been calculated on the basis of the quantity of waste that is to be treated and disposed of during 2013/14.

There are two main factors that influence the quantity of Municipal Waste generation, economic prosperity and growth in the housing stock within an area. The economic recovery has already started to influence increases in waste generation in Tower Hamlets and will continue to do so as the economy recovers further and GDP rises over the coming years.

In relation to housing stock growth, the 2011 Census data and Tower Hamlets Planning for

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Population Growth Model indicate that in the 10 year period from 2011 to 2021, the number of housing units within the borough will increase by 32%. This increase, and associated population growth, will add to the waste growth brought about by the economic recovery. As a result, additional budget provision will be required to manage the increasing tonnages of Municipal Waste produced.

Set out below is a breakdown of the cost elements for these 3 main fractions of the Municipal Waste:

Municipal Residual Waste:

The estimated tonnage of residual waste in 2013/14 is 89,518 tonnes

Year	Estimated Residual Waste Growth (Tonnes)	Cost per Tonne (£)	Cost of Growth (£)
2014/15	2864	£102	£292,128
2015/16	2956	£104	£307,424
2016/17	3050	£106	£323,300

Dry Recycling:

In 2011/12 the Council was paying £19 per tonne for the dry recycling to be processed. A new contract commenced in Feb 2012 through which the Council has received an income for the dry recycling. The contract will expire on 31st January 2015 at which time it is expected that the Council will again be required to pay for the processing of the recycling.

Year	Tonnage	Cost per Tonne (£)	Cost of Growth (£)
2014/15 (Feb and March)	2000	£83	£166,500
2015/16 (includes 3.2% waste growth)	10382	£83	£861,706
2016/17 (growth on previous year only)	396	£19	£7,528

Other Wastes (Organic wastes and healthcare waste):

Year	Tonnage (combined)	Cost of Growth (£)
2014/15	65.5	£6150
2015/16	67.6	£6478
2016/17	69	£6737

Additional Cost of Waste Collection

From 2015/16 the increase in the quantity of municipal waste requiring collection will be greater than the capacity provided by the existing collection arrangements. In order for the Council to continue to discharge its statutory obligations as a waste collection authority it will be necessary to implement an additional collection round (vehicle and labour).

1 x additional collection round £250,000

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Growth Calculation: [Use this box to illustrate the empirical assumptions built into this bid and how they relate to historic/ developing trends]

A number of assumptions have been made in calculating the funding required:

- that the Council's expectation of having zero waste direct to landfill from 2014/15, incurring no additional costs for the increase in Landfill Tax, will be realised
- the additional residual waste will be managed through Veolia waste treatment facilities
- that the growth in the number of housing units and the economic recovery will be linear and thus the growth in Municipal Waste will also be linear (the anticipated 3.2% growth is consistent with the level of waste growth that is being experienced in 2013/14).
- it is known that the markets for recyclable materials have dropped significantly since the Council current MRF contract was put in place and that Local Authorities are once again being charged a processing fee for dry recyclable materials.
- that the gate fee price for processing the Council's dry recycling upon the expiry of the current contract will be at a no higher price than was previously being paid (£19 per tonne)

1. RISKS AND IMPLICATIONS:

Why is this expenditure inescapable and what are the consequences/ risks if funding is not approved? If it is demand-led provide details of the increase in client numbers and the basis of any projections.

The Council has a statutory obligation to treat and dispose of the Municipal Waste that is generated within the borough and the quantity of Municipal Waste will increase year on year with the growth in the number of housing units and associated population increase. Because the services for waste treatment and disposal are charged for on a per tonne basis the cost associated with the growth in the quantity of Municipal Waste is inescapable.

There are a number of variables that could have an impact on the waste treatment and disposal budget:

- the scale of the economic recovery increases the average amount of waste produced per property beyond the level that has been anticipated for the calculations
- that Veolia owned waste treatment facilities do not have sufficient spare capacity to accommodate the additional waste and Veolia need to seek alternative 3rd party facilities at a higher gate fee price.
- the gate fee for processing the Council's dry recycling may be high than the £19 per tonne used in the growth estimate. Processing costs will be influenced by increases in labour, fuel and utility costs.
- the Council continuing to use landfill from 2014/15 incurring additional costs for landfill tax.

2 VALUE FOR MONEY/EFFICIENCY

Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/ inspection judgements

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The Council has made significant strides in mitigating the costs of waste treatment and disposal by diverting waste from landfill disposal to other forms of waste treatment and reducing exposure to the increases in Landfill Tax with the cost per tonne for alternative treatment in 2014/15 being £102 per tonne. The current equivalent per tonne cost for residual waste to landfill (including Landfill Tax) within the Veolia contract is £153.50. This would rise to £161.50 in 2014/15 with the additional £8 per tonne increase in Landfill Tax.

In addition, the Council's contracts for waste treatment and disposal services have been procured through open competition under OJEU and through partnership working with the Council's contractors competitive gate fee prices have been secured at a range of existing waste treatment facilities within and around London.

The predicted growth in the number of housing units within the borough and the associated growth in population will however lead to a growth in the amount of Municipal Waste that will be generated within the borough, the additional cost of which will be inescapable

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

Item Ref. No:
GRO/D&R/01/14

TITLE OF ITEM:	Carbon Reduction Commitment Energy Efficiency Scheme		
DIRECTORATE:	Development and Renewal		
SERVICE AREA:	Energy Services	LEAD OFFICER:	Sian Pipe

FINANCIAL INFORMATION:

	Contingency / Budget allocation	Bid (Base is 2013/14 Budget)		
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
LBTH Buildings	Nil (See note below)	121	157	204
Street Lighting	n/a	80	104	135
TOTAL	Nil	201	261	339

*Committed growth agreed on an annual basis, therefore future years are included as indicative figures to aid medium term financial planning

Note: The current year costs are being met from Corporate Reserves but there is no on-going budgetary provision.

DESCRIPTION & JUSTIFICATION

Growth Calculation:

The CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment) is a mandatory carbon emissions reporting and pricing scheme to cover all organisations in the UK using more than 6,000MWh per year of electricity.

The scheme requires participants to buy allowances for every tonne of carbon they emit (relating to electricity and gas), as reported under the scheme.

Participants are required to buy allowances from Government each year to cover their reported emissions. This means that organisations that decrease their emissions can lower their costs under the CRC.

Carbon tax for the Carbon Reduction Commitment is set by the Treasury. It was capped at £12 per tonne in phase 1 of the scheme, with the Government now raising the tax to £15.60 per tonne for the second phase from 2014/15. There has been no announcement of future costs for 2015/16 onwards but it has been assumed that the annual increase may be 30% in line with the European carbon market.

The Council's total liability for 2013-14 is £358,000, however this includes state funded schools. These

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

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will no longer be included within the scheme from April 2014, so this growth bid solely relates to the anticipated liability falling on the Council.

Liability for the Council buildings is estimated at £121,000 in 2014-15, however there is a possibility that both dynamic and passive electricity supplies will be included in phase 2 of the scheme. If so, this will include the borough's street lighting. An initial provision of £80,000 has therefore been included in 2014/15 for the street lighting element.

1. RISKS AND IMPLICATIONS:

Why is this expenditure inescapable and what are the consequences/ risks if funding is not approved? If it is demanded provide details of the increase in client numbers and the basis of any projections.

The tax is mandatory; failure to pay will result in major penalties both civil and criminal.

It is impossible to determine the exact amount of tax as the consumption of sites varies during the compliance year. The amount of tax can only be calculated once the annual consumption figures have been received (end of May each year).

Site numbers and occupation will affect the amount of tax paid, reduction or the increase of registered sites needs to be considered along with carbon reduction measures and ongoing energy efficiency.

2 VALUE FOR MONEY/EFFICIENCY

Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/ inspection judgements

There is no alternative to the CRC.

Savings can be made by introducing effective energy efficiency and carbon reduction measures.

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

Item Ref. No:
GRO/RES/01/14

TITLE OF ITEM: Pension Fund Auto-Enrolment

DIRECTORATE: Resources

SERVICE AREA: Corporate Finance

LEAD OFFICER: Paul Thorogood

FINANCIAL INFORMATION:

	Contingency / Budget allocation	Bid (Base is 2013/14 Budget)			
		2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Employees (FTE)					
Employee Costs		21,700	800	0	0
Other Costs					
Income					
To Reserves					
TOTAL		21,700	800	0	0

*Committed growth agreed on an annual basis, therefore future years are included as indicative figures to aid medium term financial planning

DESCRIPTION & JUSTIFICATION

A growth bid of £1.2m was submitted last financial year to fund the anticipated increase in pension related cost as a result of the Council auto-enrolling all staff into the Pension Fund in June 2013. The provision that was made in the budget was based on an overall increase in LGPS participation of 20% (£100k per month = £1.2m annually).

Growth Calculation: The cost will depend upon take-up, estimated as follows;

	100% Take Up (per month)	50% Take Up (per month)	20% Take Up (per month)
LGPS (General Fund)	£515,200	£257,600	£103,040
LGPS (Schools)	£285,800	£142,900	£57,160
Teachers Scheme	£148,700	£74,350	£29,740
Tower Hamlets Homes	£58,600	£29,300	£11,720

Auto-enrolment was duly implemented by the Council on 1 June 2013. The exercise was far more successful than was originally anticipated, so that over 20% of staff have opted to stay in the LGPS after auto-enrolment. Therefore, additional provision is required. The below table sets out details of increase in spend by directorate.

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

Item Ref. No:
GRO/RES/01/14

Directorate	May	October	Monthly Variance	10 Month Impact (Impact on 13-14)	Annual Impact
Chief Executive	103,872.45	108,237.69	4,365.24	43,652.40	52,382.88
Communities Localities and Culture	458,981.92	504,478.76	45,496.84	454,968.40	545,962.08
Development & Renewal	267,395.45	285,076.10	17,680.65	176,806.50	212,167.80
Education Services	39,725.40	44,696.97	4,971.57	49,715.70	59,658.84
Education, Social Care & Wellbeing	1,011,563.84	1,098,376.22	86,812.38	868,123.80	1,041,748.56
Resources	271,112.31	284,843.70	13,731.39	137,313.90	164,776.68
TOTAL	2,152,651.37	2,325,709.44	173,058.07	1,730,580.70	2,076,696.84

It is anticipated that more staff will opt out of the scheme taking the required amount to £2m per annum - £1.2m has already been provided for in the 2013/14 budget on an ongoing basis.

1. RISKS AND IMPLICATIONS:

Why is this expenditure inescapable and what are the consequences/ risks if funding is not approved? If it is demand-led provide details of the increase in client numbers and the basis of any projections.

It is a statutory requirement for the Council to automatically enrol eligible staff in its occupational pension scheme and to make employers contributions in accordance with the scheme for each employee who joins.

2 VALUE FOR MONEY/EFFICIENCY

Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/inspection judgements

The Local Government Pension Scheme remains a high quality occupational scheme and the availability of the scheme is an important staff benefit that attracts applicants for Council jobs and affords a measure of financial security for staff who remain members for a significant period.

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

Item Ref. No:
GRO/RES/02/14

TITLE OF ITEM:	Investment Income		
DIRECTORATE:	Resources		
SERVICE AREA:	Corporate Finance	LEAD OFFICER:	Paul Thorogood

FINANCIAL INFORMATION:				
	Contingency / Budget allocation	Bid (Base is 2013/14 Budget)		
		2013/14 £'000	2014/15 £'000	2015/16 £'000
Employees (FTE)	0			
Employee Costs	0			
Other Costs	0	845	0	0
Income To Reserves	(2,545)			
TOTAL	(2,545)	845	0	0

*Committed growth agreed on an annual basis, therefore future years are included as indicative figures to aid medium term financial planning

DESCRIPTION & JUSTIFICATION
<p>Following the credit crisis, there was a squeeze on credit facilities and a lowering of interest rates to encourage lending which resulted in record low interest rates. The Bank of England (BoE) base rate currently stands at 0.50% compared to a high of 5.75% in July 2007. The BoE lowered the rate to 0.50% in March 2009 and it has been at this level for the past four years and more. The new BoE governor has stated that interest rate will not go up until unemployment rate dips below 7%. Current estimates suggest that this will not happen until early 2016.</p> <p>The Investment Strategy was reviewed in 2011/12 to increase flexibility and allow the Council to maximise returns from government owned banks that were at the time offering rates that were 1% above the average market rate. Savings totalling £495k (£445k in 2012/13 and £150k in 2013/14) were programmed into the budget on the back of these and raised level of cash balances. These preferential rates are no longer available from government owned banks and there has been a further squeeze on interest rates in the money markets since mid-2013.</p> <p>This pressure on interest rates and a projected reduction in cash balances going forward means that the Investment Strategy will not be able to deliver the current budgeted level of income. It is deemed that the current credit criteria set out in the Investment Strategy recommended for approval conforms to CIPFA/CLG guiding principles that prioritises the security and liquidity of cash above returns. The Strategy has been flexed over the past 2 years and it is advised that the credit criteria is relaxed any further so as not to expose the Council to undue risk and potential loss of invested principal amounts.</p> <p>It is projected that the Council will be able to achieve an average return on balances of 0.80% (0.83% year to date in 2013/14; 1.24% in 2012/13) on an average cash balance of £200m in 2014/15.</p>

**COMMITTED / UNAVOIDABLE GROWTH BID
BUDGET 2014/15- 2016/17**

Item Ref. No:
GRO/RES/02/14

1. RISKS AND IMPLICATIONS:

Why is this expenditure inescapable and what are the consequences/ risks if funding is not approved? If it is demand-led provide details of the increase in client numbers and the basis of any projections.

The 2014/15 Investment Strategy that will be approved by Council specifically sets out the credit criteria under which officers are to invest Council's surplus cash balances. Under these criteria and current market conditions it is envisaged that the likely maximum return that will be generated from accumulated surplus cash and reserves is £1.6m. Investing in line with the approved Strategy will result in a budget overspend of £845k if this growth is not approved.

It is anticipated that cash balances and interest invested amounts will average out at £200m and 0.80% respectively giving the projected income of £1.6m

2 VALUE FOR MONEY/EFFICIENCY

Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/inspection judgements

This is an uncontrollable budget pressure that is largely dictated by the Council's Investment Strategy. A more flexible and greater appetite for 'risky' investments could generate additional income, but this must be weighed up against the security of invested cash. Investing in line with approved Strategy will guard against undue risk and prevent potential loss of invested amount.

**GROWTH PROPOSAL – CABINET KEY PRIORITIES
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:
ACC/D&R/01**

Health Sector

The health sector has a higher turnover of staff than other sectors; there is a shortage of trained people to facilitate the business need in several areas of this work. Up-skilling local residents in this area of work will not only provide a skilled and available workforce, it will also prepare for the changes to the health sector provision; for example, to contribute to the recruitment volumes for the health sector contained in the Memorandum of Understanding between the Council and the Bart's and London Trust. The health trust have approximately 1,500 vacancies per year across a spectrum of health and clinical areas of work. It is particularly interested in supporting a more community reflective workforce particularly in the Maternity and early years area and additionally when the *health visiting* service comes back into the council in 2015. This sector in Tower Hamlets currently has a particular staffing shortage in critical services such as Midwifery and Health Visiting, which are essential for supporting early child development. The programme will assist in addressing local workforce to reflect the community objectives as well as impacting on key health indicators which meets the requirements of the funding provision. While participants would have to undertake further basic nursing training before they could move into these roles the programme would play an important role in strengthening our local workforce in these areas in the longer term; and, through working in support roles during their work placements, would increase wider capacity in the short term. There are a number of local voluntary schemes in health and childcare settings (e.g. Maternity Mates and Healthy Families Parent Ambassadors) and this programme would provide a valuable 'stepping stone' from voluntary roles into paid employment.

The programme - Working Start for women in health and childcare

This additional trainee workforce can offer capacity to the existing workforce both internally and externally in the sector and create new job activity for 100 individuals. All these factors have an impact on the unemployment and employment rates for women by focusing on health and early years childcare services, and will contribute towards improving a range of public health and child development indicators (see below).

This programme will potentially impact on health and wellbeing in two ways. Firstly by increasing the incomes, skills and longer term opportunities of the women taking up the new employment opportunities it will have a direct positive impact on the health and well-being of their families. Secondly, by focusing on supporting local people into careers in health and childcare, it will have a wider longer term impact on the health and well-being of the community. The Marmot Review into Health Inequalities identified Pregnancy and Early Years (0-5 years) as a critical period for virtually every aspect of human development, with lifelong effects on health and well-being. By increasing local capacity to support pregnant women, children and families in areas such as early attachment and communication, home based learning, active play and child nutrition we will be able to support healthy physical, emotional, social and cognitive development and contribute towards improving a range of public health and child development indicators, for example: infant mortality, smoking in pregnancy, exclusive breastfeeding rates, child development (2/2.5 years), child obesity in 4-5 year olds, dental decay in 5 year olds, admissions due to unintentional and deliberate injuries (0-5 years) and Early Years Foundation Stage.

Placements will be sought with a range of agencies working with children and families including primary care, Bart's Health NHS Trust (particularly Health Visiting and Midwifery), Children's Centres and the voluntary and community sector.

The programme will introduce a minimum of 100 local unemployed residents into economic activity, thus addressing Community Plan priorities of :

Prosperous Communities :

- Supporting more people into work
- Supporting residents through national welfare reform
- improving educational aspiration and attainment

**GROWTH PROPOSAL – CABINET KEY PRIORITIES
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:
ACC/D&R/01**

A Healthy and Supportive Community

- Reducing overall mortality and the burden of disease
- Promoting healthy lifestyles
- Keeping vulnerable children, adults and families safer, minimising harm and neglect

This economic activity and skills development will address economic strategy objectives of:

- Obj2: Engage those workless residents detached from the labour market and complement the work of the mainstream.
- Obj3: Encourage and support increased aspiration toward engaging with the labour market, particularly for inactive groups.
- Obj4: Ensure economic investment is co-ordinated and focused.
- Obj5: Capture employment opportunities for Tower Hamlets residents within the Borough and wider London labour market through a range of measures including development and procurement opportunities.

Equally investment in the skills sets and labour force of the health and childcare sector will capacity-build teams and organisations that are impacting on the health commitments of:

- Tackling public health inequalities including child nutrition, obesity and dental decay, smoking in pregnancy and at home, emotional health and wellbeing and early cognitive development, Improving access to health and supportive services for all our communities;
- Supporting carers to care safely and improve their health and well-being.

The programme will link to key strategic work across the borough and amongst its' partners including through the:

- Employment Strategy;
- Lifelong learning;
- Health and Wellbeing Strategy and Children and Families Plan with a particular focus on the joint priority of Maternity and Early Years
- Family Wellbeing Model;

Council's Strategic Plan

The programme will generate a Strategic plan activity where progress will be monitored quarterly:

- Develop and implement Women and Health employment programme focusing on the joint priority of Maternity and Early Years'

Working Start for Women in Health and Childcare Programme Delivery

The delivery of the programme will be through the council's current Working Start team within the Economic Development Service in close partnership with Public Health services.

The current Working Start model offers paid placements to young people across all sectors and introduces them to current job opportunities and experience placements, both internally and externally of the council. Working Start currently has over 70% success rate in progressing work experience placements into sustainable employment.

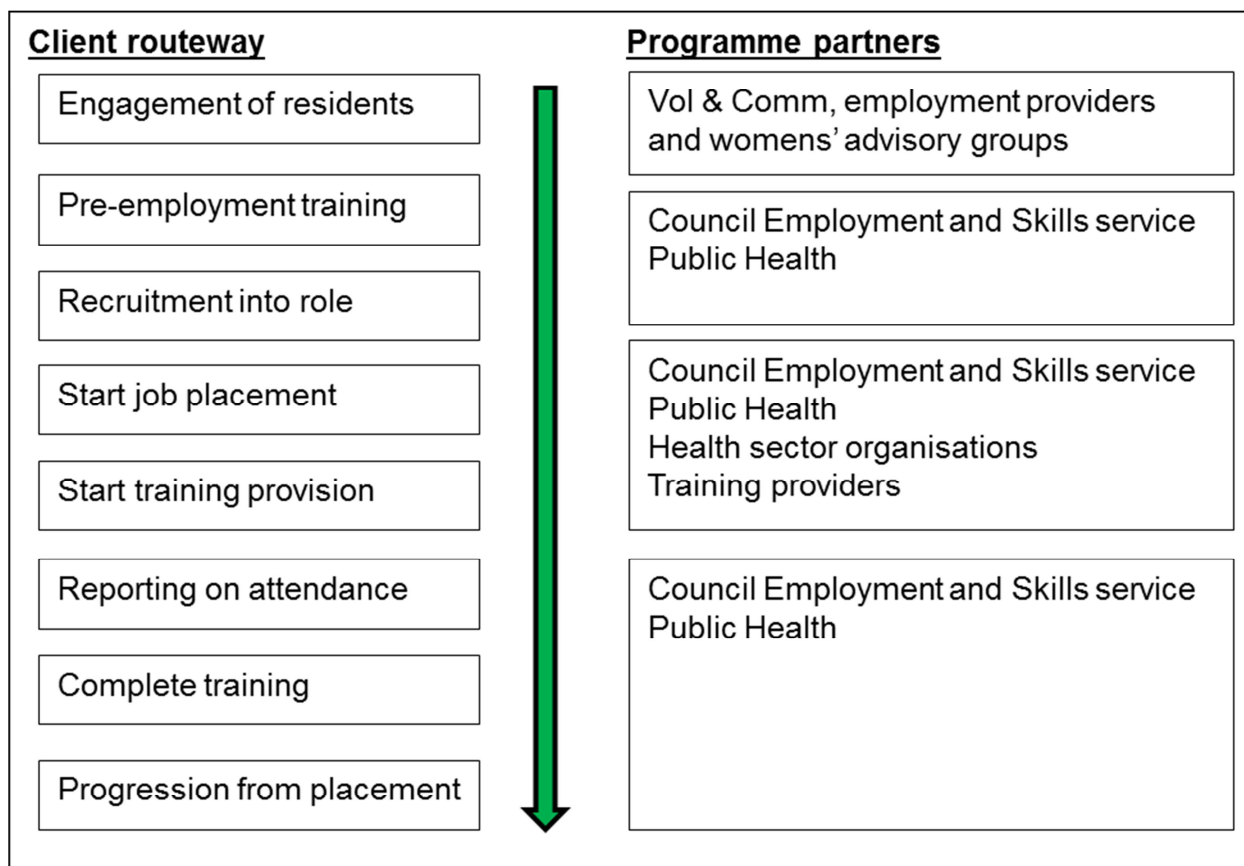
A programme steering group will be introduced immediately to complete the design and implementation of the model consisting of officers from:

- Public Health
- Economic Development
- Workforce Development

**GROWTH PROPOSAL – CABINET KEY PRIORITIES
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:
ACC/D&R/01**

Client Journey through the programme



For a role in the health sector there is a need for specific sector related training and a series of statutory checks to be made for personnel. The programme will engage with around 240 women and, using a sifting and selection process, select 100 women to progress into either a full time or part time placement. Those who are not successful at this stage will be further supported with a personal action plan which will enable them to focus on the next step in looking to upskill and find appropriate employment. The recruitment process will be staged in several phases across a 6 month period between May 2014 and October 2014, which allows for suitable individual learning and skills plans to be developed and sector placements to be identified and prepared. It is expected that the roles will be focused on part time working placements to open up opportunities for those residents who require more flexible arrangements to fulfill their potential.

The lead-in period offers the opportunity for all of these individuals to have all necessary CRB checks and go through a preparation course to ensure they are available and can manage their attendance at the placement and the training course. Training will be accredited toward NVQ level (level 2 or 3) and lead the participants toward the next step for employment in the sector. Individuals may wish to pursue various different avenues within the sector and ongoing assessments of aspirations will take place to maximise the opportunity for sustained progression.

Health organisations and/or teams will be engaged to take the placement participants to learn on-the-job skills and understand the delivery of the organisation in real terms. This will give them real practical experience whilst studying the formal qualifications or certification. The businesses will need to provide suitable support and work planning/supervision arrangements which will be clearly set out and agreed within a 'hosting agreement' with the council.

GROWTH PROPOSAL – CABINET KEY PRIORITIES ONE OFF SPENDING PROPOSALS

Item Ref. No:
ACC/D&R/01

The council will be the lead employer and the programme will monitor the clients' progress through continuous contact with host organisations. Training and delivery of impacts on the health agenda will be monitored through the same process with colleagues from Public Health, working in partnership to design training/placements and monitor activity against key indicators of work.

Approaching the end of the placement, participants will be matched to currently available vacancies in the sector and/or further training to achieve their employment within the specific area of health they have an aspiration to join. There are a wide variety of roles across the health sector including Maternity, Health visiting, Early years, childcare and the opportunities to progress through the Bart's and London Trust vacancies which will place people within a further learning and development environment to achieve a sustainable long term role in the sector. This programme is the entry point for residents into sector and will provide the basis of learning which will act as a prelude and will prepare suitably qualified local residents for the wide variety of jobs available in the health sector from April 2015 and also link to the obligations placed on local providers and contractors in employing local residents as part of the council's procurement policy where skills and experience has previously been a hurdle to achieving these commitments.

Finance

The model will utilise £1.3m in public health funding to design, implement, manage and monitor the programme.

Key elements of the funding profile are highlighted later in this document but will consist of :

- Placement salary
- Programme management
- Training costs
- Personnel checks and client support

Contingency for any additional specialist training and/or additional placements (depending on the full time/part time split in client take-up) can be supported by the existing Working Start project and supplemented if appropriate, by the existing health and social care training provision delivered by the Workforce development team, who can draw down Skills Funding Agency funds external to the council.

IMPACTS

Economic:

A potential decrease of 0.85% in the overall unemployment rate and 2.5% decrease in the unemployment rate for women. (This assumes a static labour market with no other changes and is based on latest statistics).

Health:

Impact on health outcomes for healthier lives - additionality and impact levels cannot be outlined at this time until the specific sectors of work and placements, based on the aspirations of the engaged client group, have been assessed. However it is expected that the placements will impact on areas of work within health and childcare including: General Health and Social Care, Health visiting and Midwifery, Childrens Social Care, Nursing and Child health, Maternity and Midwifery. This focus would be on supporting work with children and families (0-5 years) including early attachment and communication, home based learning and active play, infant feeding and nutrition, accident prevention and minor childhood ailments.

By upskilling and introducing local residents to these roles the programme will assist both the council and the Health Trust to fulfil its objectives of recruiting from the local community and to meet its workforce representing the local customer and community base.

**GROWTH PROPOSAL – CABINET KEY PRIORITIES
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:
ACC/D&R/01**

FINANCIAL INFORMATION:

Please give an indication of financial requirements to deliver the proposed programme. If this will be delivered within existing budgets, please indicate 'nil'.

	Resource requirements	
	2014//2015 £000	2015/2016 £000
	Revenue	
- Public Health reserve	790	510
- General Fund		
- HRA		
Capital		
	790	510

KEY DECISIONS ON MOBILISATION : Please indicate proposed approach to decision making on mobilisation of new initiative

Cabinet Decision (Only required for 2014/15 expenditure proposals and those requiring early decision in order to be implemented in 2015/16).	Y
Add-on to existing service or contract	Y – Add on to adapted 'Working Start' programme budget within D&R Economic Development Service area
Participatory Budgeting exercise	N
Other	Describe: Approval decision for programme discretions required at D&R Spending Review Panel and Corporate Peoples Board for process of placement creation.

**GROWTH PROPOSAL – CABINET KEY PRIORITIES
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:
ACC/D&R/01**

OUTLINE TIMESCALE FOR DELIVERY

Decision and/or resource allocation by:	March 2014
Mobilisation – initiative underway by:	April 2014
Key delivery milestones	
By June 2014	Appointment of programme manager and administrative officer
By June 2014	First intake of placements recruited (Job ready clients)
By January 2015	100 placements started
By January 2015	100 training courses started
July 14 – Dec 15	Ongoing monitoring of client progress
By Jan 2016	Close of programme

DELIVERY RISKS Please indicate any risks which may delay or prevent delivery and mitigating measures to be taken

Risk identified	Mitigating action
Insufficient numbers of suitable women in the targeted group to reach the placement numbers	Wide marketing of the opportunities across third sector, volunteering and community organisations to achieve a 2.5:1 ratio of interest. Additionally approaching all women who are currently being significantly affected by Welfare Reform.
Insufficient time to develop and commission bespoke training programmes to address early years public health priorities	Early agreement and design of core training programmes involving cross departmental steering group and training delivery partners
Insufficient work placements across the sector to sustain the numbers engaged on the programme	Engagement of existing council contractors and stakeholder groups from outset of delivery to identify placements and strengthen the sector.
Any Economic downturn may have a significant effect on progression from the programme into sustainable employment.	Analysis of the sector need alongside the introduction of employment through council procurement will oblige local recruitment from council contractors which can sustain the numbers associate with this programme.
Participants cannot be placed in organisations that have an impact on health outcomes	Sector organisations will be identified from the outset both internally and externally which can return impacts on health indicators identified.

**GROWTH PROPOSAL – CABINET KEY PRIORITIES
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:
ACC/D&R/01**

**PART 2: REQUIRED BY 19 JANUARY – TO INFORM REPORT TO CABINET BUDGET
PROPOSALS 5th FEBRUARY 2014**

Only required if additional resources required

NB FOR CAPITAL EXPENDITURE SCHEMES, A CAPITAL TEMPLATE SHOULD ALSO BE PROVIDED

ADDITIONAL OUTPUTS TO BE DELIVERED – these must be additional to those already planned for delivery with existing budgets

Description of Output (New homes, Security Cameras, Youth Workers)	Additional by end March 2015	Additional by Sept 2015	Additional by March 2016
Pre placement courses completed	100	-	-
Placements Started	100	-	-
Health Businesses/teams engaged	40	-	-
Training courses started	100	-	-
Training courses completed	0	55	45

OUTCOMES IN PRIORITY AREAS Describe what outcomes this expenditure would achieve in relation to the priority area and set out the uplift which can be expected in key targets

Description of outcomes proposed:

- Increased awareness of the health sector as a growing sector with increasing need for a local skilled and available workforce.
- Increase in the skills base for local unemployed women who are a key target group for council employment policy.
- Women's unemployment is significantly higher than that of male counterparts.
- The programme will increase employment for women by 100 individuals.
- Increased household income for 100 women and any dependents, which will have a statistically improved impact on the individuals' family health

The volume associated with the programme will have an impact on overall rates as current claimant rates are 9,500 in total and 3,750 for women. This means a potential decrease of 0.85% in the overall unemployment rate and 2.5% decrease in the unemployment rate for women. (This assumes a **static** labour market with no other changes and is based on latest statistics).

Impact on health outcomes for healthier lives - additionality and impact levels cannot be outlined at this time until the specific sectors of work, based on the aspirations of the engaged client group, have been assessed. However it is expected that the placements will impact on areas of work within health and childcare including: General Health and Social Care, Health visiting and Midwifery, Childrens Social Care, Nursing and Child health, Maternity and Midwifery. This focus would be on supporting work with children and families (0-5 years) including early attachment and communication, home based learning and active play, infant feeding and nutrition, accident prevention and minor childhood ailments.

**GROWTH PROPOSAL – CABINET KEY PRIORITIES
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:
ACC/D&R/01**

Strategic Indicator (Council Strategic Indicator)	Current target 2014/15	Target with 13/14 additional spend	Current target 2014/15	Target 14/15 with additional spend
LBTH Unemployment rate	Additional 100 women into employment = 0.85% decrease impact in overall employment rate (Assumes a <u>static</u> labour market)			
<i>Women unemployment rate</i>	Decrease of unemployed women by additional 100 = 2.5% decrease impact in women's unemployment rate (Assumes a <u>static</u> labour market)			
<i>Health impacts</i>	TBC- following sector assessment and placements			

VALUE FOR MONEY/EFFICIENCY

Provide evidence that the proposed expenditure will offer value for money, e.g.

- unit cost comparisons of proposed provision

Where existing provision is being extended

- cost/performance benchmarking of existing provision which is to be extended
- internal/external evaluation of existing provision to be extended

Where proposed provision is new /innovative

- evidence/rationale for effectiveness and value for money of approach proposed

This is an innovative project specifically targeting unemployed women in the labour market and designed to build on the success of the current Working Start programme of work placements and the programme of training in health and social care delivered by the council's Workforce Development team.

Current cost of a placement for a full time worker at 24-35 hours is maximum £17,836, and for a part time worker (@16 Hours) it is £8,154. This expenditure is based on current London Living Wage policy to which the council is committed. Costs of training are standard costs of £2,700 for NVQ qualification, part of which may be drawn down from external funding sources into the council through the Skills Funding Agency. The costs are the same as current benchmarked costs within the Working Start programme, Workforce Development and governed by the LLW council policy.

The cost of an unemployed person in the borough has significant effect on the council's budgets, including managing claimant involvement with welfare benefits, housing costs and council tax relief. Additionally, with the programme targeting those affected by the governments welfare reform agenda, any employment opportunity offers the individual a release from the benefit capping structure and more financial independence which will reduce clients' use of the Mayor's Housing fund.

It is statistically proven that parents in work achieve better social cohesion, provide a better diet for themselves and their family, and that general family health is improved. Children achieve better in school; there is less potential of criminal behaviour and for those with a criminal record there is a 55% less chance of re-offending.

Additionally, up-skilling local residents in the health sector offers the opportunity to strengthen the capacity of the health sector locally and thus deliver better quality outcomes for the council.

APPROVED SAVINGS

Ref No.	Directorate	Current Name	2013/14 Year 3 £'000	Revised 2013/14 Year 3 £'000	2014/15 Year 4 £'000	TOTAL £'000
AHWP/1	Education Social Care & Well Being	Promoting Independence and reducing demand for domiciliary care through Reablement	100	100	0	100
AHWP/2	Education Social Care & Well Being	Better use of Supported Housing	940	940	0	940
AHWP/3	Education Social Care & Well Being	Modernising Learning Disability Day Services	600	600	0	600
AHWP 1 (2012)	Education Social Care & Well Being	Physical Disability Day Opportunities Budget efficiency	20	20	0	20
AHWP 2 (2012)	Education Social Care & Well Being	Mental Health Supported Accommodation	200	200	600	800
AHWP 3 (2012)	Education Social Care & Well Being	Use of Telecare	0	0	300	300
AHWP 4 (2012)	Education Social Care & Well Being	Reorganisation of Children Schools and Families & Adults Health and Wellbeing	150	150	0	150
AHWP 5 (2012)	Education Social Care & Well Being	LD residential and supported living efficiencies via collaborative work with neighbouring Boroughs	100	100	0	100
AHWP 7 (2012)	Education Social Care & Well Being	Improving the quality of the hostels sector and managing reduction of the number of bed spaces	690	690	0	690
AHWP 8 (2012)	Education Social Care & Well Being	More Effective Income Control	25	25	0	25
AHWP 9 (2012)	Education Social Care & Well Being	Supporting People Framework Agreement	225	225	0	225
AHWP 11 (2012)	Education Social Care & Well Being	Various savings each of less than £50k	40	40	0	40
CE 1 (2012)	Education Social Care & Well Being	Strategy, Policy and Performance: Management Restructure and Public Health	100	100	100	200
AHWP 1 (2013)	Education Social Care & Well Being	Office Supplies	46	46	0	46
AHWP 2 (2013)	Education Social Care & Well Being	Vacancy Management	1,280	1,280	0	1,280
AHWP 3 (2013)	Education Social Care & Well Being	Provision of Transport for Clients	50	50	50	100
LEAN/1	Education Social Care & Well Being	Management Streamling & Agency Management Reduction	147	147	0	147
		Total (Adults Health & Wellbeing)	4,713	4,713	1,050	5,763
ALL/1	Chief Executive	Directorate Supplies & Service Efficiencies	80	80	0	80
IO/3	Chief Executive	Shared Legal Services	7	7	0	7
LEAN/1	Chief Executive	Management Streamling & Agency Management Reduction	100	100	0	100
		Total (Chief Executive)	187	187	0	187
CLC/2	Communities Localities & Culture	Highways income and efficiencies opportunities	50	50	0	50
CLC/5	Communities Localities & Culture	Community Safety/Environmental Control Service Rationalisation - Restructure/Redesign of Directorate Enforcement Functions	0	0	150	150
CLC/7	Communities Localities & Culture	Commercial Waste Income Opportunities	400	400	0	400
CLC 1 (2012)	Communities Localities & Culture	Northumberland Wharf Commercial Lease	300	300	0	300
CLC 2 (2012)	Communities Localities & Culture	Depot Consolidation			200	200
CLC 6 (2012)	Communities Localities & Culture	Parking Permits Review	235	235	0	235
CLC 7 (2012)	Communities Localities & Culture	Corporate Events in Parks	90	90	0	90
CLC 8 (2012)	Communities Localities & Culture	Advertising Opportunity	600	600	0	600
CLC 9 (2012)	Communities Localities & Culture	Ideas Store Stock Fund	200	200	0	200
CLC 10 (2012)	Communities Localities & Culture	Various savings each of less than £50k	70	70	0	70
CLC 1 (2013)	Communities Localities & Culture	Roll out of Generic Working and Enhanced Deployment Methods	154	154	0	154
CLC 2 (2013)	Communities Localities & Culture	Improvement of Procurement of supplies and services	70	70	0	70
CLC 3 (2013)	Communities Localities & Culture	Market Fees	0	0	65	65
CLC 4 (2013)*	Communities Localities & Culture	Cease Contribution to Spitalfields	25	25	0	25
BAM/1	Communities Localities & Culture	Better Asset Management	198	198	0	198
LEAN/1	Communities Localities & Culture	Management Streamling & Agency Management Reduction	413	413	0	413
SSP/2	Communities Localities & Culture	Better targeting of Street Cleansing and Refuse Collection contracts	825	825	0	825
SSP/4	Communities Localities & Culture	Integrated Public Realm Contract - Service Efficiencies	1,300	1,300	0	1,300
SSP/10	Communities Localities & Culture	Leisure Service Efficiencies	495	495	0	495
	Communities Localities & Culture	Various efficiency savings each below £50k	76	76	0	76
		Total (Communities, Localities and Culture)	5,501	5,501	415	5,916
CSF/2	Education Social Care & Well Being	Family wellbeing model	200	200	0	200
CSF/4	Education Social Care & Well Being	Pupil Transport efficiency review	100	100	0	100
CSF/6	Education Social Care & Well Being	Redesign of parent support and advice to reflect need	40	40	0	40
CSF 2 (2012)	Education Social Care & Well Being	Move to a traded basis for Parent Support Services	0	0	205	205
CSF 3 (2012)	Education Social Care & Well Being	Saving in procurement of placements booked after children	0	0	500	500

Ref No.	Directorate	Current Name	2013/14 Year 3 £'000	Revised 2013/14 Year 3 £'000	2014/15 Year 4 £'000	TOTAL £'000
CSF 4 (2012)	Education Social Care & Well Being	Consolidation of information systems- Single View of a Child	5	5	255	260
CSF 1 (2013)	Education Social Care & Well Being	Office Supplies	51	51	0	51
CSF 2 (2013)	Education Social Care & Well Being	Vacancy Management	2,298	2,298	0	2,298
CSF 3 (2013)	Education Social Care & Well Being	Integration of new Education Social Care and Wellbeing Directorate	100	100	0	100
CSF 4 (2013)*	Education Social Care & Well Being	Better targeting of teacher training bursaries	50	50	0	50
CSF 5 (2013)*	Education Social Care & Well Being	Registration Recharge to DSG	35	35	0	35
ALL/1	Education Social Care & Well Being	Directorate Supplies & Service Efficiencies	559	559	0	559
IO/1	Education Social Care & Well Being	Recharge Schools for Support Services	100	100	0	100
LEAN/1	Education Social Care & Well Being	Management Streamling & Agency Management Reduction	150	150	0	150
SSP/1	Education Social Care & Well Being	Improve Contract pricing through Contract re-negotiation	181	181	0	181
	Education Social Care & Well Being	Various efficiency savings each below £50k	80	80	0	80
		Total (Children, Schools & Families)	3,949	3,949	960	4,909
D&R 2 (2012)	Development & Renewal	Further Saving from Anchorage House	2,701	2,701	1,534	4,235
SW/1	Development & Renewal	Smarter Working	2,340	2,340	0	2,340
BAM/1	Development & Renewal	Better Asset Management	220	220	0	220
LEAN/1	Development & Renewal	Management Streamling & Agency Management Reduction	221	221	0	221
	Development & Renewal	Various efficiency savings each below £50k	60	60	0	60
		Total (Development & Renewal)	5,542	5,542	1,534	7,076
RES 1 (2012)	Resources	Phased Closure of Council's Cash Office Facility	80	80	0	80
RES 2 (2012)	Resources	Insurance - negotiate cheaper premiums in Consortium with other London Boroughs	125	125	0	125
RES 3 (2012)	Resources	Future Sourcing Project	500	500	230	730
RES 4 (2012)	Resources	Rationalisation of One Stop Shops	202	202	0	202
RES 1 (2013)	Resources	L&D - Agilysis Training	90	90	0	90
IO/4	Resources	Improved Income Collection, Debt Management and Fraud prevention	554	554	0	554
MOI/1	Resources	Managing our information	200	200	0	200
LEAN/1	Resources	Management Streamling & Agency Management Reduction	99	99	0	99
		Total (Resources)	1,850	1,850	230	2,080
CORP 2 (2012)	Corporate	Reduction in Corporate Contingency Provision	1,434	1,434	0	1,434
CORP 3 (2012)	Corporate	Contribution to Improvement & Efficiency Reserve	2,900	2,900	0	2,900
CORP 4 (2012)	Corporate	Insurance and Risk Management Provisions	500	500	1,300	1,800
CORP 5 (2012)	Corporate	Reduction in Severance Provisions	0	0	1,203	1,203
CORP 1 (2013)	Corporate	Audit Fees	185	185	0	185
CORP 2 (2013)	Corporate	London Pension Fund Authority Levy	399	399	0	399
CORP 3 (2013)	Corporate	Review of staff travel allowances	275	275	0	275
CORP 4 (2013)	Corporate	Treasury Management Investment Income	150	150	0	150
			5,843	5,843	2,503	8,346
		Total	27,585	27,585	6,692	34,277

RESERVES AND BALANCES

RESERVES AND BALANCES

General Reserves

- 1.1 Local authorities are legally required to set a balanced budget and the chief finance officer has responsibility to report should serious problems arise (including in relation to the adequacy of reserves).
- 1.2 Under provisions introduced by the Local Government Act 2003, the level and use of reserves must be formally determined by the Council, informed by the judgement and advice of the chief finance officer. When calculating the budget requirement, the chief finance officer must report to Members on the adequacy of reserves. There are also now reserve powers for the Secretary of State to set a minimum level of reserves. External auditors are responsible for reviewing and reporting on financial standing but are not responsible for recommending a minimum level of reserves.
- 1.3 The Council needs to consider the establishment and maintenance of reserves as an integral part of its medium term financial planning. Reserves are held for three main purposes:
 - As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of a general reserve.
 - As a contingency to cushion the impact of unexpected events or emergencies, including budget overspends – this also forms part of a general reserve.
 - To hold funds for specific purposes or to meet known or predicted liabilities – these are generally known as earmarked reserves. Schools' balances and insurance reserves are examples of these.
- 1.4 In order to assess the adequacy of general reserves, account needs to be taken of the strategic, operational and financial risks facing the authority. The level of general reserves is also just one of several related decisions in the formation of a medium term financial strategy and the budget for a particular year. Factors affecting judgements about reserves include the key financial assumptions underpinning the budget and an assessment of the Council's financial health, including:-
 - Overall financial standing (level of borrowing, Council Tax collection rates, auditors' judgements, etc.)
 - The track record in budget management.
 - Capacity to manage in-year budget pressures and savings.
 - The strength of financial information and reporting arrangements.
 - The external financial outlook.
- 1.5 There is, therefore, no 'correct' level of reserves. Furthermore, a particular level of reserves is not a reliable guide to the Council's financial health. It is quite possible for reserves to increase but for financial health to deteriorate, if for example, the authority's risk profile has changed. As a general rule of thumb, however, reserves need to be higher as financial risk increases, and may be allowed to become lower if risk reduces.

RESERVES AND BALANCES

- 1.6 Financial reserves also have an important part to play in the overall management of risk. Councils with adequate reserves and sound financial health can embark on more innovative programmes or approaches to service delivery, knowing that if the associated risks do materialise the Council has sufficient financial capacity to manage the impact. Conversely, Councils with inadequate reserves can either find it more difficult to introduce change, or in extreme cases can be forced to develop very high-risk service strategies simply in order to restore their financial health.
- 1.7 Despite a challenging savings programme totalling £29.3m in the current financial year, the authority is currently projecting to keep net expenditure within budget without the use of general fund reserves. As a consequence general reserves are projected to stand at £59.6m as at 31st March 2014. This represents a significant endorsement of the organisation's financial management arrangements.
- 1.8 This is further demonstrated through the on-going evaluation of the financial risks facing the Council and which is summarised in the attached Appendix 5.2. This shows that the medium to high risk financial pressures over and above those already built into the MTFP by way of specific budget provisions, require the Council to maintain general reserves at between £20m and £38.5m, with a recommended minimum level (representing a medium risk profile) of £20m.
- 1.9 As shown in Appendix 5.3, in order to smooth the impact of government grant reductions reserves are being built up in 2013/14 and will be utilised over the 3 year period 2014/15 to 2016/17. Over this period reserves will not fall below the range between 5% and 7.5% of the Council's gross expenditure (excluding schools and housing benefits) but will be higher than this at times. However the implication of planning to reduce general reserves to the minimum recommended level by April 2017 is that 2017/18 and subsequent years' budgets will need to be balanced by identifying any necessary savings year on year.
- 1.10 Appendix 5.2 shows that there have been some changes to the profile of risks since this time last year. More risk is now attributed to service pressures and the delivery of the authority's savings programme and less risk attributed to economic conditions. However, following the Government's Autumn Statement announcements in relation to 2014/15 and future years, the authority's savings targets continue to be stretching with each passing year. Although the assessment of high risk has reduced since last year, the risk that the authority may be placed in a position of having to find higher levels of savings at relatively short notice has increased in the last twelve months. There is no immediate imperative to build this worst case scenario into the Medium Term Financial Plan, but the risks will continue to be monitored closely as the MTFP is implemented.
- 1.11 This position will need to be kept under constant review. The Council is continuing to undertake a substantial change programme to deliver the savings required over the next three years and beyond. This will involve major remodelling of services, which will have up-front costs that the Council

RESERVES AND BALANCES

will need to control, and improvement projects will need to be delivered on time to avoid cost overruns and a shortfall in savings required to balance the budgets. These factors point to the need for a solid financial position and earmarked resources set aside to underpin the risks involved.

- 1.12 The chancellor's Autumn Statement showed the continuing difficulties facing the UK economy. The recent confirmation of the 2014-15 grant settlement shows that the authority remains at the grant floor. However the population of the authority is expected to grow substantially and any additional costs arising will need to be met from savings.
- 1.13 Grant figures have yet to be announced beyond 2014/15 but the Autumn Statement announced a further 2% cut in local authority funding in 2014/15. In relation to public spending in general, the Chancellor projected that austerity will continue until 2017/18 with further cuts on the same trajectory. This is likely to mean that in addition to savings already identified and agreed to the end of 2014/15, the authority will need to deliver a further £80m-£90m worth of savings would be required by the end of that period.
- 1.14 Economic risk continues, manifesting itself primarily in low interest rates (which restrict the Council income from investments) and the possibility of high inflation. Indeed the UK economy is still recovering from recession and the public finances remain severely in deficit as a consequence of the cost of extra public borrowing to stimulate the banking sector and the impact on tax revenues of the recession. This has a number of potential effects for the Council;
- Higher than projected levels of inflation
 - A general reduction in debt recovery levels
 - Lower than planned investment income
 - Further reductions in Third Party Funding
 - Further reductions in grant income
 - Reductions in the level of income generated through fees and charges
 - Increase in fraud

All of these factors have been taken into account in setting the level of reserves for 2014/15 and the medium term.

Opportunity Costs

- 1.15 When a decision is made to set resources aside against risks, it is important to consider the opportunities that are foregone and to balance this against the risk. The allocation of resources to reserves temporarily denies the authority the opportunity to spend this money. It is therefore important that reserves are held at a level that takes account of risks and that the reserves strategy is neither reckless nor risk averse. However, the ability to set money aside in reserves allows the authority to plan with more certainty and thus to take more short term risks than it would do if, for example, it had no balances or reserves to fall back on. There is also a risk that if insufficient reserves are carried to ride out unforeseen circumstances, the Council may be forced into

RESERVES AND BALANCES

urgent action to deliver savings which is more likely to have an impact on front-line services and incur additional costs.

Insurance Reserve

- 1.16 The Financial Outlook and Review identified continuing pressure on insurance costs to meet both higher numbers of claims payments and higher external insurance premiums. The Council self-insures a substantial proportion of its insurable risks and an external actuarial review of the level of internal insurance reserves is commissioned at regular intervals.
- 1.17 Contributions to the insurance reserve are made by all Directorates from their budgets based on their relative size, risk profile, and level of claims, representing the equivalent of a 'premium'.
- 1.18 The value of the Council's insurance reserve is projected to be £23.1m as at 31st March 2014. Following a review of the level of claims and existing potential liabilities, no further contributions to the reserve are planned for 2014/15. The reserve will be reviewed again in 2015/16.

Improvement and Efficiency Reserves

- 1.19 The costs of implementing the Council's programme of efficiencies and improvements to deliver the substantial level of savings required will in itself be considerable. The Council has planned well and has established reserves to fund the necessary changes. Although the total cost, at this stage, cannot be determined with any certainty it is not anticipated that it will be more than £6m over the next three years.
- 1.20 Costs may include, for example;
- investment in new technologies; and
 - cost of buying the Council out of existing contracts with suppliers.
- 1.21 The level of the reserve will be kept under review but, at this stage, it is not anticipated that further contributions will be required over the remainder of the planning period.
- 1.22 In addition to the Improvement & Efficiency Reserve the Council retains a **Severance Reserve** projected to have a balance of £7m as at 31st March 2014.

Parking Control Account

- 1.23 The Parking Control Account (PCA) is ringfenced. The surplus can only be used for reinvestment within the service and for highways and transport initiatives. Tower Hamlets uses the surplus for a variety of measures relating to street works and transportation including to part fund the cost of the concessionary fares scheme which forms part of the Communities, Localities and Culture Directorate budget.

RESERVES AND BALANCES

Schools' Reserves

1.24 Schools' reserves represent unapplied revenue resources accumulated by schools with delegated spending authority. These totalled £31.9m at 31st March 2013. Schools' reserves are technically earmarked reserves of the Council but are controlled by schools and are not available to the Council for other purposes.

Capital Programme

1.25. The Council receives monies under agreements entered into under Section 106 of the Town and Country Planning Act 1990. These agreements specify the purposes to which the monies can be applied. Unapplied sums are held in reserve until such time as they are applied.

Other Corporate and Service Specific Earmarked Reserves

1.27 A number of earmarked reserves are held to meet specific service objectives or fund potential liabilities which do not qualify as provisions for accounting purposes. These are shown in the summary attached as Appendix 6.3. The principal ones provide for:-

- Balances of government grants which have been allocated for particular purposes but are being spent over more than one year.
- The carry-over of budgetary underspends from one financial year to the next.

Use of these reserves is subject to specific Cabinet approval. The nature of these reserves means they are not generally available to support the Council's medium term financial strategy.

Sensitivity Analysis

The assumptions built into the 2014/15 Budget and Medium Term Financial Plan all contain a measure of estimation, and where events differ from assumption, the risk falls to the Council's budget.

The following table shows how assumptions made in this budget process would affect the budget if they proved to be incorrect. This gives a guide to the financial implications of the risks shown in Appendix 5.2.

RESERVES AND BALANCES

Scenario	Estimated annual financial impact £'000
Inflation – cost of an additional 0.5% pay rise for all staff	850
Inflation – price inflation 0.5% higher than forecast.	600
Committed growth in 2014/15 is 10% higher than forecast	1100
Interest rates – average investment rate in 2014/15 is 0.5% less than estimate.	1000
10% of projected savings not delivered in 2014/15	742
Budget requirement overspent by 1%	3,000
For each £1m that the cost of implementation of improvement and efficiency programme exceeds expectation.	1,000

RISK EVALUATION 2014/15

Risks	Budget Exposure £m	2014/15 onwards	
		Medium Risk £m	High Risk £m
General Economic Climate			
Inflation	300		
Debt recovery	250		
Tax base	170		
Interest rates	5		
Fees and charges	35		
Grant funding (exc. ring fenced grants)	120		
Pensions auto enrolment	150		
Fraud	n/a		
		7.5	18.3
Service Demand (inc. ring fenced grants)			
Children's Services	150		
Adult Services	100		
Demographics	100		
Welfare Reform	n/a		
Public Health transfer	30		
		8.7	16.7
Savings programme			
Slippage and non-achievement of savings	28		
Cost of implementation	50		
		3.8	6.2
Unidentified risks	n/a	3.0	5.0
Opportunities			
Tax base growth	170		
Public Health transfer	30		
		0.0	-2.7
Risk and contingency provisions		-3.0	-5.0
TOTAL RISK EVALUATION		20.0	38.5

Projected Movement in Reserves April 2013 to March 2017

	31/03/2013	31/03/2014	31/03/2015	31/03/2016	31/03/2017
	£million	£million	£million	£million	£million
General Fund Reserve	38.1	59.6	60.0	35.5	21.1
Earmarked Reserves					
Corporate					
Improvement & Efficiency	9.3	5.4	5.3	5.2	5.2
Severance	7.0	7.0	7.0	7.0	7.0
Finance Systems	2.2	2.0	1.6	1.2	0.7
ICT Refresh	1.3	0.6	0.6	0.6	0.6
Olympics	0.7	0.7	0.7	0.7	0.7
Education Grant Reduction	2.6	1.9	1.9	1.9	1.9
Employment and other Corporate Initiatives	11.9	6.9	5.6	4.6	4.6
Other	2.1	2.0	1.9	1.9	1.9
Service Specific					
Homelessness	3.0	1.5	1.3	1.3	1.3
Parking Control	1.8	0.4	-	0.7	0.7
Development & Renewal other	3.3	2.5	1.8	1.7	1.6
Communities, Localities and Culture	1.1	0.1	0.1	0.1	0.1
Education, Social Care & Well Being (Childrens')	1.1	-	-	-	-
Education, Social Care & Well Being (Adults')	5.3	1.5	-	-	-
Chief Executive's and Resources	0.5	0.1	0.1	0.1	0.1
Revenue Reserves, Other					
Insurance	23.1	23.1	23.1	23.1	23.1
Schools	31.9	35.1	31.9	28.6	25.4
Early Intervention	5.0	0.5	-	-	-
Housing Revenue Account	16.2	16.2	16.2	16.2	16.2
Capital	22.0	15.1	14.3	13.3	13.3
Earmarked Reserves surplus to requirements	-	-	-	-	-
	189.5	182.2	173.4	143.6	125.4

SCHOOLS BUDGET

SCHOOLS BUDGET 2013/14 and 2014/15

INTRODUCTION

The text of this appendix is drawn from the report which went to Schools Forum on 22nd January 2014, amended to take account of their decisions.

Schools Forum decided that:

- a) a provision of £2.000m for pupil number growth contingency and the criteria for accessing it (Appendix 2) were agreed.
- b) funding for all six services and for both primary and secondary maintained schools were de-delegated in full. The six services being:
 - Contingency (other than pupil number growth)
 - Behaviour support services
 - Support to UPEG and bilingual learners
 - Free school meals eligibility
 - Licences/subscriptions
 - Staff costs supply cover (Appendix 3)
- c) it supported the approach for Early Years (Section 7)
- d) it supported the approach outlined for High Needs Pupils (Section 8)
- e) it supported the approach outlined for Central Provision (Section 9); and
- f) it supported the proposed Schools Budget for 2013/14 (Table 10 and Appendix 1),

Final decisions on the Schools Budget for 2014/15 will be taken at their next meeting on 5th March 2014.

1. SUMMARY

- 1.1. The Department for Education introduced School Funding Reform from April 2013 and the Authority has worked closely with schools and the Schools Forum to implement these changes effectively.
- 1.2. At the previous meeting in December 2013, Schools Forum considered the in-year (2013/14) position for the Schools Budget. The first section of this recaps on the summary position, and advises on two changes since the last meeting.
- 1.3. Schools Forum also considered the outline position for 2014/15. That report looked at the likely Schools Funding Settlement for 2014/15, which had not yet been announced, and the likely pressure, issues and constraints affecting expenditure plans for 2014/15. Because of one-off additional funding provided to schools as part of the budget settlement for 2013/14, it was clear that there was unlikely to be much headroom for schools beyond the Minimum Funding Guarantee for 2014/15.

1.4. This report updates the financial position in the light of the DfE's revenue funding announcement for schools in late December 2013. It also proposes how the Schools Budget might look for 2014/15, taking account of:

- **Individual Schools Budgets.** Final decisions on the submission of the Primary and Secondary core formula for 2014/15 (the Authority Proforma Tool – due back with DfE immediately after this meeting) and High Needs places (submitted to Education Funding Agency, but subject to their review);
- **De-delegated Services.** Final decisions for 2014/15 on the issue of de-delegation for six services for primary and secondary sectors separately;
- **Early Years.** Funding requirements for Early Years, both for 2014/15 and the growing expectations about expanding capacity for 2 year olds in the longer term;
- **High Needs.** Funding requirements for High Needs pupils (including top-ups for LBTH schools), which have been reassessed and pressures have emerged in this area;
- **Central Provision.** Funding requirements for Central Provision which have largely been contained within existing resources.

2. SCHOOLS BUDGET 2013-14

2.1. The latest confirmed gross DSG figure for 2013/14 from the DfE is **£312.560m**. The available resources are set out in **Table 1** below.

Table 1: DfE 2013/14 DSG (Sept 2013)

2013/14 DSG, analysed by block	Previously £'000	Latest position £'000	Difference £'000
Total gross DSG 2013/14	312,124	312,560	436
DSG b/f from 2012/13	5,553	5,553	0
Total EFA Post 16 Grant	17,185	17,185	0
Total gross funding for Schools Budget 2013/14	334,862	335,298	436
Less EFA recoupment for Academies (including Old Ford and Culloden from Sept 13)	-11,908	-11,908	0
Total Local Authority funding for maintained schools and LA responsibilities	322,954	323,390	436

2.2. The report to the December 2013/14 Schools Forum meeting identified that the in-year variance against the agreed budget was £4.050m. When taken with the unallocated balance of £0.562m, suggested that there would be a carry forward of £4.612m at the end of 2013/14, available for use in 2014/15.

2.3. The in-year variance took account of the costs of the Carbon Reduction Commitment, which Schools Forum agreed to include in the budget for 2013/14. This reduced the in-year underspend by £0.266m and reduced the

unallocated DSG. This adjustment, combined with the revised unallocated amount suggests that a **£5.048m underspend** is expected to be carried forward (ie now £0.732m unallocated and forecast underspend of £4.316m).

Table 2: Latest comparison between approved Schools Budget 2013/14 and forecast position at year-end.

Component	Updated Schools Budget 2013/14 £'000	Forecast spend 2013/14 £'000	Forecast variance £'000
Individual Schools Budgets	262,955	262,955	
De-delegated items	1,788	1,788	
High Needs Budget	36,832	36,486	-346
Early Years Budget	26,998	23,426	-3,572
Central Provision	5,993	5,595	-398
Total	334,566	330,250	-4,316
Funded from			
DSG 2013/14	-299,920	-295,604	4,316
DSG b/f 2012/13	-5,553	-5,553	
EFA Post 16 Grant	-17,185	-17,186	
EFA Recoupment (for Academies)	-11,908	-11,908	
Total funding	-334,566	-330,250	4,316

2.4. **Table 2** sets out the updated position. There are no other updates to report at this stage.

3. **SCHOOLS BUDGET 2014-15 - summary**

3.1. In September and December 2013 Schools Forum considered a high level view of the potential income and expenditure in the Schools Budget for 2014/15. This model has been refreshed in Table 1 below.

Table 3: Illustrative forecast of potential 2014/15 Schools Budget position

Future income	£'000	Future expenditure	£'000
Dedicated Schools Grant 2014/15	315,061	Individual Schools Budget	262,500
Add c/f forecast 2013/14	5,048	De-delegated services (subject to SF decision)	1,758
Education Funding Agency 2014/15	17,186	High Needs	38,872
		Early Years	28,060
		Central Provision	6,105
Basic forecast of 2014/15 Schools Budget income	337,295	Basic forecast of 2014/15 Schools Budget expenditure	337,295
		Difference (ie unallocated amount)	0

- 3.2. The DfE are still to announce final figures for the High Needs Block. The Early Years Block changes term by term, based on actual pupil numbers. The Education Funding Agency Post 16 Grant has not yet been updated.
- 3.3. This suggests that, as expected, there is no headroom available for funding schools beyond the minimum funding guarantee. The next two sections of this report explain the details behind the income sources and then explain the assumptions behind the proposed expenditure plans.

4. SCHOOLS BUDGET 2014-15 – SOURCES OF INCOME

- 4.1. The DSG settlement is calculated in three blocks with some additions / deletions and the figures for 2014/15 for each block are set out below.

Table 4: Components of Dedicated Schools Grant 2014/15, compared to 2013/14

Block	2013/14	2014/15	Difference	Comment
Schools	241,554	244,332	2,778	396 extra pupils
Early Years	20,977	20,977	0	Changes termly based on pupil numbers
High Needs	43,040	42,878	-162	Still some final changes expected, but DfE say it is a minimum for planning purposes
Additions / Reductions	6,989	6,874	-115	2 Years funding offset by Carbon Reduction Commitment
Total DSG	312,560	315,061	2,501	

- 4.2. **Schools Block** This has been confirmed as a cash flat per pupil settlement based upon the October 2013 census. The Minimum Funding Guarantee (MFG) is confirmed as minus 1.5% per pupil for 2014/15.
- 4.3. There are an additional 396 pupils at a rate of £7,014.38, compared to 2013/14.
- 4.4. **High Needs** This is confirmed as cash settlements based upon previous spend. There are still some issues to be resolved for High Needs, such as any changes in planned places, including adjustments for Post 16 SEN.
- 4.5. Final figures for this block are not expected until March 2014 and this is one of the reasons that Schools Forum is not being asked to sign off the whole Schools Budget at this meeting.
- 4.6. **Early Years** This Block is based on the prevailing in-year pupil count each term, so the allocation can only be illustrative. It is based on the guaranteed £7,803.99 per pupil for however many pupils there are each term. The indicative figures used in the announcement are based on 2,688 pupils, consistent with the April 2013 pupil census, which was the latest available data held by the DfE.
- 4.7. **Additions and reductions.** This element now only has 3 components as per the table below.

Table 5: Components of “Additions and Reductions” part of DSG 2014/15

Component	£m
2 Year Old Funding	+£7.083m
Newly Qualified Teacher funding	+£0.053m
Carbon Reduction Commitment	-£0.262m
Total	£6.874m

- 4.8. **EFA Post 16 Grant.**- For planning purposes EFA Post 16 income and expenditure has been set at 2013/14 levels (£17.185m). Figures for Post 16 will become known in the coming weeks.
- 4.9. **Pupil Premium-** From April 2014 children who are looked after will attract a higher rate of funding than children from low-income families, the ‘pupil premium plus’, which will be £1,900 per pupil for 2014-15. This is to reflect the unique challenges they face at school where they often struggle to keep up with their peers at both primary and secondary level. The premium for primary FSM ‘Ever 6’ pupils will increase to £1300 per pupil, while secondary FSM ‘Ever 6’ pupils will attract £935.
- 4.10. **Free School Meals Grant.** The DfE has announced that free school meals for all Reception, Year 1 and Year 2 pupils from September 2014 will be available. This will supersede the local scheme that was introduced for Reception and Year 1 Pupils for September 2013. There was some capital included in the December 2013 schools funding settlement, but no details on how the revenue funding for this initiative will operate. Further details will be released by the DfE in due course.
- 4.11. **Table 6** below summarises the sources of income for the Schools Budget for 2014/15, on the basis of current knowledge. It corresponds to the high level calculation of income in **Table 3**. **Appendix 1** provides explanations about the reasons for changes. Subject to decisions of this meeting and the one in March 2014 about the Schools Budget and subject to final allocations confirmed by DfE, this report suggests that all of the assessed funding has been allocated on the basis of the expenditure assumptions explained in the next sections.

Table 6: Summary of Estimated Sources of Income for Schools Budget 2014/15

Component (all figures £'000s)	Schools Budget 2013/14	Changes anticipated at December 2013 SF meeting	Changes arising from issues raised in this report	Current Funding for Schools Budget 2014/15
1.7.1 DSG	-299,920	4,929	-5,305	-300,296
1.7.2 DSG b/f	-5,553	941	-436	-5,048
1.7.3 EFA Grants	-17,186			-17,186
1.7.5 Academy Recoupment	-11,908	-2,933	76	-14,766
Total to match expenditure proposals in Section 5	-334,567	2,937	-5,665	-337,295
Unallocated funding	-731	0	+731	0
Total Funding for Schools Budget 2014/15	-335,298	2,937	-4,934	-337,295

5. 2014/15 - PRIMARY AND SECONDARY CORE BUDGETS

- 5.1. Schools Forum endorsed the formula structure for primary and secondary core budgets (ie the Authority Proforma Tool or APT) that was submitted to the DfE in October 2013. Final decisions are now needed on the core budgets for primary and secondary schools.
- 5.2. As previously indicated, the inclusion of one-off brought forward monies of £3.250m in the budget settlement for 2013/14 was likely to result in the budget for 2014/15 only being able to settle at the Minimum Funding Guarantee level for 2014/15 (ie schools receive their lump sum, their rates allocation and Bow would receive their PFI subsidy, then all other funding would be protected at 98.5% of the per pupil equivalent for 2013/14. And this is how the figures are currently working out.
- 5.3. **Table 7** below provides an update on the figures provided in the provisional APT in October 2013. The DfE provided refreshed data and there were some very minor changes to the pupil numbers. Estimated rates bills for 2014/15 were recalculated. Nonetheless, the impact remains the same; that the Minimum Funding Guarantee prevails.

Table 7: Comparison of forecast requirement for core primary and secondary budgets with underlying funding available

Minimum Funding Guarantee	£226.913m
Rates (Estimated 14-15)	£4.288m
Lump Sum	£8.300m
Bow PFI (5/12ths) until Sept 2014	0.043m
Funding requirement 2014-15	£239.544m
Explained by:	
School Budget Shares (Primary and Secondary) 2013/14	£239.917m
less additional one-off DSG allocated in 2013-14	-£3.250m
Add increase in pupils	£2.877m
Total before de-delegation	£239.544m

- 5.4. The illustrative figures in **Table 3** earlier in this report suggest that there is no headroom left in the budget at this stage, on the basis of the assumptions made in this report which are subject to final decision by Schools Forum in March 2014. Even if there was as little as, say, £0.5m and it were added to the APT for distribution through the formula, it would represent a 0.2% increase, but the workings of the Minimum Funding Guarantee would distort how this money was allocated. Indeed, only 10 individual primary schools would receive any of this additional money and no secondaries would benefit at all.
- 5.5. In the circumstances, it is not proposed that the allocations for primary and secondary schools are any greater than the figures identified, arising from applying the Minimum Funding Guarantee.

- 5.6. Schools Forum are also required to approve the budget to be set aside for pupil number growth.
- 5.7. For 2013/14, £1.644m was set aside for pupil number growth, subject to the criteria agreed by Schools Forum in January 2013. So far during 2013/14, £1.592m has been committed of the total, with a couple more months to go.
- 5.8. For 2014/15, the circumstances of individual schools have been reassessed. Taking account of the known expansions, including the changes at Bow Secondary School from September 2014, the requirement increases to £2m, as per **Table 8**.

Table 8: Estimated requirement for Growth Fund 2014/15

Component	£m
Primary expansions 15 forms of entry	£1.136m
Secondary expansions 5.5 forms of entry	£0.536m
2 schools expanding by at least 2 fe	£0.080m
2 schools entitled to support for ICT / Facilities support pending reaching steady state	£0.248m
Total	£2.000m

- 5.9. Officers assess that this is an appropriate sum to earmark for Pupil Growth during 2014/15, but it is for Schools Forum to determine what level to set. **Appendix 2** sets out the existing policy for allocating pupil growth contingency.

6. 2014/15 DE-DELEGATED SERVICES

- 6.1. Within the School Funding Regulations, there are a set of services which must be included in delegated budgets for Academies but which, subject to Schools Forum decision each year, could be de-delegated for maintained primary or secondary schools (separately). For 2013/14, Schools Forum decided that for each of the six candidate services would be de-delegated for both primary and secondary maintained schools.
- 6.2. **Table 9** below sets out the financial values associated with each of the services. The only one that has had any material change has been licenses and subscriptions where the DfE has increased the number of national licences they are paying for directly and recharging authorities for all the pupils in their area (including academy pupils). So, this element has reduced and the budget in line 1.4.12 of the Central Provision part of the budget has increased.
- 6.3. The overall amounts recovered have generally reduced since 2013/14 because of the few additional academies which have come into being. The unit values have otherwise remained the same.

Table 9: Overall funding for the 6 candidate services for de-delegation 2014/15

De-delegation services		Primary	Secondary	Total
Pupil Numbers (excluding academies)		20,705	11,959	32,664
Values	Unit value	£'000	£'000	£'000
Contingencies (other than pupil number growth)	£14.93	309	179	488
Free School Meals Eligibility	£3.86	80	46	126
Licences/ subscriptions	£0.80	17	10	26
Staff costs supply cover	£9.70	201	116	317
Support to underperforming ethnic minority groups and bilingual learners	£15.82	328	189	517
Behaviour support services	£8.70	180	104	284
	£53.81	1,114	644	1,758

6.4. Only the relevant primary and secondary governor and head-teacher representatives on Schools Forum may decide whether the funding for these services remains delegated or de-delegated, on a sector by sector, service by service basis. **Appendix 3** includes the details of each service.

7. 2014/15 - EARLY YEARS

7.1. There were some changes to the basis of funding early years provision from April 2013, but there were also some local policy and practice changes that began to take effect from September 2013. This included changing the basis for how full-time places were funded, the rates that applied for hourly provision and the phased introduction of limits on the number of full-time places in maintained nursery provision.

7.2. In addition to this, the DfE increased Tower Hamlets' targets for delivering early education for 2 year olds.

7.3. During 2013/14 these changes have been implemented, but it is clear that the Authority is not yet fully able to deliver its targets for 2 year old participation, resulting in underspends that are assisting with the overall financial position of the DSG for 2014/15.

7.4. There is no doubt that the expectation is that the provision in this sector will expand in the coming years and decisions about funding for 2014/15 have to recognise the need for sustainable solutions.

7.5. Schools Forum needs an overview of the issues affecting early years at its next meeting in order to agree budget plans in the context of the pressures constraints and opportunities that face this service. For instance, budget decisions for early years for 2014/15 would take account of the following:

- Whether there was scope in the long-term to agree any increases in per pupil values for early years settings for 2014/15;

- Whether the agreed capping on the number of full-time nursery places was working in ways that were envisaged originally;
 - The expected numbers of actual 2, 3 and 4 year olds that would be funded through early years funding in each term of 2014/15 and how that impacted on the termly adjustment to the DSG;
 - Whether there was any scope to use DSG as a one-off revenue contribution to capital to assist in delivering more two-year-old capacity;
 - How, in the context of the Authority's Formula Grant (supporting the Council's main General Fund budget) being reduced, it was possible for the Authority to continue to meet the costs of Local Authority Day Nurseries and some Early Years development costs, when the School Funding Regulations expect these costs normally to be met from the Schools Budget;
 - How funding for Private, Voluntary and Independent settings in the future could be set such that these institutions did not need to rely on Early Years Mainstream Grants in the way they do now.
- 7.6. A paper needs to come to the next meeting of Schools Forum to explain these issues and propose a medium term plan for managing the growing expectations about early years within the expected available resources. In the meantime, the funding that has been earmarked in the proposed budget in Table 3 earlier in this report (and in Appendix 1) is **£28.060m** and it represents the sum of:
- a) The Early Years Block in the DSG for 2014/15 (**£20.977m**);
 - b) The 2 Year Olds component of the DSG for 2014/15 (**£7.083m**).

8. HIGH NEEDS BUDGETS

- 8.1. There remain some final figures to be confirmed by the Education Funding Agency, so there may still be some change to the final DSG. This is particularly the case for Post 16 High Needs, but the EFA are yet to endorse the place numbers submitted in December 2013.
- 8.2. The funding requirements have to be based on the existing commitments for 2013/14 extrapolated for 2014/15, taking account of known leavers in the summer of 2014 and some provision for additional pupils during the year. The dynamics of these budgets can be volatile, so there has to be some prudence in assessing the requirements.
- 8.3. The arrangements for FE Colleges in 2013/14 only took effect from September 2013, so in 2014/15 financial year, there will be the full-year impact of that change.
- 8.4. Submitted High Needs place numbers have not changed much between years **Appendix 4** identifies that the overall change in places has been an increase of 13 (from 784 to 797 in September 2014).

- 8.5. The largest increases are in the maintained school (Line 1.2.1 in Appendix 1) / Academy provision (line 1.2.2 in Appendix 1), where the proposed budget for 2014/15 is an increase of over 7% or £1.6m. These amounts are substantially driven by the actual pupils and the actual top-up rates that are currently being paid. Only two individual schools are having any change to their top-up rate because of their individual circumstances.
- 8.6. For Alternative Provision (line 1.2.4 in Appendix 1) there is a proposed increase of £0.480m arising from two issues. The first is that the Pupil Referral Unit's budget for 2013/14 was based on an expected 175 pupils. While this remains a reasonable number of pupils, the experience has been that more of the 175 cohort are assessed as requiring individual support. The second is that more pupils' needs are being met by City Gateway as a provider. Many of the placements in Alternative Provision are funded from contributions from individual schools (whether through money following excluded pupils or through managed move arrangements) and this has been built into the calculations.
- 8.7. We have still not completed the first year of these new arrangements with the ceasing of inter-authority recoupment for SEN and the top-up arrangements for high needs pupils. A cautious approach until we can be confident about the dynamics of these new funding arrangements is inevitable.

9. 2014/15 – CENTRAL PROVISION

- 9.1. There are only three changes to the Central Provision budgets, all of which have been referred to earlier in this report.
- 9.2. **Carbon Reduction Commitment.** (line 1.4.5 Appx 1) This is no longer required to be met from the DSG locally as it has been top-sliced nationally. So, the 2013/14 budget of £0.266m is not required in 2014/15.
- 9.3. **Pupil Growth** (line 1.4.10 Appx 1) Schools Forum is invited to endorse the plans for £2m being set aside, as explained in the section above on the primary and secondary budgets.
- 9.4. **Exclusions Agreed by the Secretary of State** (line 1.4.12 Appx 1) This relates to the schedule of nationally procured licences and subscriptions that the DfE has negotiated. The Authority will receive a bill for a range of these providers on the basis of a per pupil amount for all the pupils (maintained and academy) in the local area. So, this provision is set aside to meet that cost, in line with the figures notified by the DfE.

10. SUMMARY OF EXPENDITURE PROPOSALS

10.1. **Table 10** summarises the positions explained in sections 5-9.

Table 10: Summary of expenditure proposals set out in sections 5-9 and in Appendix 1

Schools Forum Summary	Schools Budget 2013/14	Changes anticipated at December 2013 SF meeting	Changes arising from issues raised in this report	Current Funding for Schools Budget 2014/15
1.0 ISB	262,955	-829	373	262,500
1.1 De-delegated items	1,788	-9	-21	1,758
1.2 High Needs	36,832	89	1,951	38,872
1.3 Early Years	26,998	-2,158	3,220	28,060
1.4 Central Provision	5,993	-30	142	6,105
Total Schools Budget	334,567	-2,937	5,665	337,295

11. NEXT STEPS

- 11.1. The Department for Education required the final primary and secondary core formula to be submitted by 21st January 2014, but officers have agreed a dispensation with the DfE that Tower Hamlets submission be despatched following Schools Forum
- 11.2. A paper specifically on the issues regarding delivery of Early Years Services through the Schools Budget needs to come back to Schools Forum in March 2014.
- 11.3. Commissioning budgets for specialist provision will continue to be refined by firming up estimates of likely numbers of pupils with such needs. This includes agreeing final place numbers with the Education Funding Agency. This is not going to affect at this stage the budget set aside, but will assist in knowing how much is truly committed.
- 11.4. Schools Forum to consider all these issues in the round in March 2014 and to be invited to agree the proposed Schools Budget for 2014/15 at that point.

Detailed Calculations of Provisional 2014/15 Schools Budget

Appendix 1

DSG heading	DSG sub-heading	2013/14 budget	Adjustment included in Dec 13 Schools Forum papers	Adjustment proposed at Jan 14 SF	Provisional 2014/15 budget	Comments on Jan 14 proposed adjustments	Comment at SF in Dec 13	SF Category
1.0 ISB	1.0.1a Nursery	25,115	-2,158	1,220	24,177	Further work needed here, and needs to be seen alongside 1.3.2 and 1.3.3. These adjustments bring the Early Years components to the level of the EY Block, plus the allocation for 2 Year Olds. For March 2014 SF need to: a) Assess realistic number of 2, 3 and 4 year olds in each setting; b) Impact of 60/40 Full-time / Part-time pupils policy; c) Scope for using DSG for capital to deliver more capacity for 2 Year Olds; and d) Recognise that the current activity funded from the General Fund (EY Development and LA Day Nurseries) ought to be funded from DSG, consistent with the regulations and in a manner that rationalises the policy arrangements for EY provision.	Some adjustment to planned spend on 2 year olds will be needed to reflect level of activity expected (-£1.786m, representing half of the underspend for 2013/14). Current allocations are beyond the current capacity to deliver. Plus the planned reduction in costs arising from fewer full-time places in maintained provision (-£0.372m)	1.3 Early Years
1.0 ISB	1.0.1a Primary	133,224	445	-84	133,585	Reflects final proposed APT submission, plus submitted place numbers for Specialist Resourced Provision (107)	Difference reflects change in the APT impact by sticking to the Minimum Funding Guarantee. SRP places still to be confirmed for 2014/15. Updated gross budgets for academies without de-delegation.	1.0 ISB
1.0 ISB	1.0.1b Secondary	123,386	-928	349	122,807	Reflects final proposed APT submission, plus submitted place numbers for Specialist Resourced Provision (35) and the 2013/14 (ie not updated yet) EFA Grant for Post 16	Difference reflects change in the APT impact by sticking to the Minimum Funding Guarantee. SRP places still to be confirmed for 2014/15. Updated gross budgets for academies without de-delegation. No change to Post 16 allocation.	1.0 ISB
1.0 ISB	1.0.1c PRU	1,946	-346		1,600	No change because submitted places for PRU remains 200 @ £8,000 each.	Brought forward removed. Place numbers for 2014/15 to be confirmed	1.0 ISB
1.0 ISB	1.0.1c Special Schools	4,400		108	4,508	Reflects updated place numbers submitted to EFA in December 2013 (ie now 450.83 @ £10,000)	Special School places still to be confirmed for 2014/15.	1.0 ISB
1.0 ISB	1.0.1g Pupil Premium					Nil net budget, as all funded by grant		1.0 ISB
1.1 De-delegated items	1.1.1 Contingencies	466	21	1	488	Updated to reflect final APT submission, pending final decisions by Schools Forum on de-delegation at Jan 14 meeting.	In-year conversions to academies were adjusted using this budget. The provisional figure for 2014/15 represents 2013/14 rate for number of pupils at current maintained schools.	1.1 De-delegated items
1.1 De-delegated items	1.1.2 Behaviour	291	-7		284	Updated to reflect final APT submission, pending final decisions by Schools Forum on de-delegation at Jan 14 meeting.	Provisional: 2013/14 rate, Oct 13 census for current maintained schools.	1.1 De-delegated items
1.1 De-delegated items	1.1.3 UPEG and bilingual	530	-13		517	Updated to reflect final APT submission, pending final decisions by Schools Forum on de-delegation at Jan 14 meeting.	As per 1.1.2	1.1 De-delegated items
1.1 De-delegated items	1.1.4 FSM Eligibility	129	-3		126	Updated to reflect final APT submission, pending final decisions by Schools Forum on de-delegation at Jan 14 meeting.	As per 1.1.2	1.1 De-delegated items
1.1 De-delegated items	1.1.7 Licences and Subs	49	-1	-22	26	Updated to reflect final APT submission, pending final decisions by Schools Forum on de-delegation at Jan 14 meeting. Also some provision transferred to 1.4.12 because DfE have negotiated more licences as a national agreement.	As per 1.1.2	1.1 De-delegated items
1.1 De-delegated items	1.1.8 Staff costs	324	-7		317	Updated to reflect final APT submission, pending final decisions by Schools Forum on de-delegation at Jan 14 meeting.	As per 1.1.2	1.1 De-delegated items

Detailed Calculations of Provisional 2014/15 Schools Budget

Appendix 1

DSG heading	DSG sub-heading	2013/14 budget	Adjustment included in Dec 13 Schools Forum papers	Adjustment proposed at Jan 14 SF	Provisional 2014/15 budget	Comments on Jan 14 proposed adjustments	Comment at SF in Dec 13	SF Category
1.2 High Needs	1.2.1 Top-up funding - maintained	21,762		1,269	23,031	Based on reassessment of mainstream top-ups for LBTH pupils, LBTH special school top-ups and out-borough special school top-ups.	Figures to be reassessed for Jan 14 Schools Forum	1.2 High Needs
1.2 High Needs	1.2.2 Academies and Free Schools	201		319	520	Reflects the increase in academy numbers principally; the entitlement for academies is no different than for maintained schools for High Needs.	Figures to be reassessed for Jan 14 Schools Forum	1.2 High Needs
1.2 High Needs	1.2.3 Independent providers	7,325		-175	7,150	After reassessment of independent special schools and FE college commitments	Figures to be reassessed for Jan 14 Schools Forum	1.2 High Needs
1.2 High Needs	1.2.4 Other AP provision	2,663	89	480	3,232	Reflects greater numbers of PRU pupils requiring individual support plus the possibility of further City Gateway placements.	Figures to be reassessed for Jan 14 Schools Forum. B/f for managed moves removed. One-off grant income removed.	1.2 High Needs
1.2 High Needs	1.2.5 SEN Support Services	4,339		60	4,399	Includes £0.637m for outreach and £60k for inreach in special schools.	Figures to be reassessed for Jan 14 Schools Forum	1.2 High Needs
1.2 High Needs	1.2.6 Support for Inclusion	48			48	No change	Figures to be reassessed for Jan 14 Schools Forum	1.2 High Needs
1.2 High Needs	1.2.8 Hospital Education	460			460	No change because submitted places for Hospital Tuition is 40 @ £11,500.	Figures to be reassessed for Jan 14 Schools Forum	1.2 High Needs
1.2 High Needs	1.2.9 PFI and BSF costs at special schools	34		-2	32	Updated to reflect actual indexation for 2014/15 PFI subsidy.	Will be updated to reflect actual charges for Phoenix.	1.2 High Needs
1.3 Early Years	1.3.2 EY 2 year olds	153			153	See comment in 1.0 above. Further work needed	Figures to be reassessed for Jan 14 Schools Forum	1.3 Early Years
1.3 Early Years	1.3.3 EY Central	1,731		2,000	3,731	See comment in 1.0 above. Further work needed	Figures to be reassessed for Jan 14 Schools Forum	1.3 Early Years
1.4 Central Provision	1.4.1 Combined budgets	1,640	-30		1,610	No change	B/f for Virtual School removed.	1.4 Central Provision
1.4 Central Provision	1.4.2 Admissions	729			729	No change	No change expected	1.4 Central Provision
1.4 Central Provision	1.4.3 Schools Forum	30			30	No change	No change expected	1.4 Central Provision
1.4 Central Provision	1.4.4 Termination costs	1,117			1,117	No change	No change expected	1.4 Central Provision
1.4 Central Provision	1.4.5 Carbon reduction commitment allowances	266		-266		Component paid for directly by DfE nationally in 2014/15.		1.4 Central Provision
1.4 Central Provision	1.4.8 Fees to ISS (Not SEN)	510			510	No change	Currently underspending, so needs to be reassessed for Jan 14 Schools Forum	1.4 Central Provision
1.4 Central Provision	1.4.10 Pupil growth/ Infant class sizes	1,644		356	2,000	Updated to reflect schedule of anticipated costs referred to in the main report.	Calculation to be done for Jan 14 Schools Forum, based on known planned expansions and current policy. SF will need to approve this budget specifically.	1.4 Central Provision
1.4 Central Provision	1.4.12 Exceptions agreed by Secretary of State	58		52	110	Increase to reflect the larger number of individual licences and subscriptions that have been negotiated by the DfE for 2014/15.	Will be updated to reflect actual charges for 2013/14 and any changes expected for 2014/15.	1.4 Central Provision
1.7 Funding Source	1.7.1 DSG	-299,920	4,929	-5,305	-300,296	Updated to reflect impact of these changes		1.7.1 DSG
1.7 Funding Source	1.7.2 DSG b/f	-5,553	941	-436	-5,048	No change	Reflects forecast c/f at 31st March 2014	1.7.2 DSG b/f
1.7 Funding Source	1.7.3 EFA Grants	-17,186			-17,186	No change	No change expected	1.7.3 EFA Grants
1.7 Funding Source	1.7.5 Academy Recoupment	-11,908	-2,933	76	-14,766	Updated to reflect the final proposed APT submission.	Based on provisional APT for the 4 current academies.	1.7.5 Academy Recoupment
SCHOOLS BUDGET TOTAL								

Appendix 2

Criteria for Schools Accessing Pupil Growth Contingency

The criteria that will be used and applied to allocate funding to schools under Tower Hamlets Council, Children, Schools & Families, Adults, Health & Wellbeing Growth Policy.

In particular funding will be allocated on four criteria.

a) Where there are planned permanent expansions (i.e. the school's admission number and the building capacity has been permanently increased specifically to meet additional pupil number growth) the contingency fund will meet the cost of any additional pupils on the October or January census date, compared to the previous admission number for that year group. For instance, a school that already started to move from 2 forms of entry (60 places) to 3 forms of entry (90 places), may have actual pupil numbers in Year 2 of 85, in the first year that the expansion affects Year 2. If there were 85 pupils on the October census, the school would get $((85-60) \times \text{AWPU} \times 7/12)$ or $3/12$ for a January start. A minimum of 20 pupils per class (or 10 for $\frac{1}{2}$ a form of entry) is calculated to ensure both staffing and teaching resources are covered for this provision i.e. if a class of 30 pupils has only 19 pupils at the October or January census date would be entitled to $20 \times 7/12$ ths or $3/12$ ths \times AWPU rate. These arrangements apply for only the first year that any new admission places for a year-group are offered.

b) Where there is only a temporary one-off expansion in a single year group (bulge class), the maintained school or Academy will receive an extra £200 per pupil towards the cost of additional resources over and above the AWPU. These arrangements applies for only the year of opening of the class.

c) Where the planned expansion of the maintained school or Academy is by at least 2 forms of entry, the Local Authority will provide additional Leadership and Management funding worth £40,000 per year over the first three financial years in recognition of the increase in management costs associated with significant expansion. (year 1 of this funding is the school year before opening if that is agreed by school and LA – i.e. to reflect the planning ahead requirement for the change)

d) Permanent expansions are generally implemented over time by admitting the additional pupils at Reception or Year 7 only until the additional capacity fills. Where a school has specific facilities management or ICT contract arrangements which provide services as though an expanding school were full, the contingency fund will provide proportionate support for individual schools on the basis of the year groups which are operating below full capacity. For instance, a four form of entry school offering 5 year groups is expanding to a five form of entry school. Before the expansion, there were 600 places available in total and, after the expansion there will be 750 places in total. In the first year after the expansion, however, there will be $(150 \times 4 + 30) = 630$ places with 120 unfilled places. The contingency fund would pay for $120/750$ ths of the annual cost of those contracts.

De-delegation- business cases for schools forum

At budget setting time each year, Schools Forum will be asked to approve the de-delegation of funding for centrally provided support in the following areas.

1. School Specific Contingency
2. Free School Meal Eligibility Assessment
3. Licences and Subscriptions
4. Staff Supply Costs
5. Ethnic Minority Attainment
6. Behaviour Support

De-delegation will be based on a per pupil formula which is considered to be a fair way of accounting for the size of the school and its budget. On this basis, for each item we have provided figures on the overall expenditure and the per pupil rate.

These figures are, based on the number of maintained schools currently and the prevailing rates for 2014/15. **Decision is required** on each of the six services by primary school representatives and secondary school representatives on whether de-delegation should apply for 2014/15.

1. Schools Specific Contingency
--

£2.488m in total of which:

- Amount requested: £488k expected to be sought as de-delegation and
- £2.000m to be retained by the Local Authority for in-year pupil growth

Per pupil amount: **£14.93**

The table below shows what is funded by this money

Item	Amount (£k)
<p>Schools Block Contingencies' Include:</p> <p>i. Exceptional unforeseen costs which it would be unreasonable to expect governing bodies to meet;</p> <p>ii. Schools in financial difficulty; and,</p> <p>iii. Additional costs relating to new, reorganised or closing schools.</p>	488

What is provided?

The contingency fund provides for unforeseen expenses in schools during the year. This can include, for example, significant unforeseen and urgent maintenance expenditure (eg asbestos removal; roof repair) and litigation including compensation claims. The contingency also allows funding for significant pupil growth with in the year, but that element will be automatically retained, without de-delegation.

Why de-delegate

There are a range of possible scenarios that can give rise to unforeseen costs in schools. Without a central fund, individual schools facing an unforeseen significant cost may find themselves unable to operate within their delegated budgets. Individual schools may not by themselves be able to build up sufficient contingency to cover this.

2. Free school meals eligibility assessment
--

Amount requested: £126k

Per pupil rate: **£3.86**

The table below shows what is funded by this money:

Item	Amount (£k)
SLA with the Council's Housing Benefit Service	£126

What does the service provide?

The service assesses pupils' eligibility for free school meals, either as part of the Housing and Council Tax Benefit claim process or on referral from schools/ other agencies. The service notifies individual schools on a regular basis of their pupils' eligibility. The service also conducts take up campaigns on behalf of schools.

Why de-delegate?

Providing this service centrally, as part of a service that specialises in assessing benefit entitlement, means that efficiencies can be gained by direct access to DWP information about claimants' entitlement. In addition, the process is integrated with housing and council tax benefit claims, reducing the burden for claimants. Administration at individual school level would be burdensome as entitlement checking would have to be done manually (by paper copies of claimants' entitlement.) Resources can also be used to run effective campaigns resulting in increased take up.

3. Licences and Subscriptions

Amount requested: £26k

Per pupil rate: **£0.80**

The table below shows how this funding is used:

Item	Amount (£k)
ALPS (data analysis tool for secondary attainment)	26
PPL Copyright – Phonographic Performance Limited Copyright Licence	
CLEAPS – To cover schools from nursery to sixth form – Health & Safety and curriculum support.	

What does the service provide?

A number of licenses/ subscriptions are purchased centrally on behalf of schools as set out in the table above.

The DfE have negotiated a national agreement with the Copyright Licensing Agency (CLA), Music Publishers Association (MPA), Schools Printed Music (SPML), Newspaper Licensing Agency (NLA), Education Recording Agency (ERA), Public Video Screening Licence (PVSL) and Motion Picture Licensing Company (MPLC). This means that the authority will be able to hold funding for all maintained schools and academies and pay the DfE for that service. So, schools will no longer be required to maintain individual licenses and, £110k has been deducted from the overall total to arrive at the figures above.

Why de-delegate

Purchasing and managing licenses and subscriptions centrally offers significant efficiency benefits from the Council administering the licenses centrally and discounts if buying on behalf of all schools. This also ensures that schools meet all legal requirements, particularly in relation to the use of recorded media as part of their curriculum.

4. Staff Supply cover

Amount requested: £317k

Per pupil rate : **£9.70**

The table below shows what is funded by this money:

Item	Amount (£k)
Backfill cover for Trade Union (TU) facilities time	187
Cost of non-teaching trades union facilities time	81
Salary protections	8
Supply cover for staff suspended due to police investigations	41
Total	317

What does the service provide?

The TU Facilities Agreement ensures that representatives are available to enable Schools to participate in collective bargaining and consultation processes. TU Reps also accompany staff to formal meetings in accordance with an employee's statutory right which enables Schools to progress formal actions under HR Procedures.

The salary protections budget is a small budget to cover the costs of historic agreements to protect the salaries of some staff.

The rest of the budget is to cover schools for the cost of supply cover in the event that a member of staff is suspended pending police investigations.

Why de-delegate?

Holding these budgets centrally enables schools to share the costs of supply cover to support the Tu facilities time agreement, and ensures that individual schools who employ shop stewards are not disadvantaged. Maintaining budgets for supply cover and salary protections for other circumstances ensures that individual schools are protected against the risk of unforeseen costs in these areas that may arise during the year.

5. Ethnic Minority Attainment

Amount requested: £517k

Per pupil rate : **£15.82**

The table below shows how this funding is used.

Item	Amount (£k)
Staffing (school improvement team)	241
Provision of specific interventions (eg one to one tuition, international links- see below)	159
Overheads (office premises, support services etc)	117
Total	517

What does the service provide?

The school improvement team provides support for schools across phases in providing effective learning for pupils from ethnic minorities and/ or with English as an additional language. This includes specialist expertise in relation to meeting the needs of specific ethnic groups (eg traveller communities, White British, Bangladeshi, Somali.) The support provided includes diagnosing the individual learning needs of pupils from under achieving groups and working with teachers in schools to put in place effective intervention strategies. The service also provides a specialist advice service to schools for working with particular ethnic minorities. Direct interventions are also supported for some pupils with particularly high need, for example, one to one literacy tuition.

Why de-delegate?

De-delegation of funding to support a central service gives all schools access to this support and helps them to manage fluctuations and demands of cohorts from year to year. It would be challenging for individual schools to themselves provide this specialist expertise given the changing cohorts of pupils, and without central support schools would need to commission more expensive external consultancy. Such support also brings together expertise from across the schools to share expertise and experience in the field. This support has proven effective as there has been considerable uplift in English and mathematics outcomes, particularly in the last three years (now above national averages). Without the focus on raising attainment particularly in English and mathematics there is detrimental effect to other subjects. The subsequent rise in English and mathematics results has also increased the gold standard 5A*-C with English and mathematics measure which is also above the national average. Tower Hamlets has the highest proportion of ethnic minority students in the country combined with the highest demand for FSM. It is a volatile, ever changing community where literacy and numeracy requires constant attention. There is always fragility in inner city schools with staff change-over and changing cohorts. Sustained, evolving support can only benefit the whole education community.

6. Behaviour Support

Amount requested: £284k

Per pupil rate : **£8.70**

The table below shows what is funded by this money:

Item	Amount (£k)
Staffing (behaviour support team)	189
2.5 FTE for specialist teaching staff, 0.5 FTE anti-bullying officer, 0.5 FTE bilingual community development worker, share of administrative officer	
SIP commissioned Intensive High Risk Family Interventions to promote engagement in education (and prevent escalation to Tier 3) - SLA with Family Intervention Programme	54
Resources to support interventions	14
Overheads (office premises, support services)	27
Total	284

What does the service provide?

The part of the Behaviour Support Team which works with children with SEN (BESD) can be retained centrally through the high needs SEN budget.

However the resources above apply to that part of the service working with non-statemented BESD which require school agreement to de-delegate.

This includes half of the post of Head of BST, two fte BST teachers (one primary and one secondary), a 0.5fte Anti-Bullying Advisor and 0.5 fte bilingual community development worker.

The work includes:

- 0.5fte post for advice, guidance and interventions to prevent bullying, including cyber bullying, in and around schools and direct case-work with children and families where mediation between school and home is required.
- Systemic work with schools where local data or national inspections have identified behaviour may be a cause for concern. This might include policy work, auditing and review (data and operational practice) school based professional development through training and coaching support targeted class/ year group/ department work to improve Behaviour for Learning.
- Preparation and support for Ofsted for schools with behaviour as an identified concern
- Targeted advice for children at immediate risk of permanent exclusion or to prevent escalation to Tier 3 interventions, (as directed by SIP).
- BST management support and supervision, and advice to Headteachers as part of the borough's Behaviour and Attendance Partnership work.

- 0.5fte bilingual community development post to provide specialist parenting groups for very high risk groups: parents of children with extremely challenging behaviour, SEN and BESD, parents of young offenders and parents on parenting orders for non-attendance. This includes outreach work in homes for hard to engage families / extreme cases.

In addition the budget covers:

- A fee paid on behalf of schools for Stonewall membership which provides resources and support for anti-homophobic bullying.
- A small sum for exceptional deployment to cover innovative solutions to behaviour support where no other budget exists (at the direction of SIP)
- A share of the administrative and overheads costs incurred in service delivery.
- An SLA with the Family Intervention Programme (FIP) to work intensively with high risk families to break intergenerational cycles of poor behaviour and disaffection, promote engagement in education and prevent escalation to Tier 3 (as directed by SIP).

Why de-delegate?

Most funds for behaviour support work have already been delegated to schools so they can buy in behaviour expertise externally, as and when required. However, the funds above are targeted at the most critical cases referred to SIP, on the cusp of permanent exclusion or other Tier 3 interventions. Such cases can be unpredictable and costly and providing this support centrally means that the most critical behaviour issues can be managed swiftly as they arise.

It also enables prompt deployment of support where Ofsted and/or schools themselves identify a cause for concern regarding behaviour which requires systemic advice and in-depth training and guidance. Consolidating this support in a central resource means that expertise is developed and retained in an expert team and provides strategic support to the Behaviour and Attendance Partnership.

Specialist and Non-Specialist SEN Top-Up Rates 2014/15

Appendix 4

Non-Specialist SEN School	Top Up Rate 2013	Top Up Rate 2014-15	Difference		Places 13-14	Places April 2014	Places Sept 2014
All schools Band A	£7,641	£7,641	£0		70	75	75
All schools Band B	£9,170	£9,170	£0		40	36	36
All schools Band C	£11,921	£11,921	£0		32	26	26
All schools Band D	£13,755	£13,755	£0		40	40	40
All schools Band E	£17,575	£17,575	£0		160	170	180
					98	98	98
Total Special Schools					440	445	455
Beatrice Tate	£21,820	£21,820	£0		15	15	15
Bowden House	£57,055	£57,055	£0		26	26	26
Cherry Trees	£18,275	£19,495	£1,220		20	20	20
Ian Mikardo	£27,785	£27,785	£0		30	30	30
Phoenix	£21,820	£21,820	£0		16	16	16
Stephen Hawking	£20,025	£20,025	£0				
Total Primary SRP					107	107	107
Bangabandhu Primary School	£7,576	£7,576	£0				
Culloden Primary School	£10,420	£10,420	£0				
Cyril Jackson Primary School	£3,045	£4,025	£980				
Globe Primary School	£4,025	£4,025	£0				
Hague Primary School	£5,816	£5,816	£0				
George Greens Secondary School	£8,920	£8,920	£0		15	15	15
St Paul's Way Trust	£6,347	£6,347	£0		22	20	20
Total Secondary SRP					37	35	35
Pupil Referral Unit	4 rates	4 rates	No change to rates		200	200	200
Total Tower Hamlets schools and academies					784	787	797

HOUSING REVENUE ACCOUNT

Housing Revenue Account	2014/15	2015/16	2016/17
	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000
INCOME			
Dwelling & non dwelling rents	(72,438)	(72,996)	(74,683)
Tenant & Leaseholder service charges	(17,901)	(17,787)	(17,685)
Investment Income received	(168)	(184)	(210)
General Fund contributions	(115)	(115)	(115)
GROSS INCOME	(90,621)	(91,082)	(92,693)
EXPENDITURE			
Repairs & Maintenance	22,388	22,961	23,568
Supervision & Management	22,003	20,477	20,316
Special Services, Rents rates & taxes	15,745	16,267	16,809
Increased provision for bad debts	1,400	900	900
Capital Financing charges	19,193	19,828	21,261
GROSS EXPENDITURE	80,729	80,434	82,853
NET COST OF HRA SERVICES	(9,892)	(10,649)	(9,840)
Appropriations			
Revenue Contribution to Capital Outlay (RCCO)	9,892	10,649	9,840
NET POSITION	-	-	-
Balances			
Opening balance (Surplus)/ Deficit on HRA	(16,805)	(16,805)	(16,805)
Closing balance	(16,805)	(16,805)	(16,805)

CAPITAL PROGRAMME

Scheme Name	Scheme Description	2013/14 Revised Budget	2014/15 Budget	2015/16 Budget	2016/17 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Education, Social Care and Wellbeing						
Mental Health SCP(C)	Supported capital expenditure work to various buildings	0.035				0.035
Telecare equipment for service users	Telecare equipment for service users	0.172	0.100			0.272
Ronald Street Roof Replacement	Roof replacement	0.014				0.014
Fit Out Costs for Learning Disability Hubs	Fit out costs for the Learning Disability Hubs	0.160	0.080			0.240
Improvement works to 35 Ronald Street	Improvement works	0.370				0.370
Blue Gate Fields - Boiler Replacement	Boiler replacement	0.070				0.070
Cubitt Town Juniors - Fire Escape Staircase	Works on the fire escape staircase	0.020				0.020
Smithy Street - Recover Roof	Recover roof	0.080				0.080
Mayflower - Electrical Rewire (Phase3)	Electrical rewire (Phase3)	0.080				0.080
Various Sites - Conditions Surveys	Conditions Surveys	0.230				0.230
Statutory Requirements	Physical access for staff or pupils with disability and fire protection	0.286				0.286
Harry Gosling - Lightening Conductor	New lightening conductor	0.021				0.021
Cayley - Fire Safety	Fire safety works	0.011				0.011
John Scurr - Replace Concrete Boundary Wall	Replacement of concrete boundary wall	0.010				0.010
Third Base PRU - Window Replacement	Window replacement	0.010				0.010
Globe school - heating pipework replacement and upgrade	Heating pipework replacement and upgrade	0.150				0.150
Blue Gate Fields Junior & Infants - update electrical supply	Upgrade of electrical supply	0.112				0.112
Manorfield Pipework Replacement	Pipework replacement	0.150				0.150
Olga Armsby FC - Replace Roof Covering	Replacement roof covering	0.060				0.060
Non Schools - Statutory Requirements	Non Schools - statutory requirement works	0.040	0.100			0.140
Alice Model - Heating Boiler Replacement	Heating boiler replacement	0.022				0.022
Gorsfield Residential Centre - Security Improvements	Security improvements	0.058				0.058
Bishop Challoner - Community Facilities	Community facilities	0.600				0.600
Arnhem wharf - Expansion	Expansion	0.333				0.333
Cayley - Expansion	Expansion	2.562	0.080			2.642
Culloden - Expansion	Expansion	0.020				0.020
Marner - Expansion	Expansion	0.320				0.320
Wellington - Expansion	Expansion	0.100				0.100
Stebon - Expansion	Expansion	1.000	4.450	0.050		5.500
PDC - Conversion	Conversion	2.877	0.200			3.077
Woolmore Primary School	New Build	3.750	6.000	0.645		10.395
Match Funding for Schools (Schools Specific contingency)	Match Funding for Schools (Schools Specific contingency)	1.000				1.000
Refurbishment of Bethnal Green Centre	Refurbishment	2.092	0.025			2.117
Olga Primary School - Expansion	Expansion	0.200	5.250	5.250		10.700
Provision of Bulge Classes - Expansion	Expansion	0.370				0.370

Scheme Name	Scheme Description	2013/14 Revised Budget	2014/15 Budget	2015/16 Budget	2016/17 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Scheme Development	Scheme Development	0.023				0.023
Various Sites - Feasibility	Feasibility	0.005				0.005
Bromley Hall - Feasibility	Feasibility	0.011				0.011
Halley School - Feasibility	Feasibility	0.010				0.010
Swanlea School - Feasibility	Feasibility	0.025				0.025
Bow Boys Feasibility (scheme development)	Feasibility (scheme development)	0.198				0.198
Olga Feasibility (scheme development)	Feasibility (scheme development)	0.208				0.208
CDA	CDA	0.010				0.010
QS	QS	0.010				0.010
St John's CE - Refurbishment	Refurbishment	0.102				0.102
Elizabeth selby - Refurbishment & Extension	Refurbishment and extension	0.010				0.010
Walmesbury - Remodelling	Remodelling	0.120				0.120
Corsefield - Refurbishment	Refurbishment	0.010				0.010
One Stop Shop - Accessible Interactive Sports & Leisure Facility	Accessible interactive sports and leisure facility	0.126				0.126
Globe Town Children's Centre (Sparks) - Development/ Refurbishment	Development and refurbishment	0.006				0.006
BMX Track	BMX Track	0.006				0.006
Provision for 2 year olds	Work to increase capacity to enable 2 year old school provision	0.456	0.707			1.163
Provision for 2yr olds - Grant to Global Kids Daycare	Work to increase capacity to enable 2 year old school provision	0.044				0.044
EDUCATION, SOCIAL CARE AND WELLBEING TOTAL		18.767	16.992	5.945	0.000	41.704

COMMUNITIES, LOCALITIES AND CULTURE						
Roman Rd (Globe Town)	TfL schemes including safety, cycling and walking, SuperHighway	0.022				0.022
Manchester Road /Island Gardens /	TfL schemes including safety, cycling and walking, SuperHighway	0.259				0.259
Abbott Road / Aberfeldy Estate	TfL schemes including safety, cycling and walking, SuperHighway	0.010				0.010
St Paul's Way	TfL schemes including safety, cycling and walking, SuperHighway	0.060				0.060
Bethnal Green to Olympic Park	TfL schemes including safety, cycling and walking, SuperHighway	0.009				0.009
Cycle Infrastructure Improvement	TfL schemes including safety, cycling and walking, SuperHighway	0.050				0.050
Brick Lane	TfL schemes including safety, cycling and walking, SuperHighway	0.032				0.032
Wapping Wall	TfL schemes including safety, cycling and walking, SuperHighway	0.002				0.002
Legible London	TfL schemes including safety, cycling and walking, SuperHighway	0.196				0.196
Zebra Crossing Halos	TfL schemes including safety, cycling and walking, SuperHighway	0.060				0.060
Valance Road Junction	TfL schemes including safety, cycling and walking, SuperHighway	0.070				0.070
Local Area Minor Accessibility Improvements	TfL schemes including safety, cycling and walking, SuperHighway	0.138				0.138
Local Transport Funding	TfL schemes including safety, cycling and walking, SuperHighway	0.119				0.119
Bethnal Green Town Centre	TfL schemes including safety, cycling and walking, SuperHighway	0.309	0.270			0.579
Bartlett Park Master Plan	TfL schemes including safety, cycling and walking, SuperHighway	0.031				0.031
Cycle Routes - Boroughwide	TfL schemes including safety, cycling and walking, SuperHighway	0.159				0.159
Westferry Road	TfL schemes including safety, cycling and walking, SuperHighway	0.332				0.332

Scheme Name	Scheme Description	2013/14 Revised Budget	2014/15 Budget	2015/16 Budget	2016/17 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Road Safety - Boroughwide	TfL schemes including safety, cycling and walking, SuperHighway	0.114				0.114
Bus Stop Works - various locations	TfL schemes including safety, cycling and walking, SuperHighway	0.050				0.050
Marsh Wall Environmental Improvement	TfL schemes including safety, cycling and walking, SuperHighway	0.053	0.270			0.323
Cavell Street - COG	TfL schemes including safety, cycling and walking, SuperHighway	0.100				0.100
King David Lane & Juniper Street - signage, footpath, carriageway upgrade	TfL schemes including safety, cycling and walking, SuperHighway	0.094				0.094
Bow	TfL schemes including safety, cycling and walking, SuperHighway	0.250				0.250
Historic Streets	TfL schemes including safety, cycling and walking, SuperHighway	0.300				0.300
Sydney Street	TfL schemes including safety, cycling and walking, SuperHighway	0.250				0.250
Bust Stop Accessibility Programme	TfL schemes including safety, cycling and walking, SuperHighway	0.100				0.100
Belgrave Street	TfL schemes including safety, cycling and walking, SuperHighway	0.080				0.080
Cycle Parking	TfL schemes including safety, cycling and walking, SuperHighway	0.058				0.058
Violet Road Bridge Assessment	TfL schemes including safety, cycling and walking, SuperHighway	0.020				0.020
Corbridge Crescent Bridge	TfL schemes including safety, cycling and walking, SuperHighway	0.020				0.020
To be decided/confirmed	TfL schemes including safety, cycling and walking, SuperHighway	0.000	3.349	3.349		6.698
Grounds Maintenance	Purchase of ground maintenance equipment	0.750				0.750
Cycling Improvements	Cycle parking facilities; bike pump facilities and cycle permeability schemes	0.100				0.100
Highway Improvement Programme	Highway improvements	1.000	1.000			2.000
Sainsbury Food Store - Redevelopment of Site (1 Cambridge Heath Road)	Developers Contribution	0.000	0.022			0.022
St Anne Street	Developers Contribution	0.020				0.020
Warner Green	Developers Contribution	0.049				0.049
Weavers Field & Allen Gardens	Developers Contribution	0.148				0.148
Albert Gardens	Developers Contribution	0.025				0.025
Millwall Park & Langdon Park	Developers Contribution	0.041				0.041
Poplar Park & Jolly's Green	Developers Contribution	0.069				0.069
Ropewalk Gardens	Developers Contribution	0.047				0.047
Spitalfields Area - Pedestrian Routes	Developers Contribution	0.005				0.005
Marshwall/Limeharbour - Highway Works	Developers Contribution	0.016				0.016
Blackwall Way Bus Stops	Developers Contribution	0.000	0.039			0.040
Fieldgate Street	TfL schemes including safety, cycling and walking, SuperHighway	0.045				0.045
Blossom St & Folgate St	TfL schemes including safety, cycling and walking, SuperHighway	0.075				0.075
Morris Road & Rifle St Footbridge	TfL schemes including safety, cycling and walking, SuperHighway	0.035				0.035
Morris Road & Rifle St	TfL schemes including safety, cycling and walking, SuperHighway	0.054				0.054
Cambridge Heath Road/Witen St	TfL schemes including safety, cycling and walking, SuperHighway	0.061				0.061
Former Bishop Challoner School	TfL schemes including safety, cycling and walking, SuperHighway	0.122				0.122
Cordelia St/Carron Close	TfL schemes including safety, cycling and walking, SuperHighway	0.100				0.100
Marsh Wall Junction Works	TfL schemes including safety, cycling and walking, SuperHighway	0.121				0.121
St Andrews Hospital	TfL schemes including safety, cycling and walking, SuperHighway	0.000	0.088			0.088
Bow Common Lane and Furze St	TfL schemes including safety, cycling and walking, SuperHighway	0.030				0.030
Selsey Street	TfL schemes including safety, cycling and walking, SuperHighway	0.090				0.090

Scheme Name	Scheme Description	2013/14 Revised Budget	2014/15 Budget	2015/16 Budget	2016/17 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Commercial Road	TfL schemes including safety, cycling and walking, SuperHighway	0.125	0.125			0.250
Cambridge Heath Road/Three Colts Lane	TfL schemes including safety, cycling and walking, SuperHighway	0.047				0.047
Whitechapel Road	TfL schemes including safety, cycling and walking, SuperHighway	0.030				0.030
Bethnal Green Road	TfL schemes including safety, cycling and walking, SuperHighway	0.150				0.150
Wapping Lane	TfL schemes including safety, cycling and walking, SuperHighway	0.000	0.064			0.064
Former Safeway Store	TfL schemes including safety, cycling and walking, SuperHighway	0.000	0.135			0.135
Caspian Wharf and Yeo Street	TfL schemes including safety, cycling and walking, SuperHighway	0.146				0.146
Fairfield Road	TfL schemes including safety, cycling and walking, SuperHighway	0.020				0.020
Improvements to pedestrian and cycle routes	TfL schemes including safety, cycling and walking, SuperHighway	0.148				0.148
Ocean Estate FS2	TfL schemes including safety, cycling and walking, SuperHighway	0.000	0.106			0.106
Row Area Traffic Management Review	TfL schemes including safety, cycling and walking, SuperHighway	0.000	0.250			0.250
Row Area Traffic Review - Study	OPTEMS	0.159				0.159
12 Wick Lane Junction	OPTEMS	0.027	0.250			0.277
Pionier Road - cycle/pedestrian improvements	OPTEMS	0.020				0.020
Dace Road - cycle/pedestrian improvements	OPTEMS	0.014				0.014
Fairfield Road/Tredegar Road Signals	OPTEMS	0.016	0.250			0.266
Millwall Park/Island Gardens	Park improvements	0.003				0.003
Poplar Park	Park improvements	0.040				0.040
Schoolhouse Lane Multi Use Ball Games Area	Improvements to ball game areas	0.007				0.007
Victoria Park Sports Hub & Other Works	Improvements to the sports hub	0.616	2.000			2.616
Victoria Park Masterplan	Victoria Park Masterplan	0.740				0.740
Pennyfields	Works to open spaces	0.018				0.018
Christ Church Gardens	Works to open spaces	0.350				0.350
Mile End Hedge	Works to open spaces	0.165				0.165
Trees - Boroughwide	Planting trees boroughwide	0.016				0.016
Brickfield Gardens	Installation of Street Lighting	0.040				0.040
Trinity Square Gardens	Conversion of lawn area to York stone paving	0.055				0.055
Brady Centre	Building Improvements	0.001				0.001
Bethnal Green Gardens, Victoria Park	Tennis Court works	0.002				0.002
Victoria Park	Tennis Courts	0.010				0.010
Bartlett Park	Various works including landscaping	0.013				0.013
Mile End Stadium Track resurfacing	Resurfacing the stadium track	0.004				0.004
Public Art Projects	Middlessex Street	0.239				0.239
Mile End Park Capital	Mile End Park Capital	0.084				0.084
Watney Market Ideas Store	New idea store and one stop shop in Watney Market	0.195				0.195

Scheme Name	Scheme Description	2013/14 Revised Budget	2014/15 Budget	2015/16 Budget	2016/17 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Landscaping of Watney Market	Landscaping	0.235				0.235
Bancroft Library	Bancroft Library	0.008				0.008
Whitechapel Idea Store	Major project work	0.017				0.017
St Georges Pool	St Georges Pool works	0.106				0.106
Brick Lane Mural	Brick Lane Mural	0.000	0.045			0.045
Banglatown Art Trail & Arches	Art trail and arches	0.610				0.610
Bancroft Library Phase 2b	Bancroft Library Phase 2b	0.145				0.145
Bancroft Library	Bancroft Library	0.403				0.403
CCTV Improvement and Enhancement	CCTV Improvement and Enhancement	0.014				0.014
Boroughwide CCTV Improvements	CCTV Improvements	0.182	0.128			0.310
Generators at Mulberry Place	Works to the generators at Mulberry Place	0.009				0.009
Essential Health and Safety	Contaminated Land Strategy H&S (2007/08):	0.013	0.250			0.263
Adelina Grove	Contaminated land survey and works	0.000	0.053			0.053
Copton Close	Contaminated land survey and works	0.000	0.040			0.040
Poplar High St	Contaminated land survey and works	0.000	0.037			0.037
Rosebank Gardens	Contaminated land survey and works	0.000	0.023			0.023
Stones Quay	Contaminated land survey and works	0.000	0.056			0.056
Veronica House	Contaminated land survey and works	0.000	0.033			0.033
Mudchute Park Improvements	Repair of car parks; creating a village green; providing toilet and hand washing facilities	0.045				0.045
White End Leisure Centre - Security Enhancements	Fencing and security	0.002				0.002
Bartlett Park Master Plan - Highways	Realigning and re-landscaping a section of Upper North Street and other Highway Improvements	0.350	1.382			1.732
COMMUNITIES, LOCALITIES AND CULTURE TOTAL		11.987	10.265	3.349	0.000	25.601

BUILDING SCHOOLS for the FUTURE						
Beatrice Tate	Build	0.728	0.000			0.728
Raines	Build	1.177	0.000			1.177
Central Foundation	Build	8.738	2.829			11.567
Langdon Park	Build	3.512	0.904			4.417
Phoenix	Build	0.780	0.000			0.780
Stepney Green	Build	-3.165	0.000			-3.165
Bow Boys	Build	22.545	2.671			25.215
George Greens	Build	3.900	0.424			4.325
Central Services	ICT	1.122	0.903			2.025
Bethnal Green TC	ICT	0.082	0.161			0.242
St Pauls Way	ICT	0.154	0.233			0.387
Raines	ICT	0.538	0.303			0.841
Sir John Cass	ICT	0.096	0.456			0.551
Morpeth	ICT	0.122	0.124			0.246

Scheme Name	Scheme Description	2013/14 Revised Budget	2014/15 Budget	2015/16 Budget	2016/17 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Oaklands	ICT	0.128	0.244			0.372
Ian Mikardo	ICT	0.005	0.010			0.014
Cambridge Heath	ICT	0.008	0.010			0.018
Central Foundation	ICT	0.569	0.381			0.950
Bowden House	ICT	0.035	0.067			0.102
Beatrice Tate	ICT	0.097	0.150			0.247
Stepney Green	ICT	0.589	0.387			0.976
Harpley PRU	ICT	0.028	0.063			0.090
Langdon Park	ICT	0.525	0.306			0.831
Swanlea	ICT	0.050	0.147			0.197
Bow Boys	ICT	0.386	0.005			0.391
Phoenix	ICT	0.110	0.154			0.265
Wave 5 BSF	Building Schools for the Future Programme	0.000	1.857			1.857
BUILDING SCHOOLS for the FUTURE TOTAL		42.859	12.791	0.000	0.000	55.649

DEVELOPMENT & RENEWAL						
Millennium Quarter	Millennium Quarter	0.326				0.326
Bishops Square	Bishops Square	0.146				0.146
Town Centre & High Street Regeneration	Town Centre & High Street Regeneration	0.141				0.141
Whitechapel Centre	Whitechapel	0.003				0.003
Regional Housing Pot	Regional Housing Pot	6.068				6.068
Affordable Housing Measures	Affordable Housing Measures	2.884				2.884
New Homes at Bradwell St Garages	New Affordable Housing at Bradwell Street Garages	0.245	2.206			2.451
High Street 2012	High Street 2012	3.942				3.942
Disabled Facilities Grant	Disabled Facilities Grant	0.727	0.730	0.750		2.207
Private Sector Improvement Grant		0.535				0.535
Genesis Housing	Genesis Housing	0.363				0.363
Facilities Management (DDA)		0.052				0.052
Bromley by Bow Station Upgrade		3.500				3.500
Wellington Way Health Centre		3.119				3.119
100 Whitechapel Road	Pedestrian Crossing	0.150				0.150
Bethnal Green Terrace	Repair of degraded 'at risk' Grade II listed buildings	0.351				0.351
Multi Faith Burial Grounds	Multi Faith Burial Grounds	3.000				3.000
Faith Buildings	Faith Buildings	2.000				2.000
A10 Highway Improvements	Replace the cycle lane on the pavement	0.050				0.050
Short Life Properties	Refurbishment of Phase 3 of the Council's Short life Properties	1.700				1.700
DEVELOPMENT & RENEWAL TOTAL		29.302	2.936	0.750	0.000	32.988

CHIEF EXEC'S & RESOURCES						
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Scheme Name	Scheme Description	2013/14 Revised Budget	2014/15 Budget	2015/16 Budget	2016/17 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Priority Service Remediation/Backup Expansion	CCNs Charges and GCSX PC DSI Compliance works	0.128				0.128
CHIEF EXEC'S & RESOURCES TOTAL		0.128	0.000	0.000	0.000	0.128
HOUSING REVENUE ACCOUNT						
Decent Homes Backlog	Decent Homes	58.110	70.470	22.990		151.570
Housing Capital Programme	Mainstream programme: includes aids & adaptation; major costs involved in bringing back void properties to use; capitalisation of fees & charges; overcrowding; and contingency	21.768	0.000			21.768
Ocean Estate Regeneration	Ocean Estate Regeneration	5.078				5.078
Non Decent homes Schemes	Non Decent Homes Works	6.035	6.120	0.010		12.165
Blackwall Reach	Blackwall Reach	6.273				6.273
Energy Saving Programme (ECO)		4.063				4.063
Poplar Baths & Dame Colet House	Refurbishment and remodelling of Poplar Baths; provision of additional new build homes on the Dame Colet House site; and provision of a new build youth centre on the existing Haileybury Centre site			16.000		16.000
HOUSING REVENUE ACCOUNT TOTAL		101.327	76.590	39.000	0.000	216.917
Poplar Baths & Dame Colet House						
Poplar Baths & Dame Colet House	Refurbishment and remodelling of Poplar Baths; provision of additional new build homes on the Dame Colet House site; and provision of a new build youth centre on the existing Haileybury Centre site			20.000		20.000
POPLAR BATHS & DAME COLET HOUSE TOTAL		0.000	0.000	20.000	0.000	20.000
CORPORATE PROVISION FOR SCHEMES UNDER DEVELOPMENT		10.000	0.000	0.000	0.000	10.000
TOTAL CAPITAL PROGRAMME		214.370	119.574	69.044	0.000	402.988

Indicative schemes to be funded from External Resources*

Appendix 8.2

Directorate/Programme	Scheme Name	Scheme Description	Funding Profile			
			2014-15	2015-16	2016-17	Total
			£m	£m	£m	£m
Education, Social Care and Wellbeing	School Expansions	To provide an additional forms of entry for school places	8.219	10.404	10.924	29.547
Education, Social Care and Wellbeing	Condition & Improvements - Capital Maintenance at Schools	To undertake urgent condition surveys and works to comply with statutory requirements	1.000	1.000	1.000	3.000
Education, Social Care and Wellbeing	Condition & Improvements - Adult Services	Urgent condition surveys and works, to comply with statutory requirements and service improvements	0.800	0.800	0.800	2.400
EDUCATION, SOCIAL CARE AND WELLBEING TOTAL			10.019	12.204	12.724	34.947
Housing Revenue Account	Ashington House East	Affordable Housing - New Build	7.750	0.000	0.000	7.750
Housing Revenue Account	Extensions	Extension to 45 bedrooms in 34 homes, as part of the GLA Pipeline Bid	3.610	0.000	0.000	3.610
Housing Revenue Account	Watts Grove	Provision of new build homes on the Watts Grove depot site	0.000	22.000	0.000	22.000
Housing Revenue Accountant	Indicative Provision to Fund New Housing Supply	Indicative provision to fund new housing supply	3.000	0.000	0.000	3.000
Housing Revenue Account	Housing Capital Programme (Planned Maintenance)	Planned maintenance work including: mechanical engineering, external works, overcrowding initiatives, aids and adaptation	9.810	15.000	15.000	39.810
HOUSING REVENUE ACCOUNT TOTAL			24.170	37.000	15.000	76.170
Development and Renewal	Disabled Facilities Grant	Adaptations, door widening, ramp installation stair lift access and heating systems for the disabled	0.000	0.000	0.730	0.730
Development and Renewal	Private Sector Renewal Grant	To support the Council's Private Sector Housing and Empty Properties Framework, including Home Repairs Grants for minor repairs, home security and hazard removal	0.550	0.550	0.000	1.100
DEVELOPMENT AND RENEWAL TOTAL			0.550	0.550	0.730	1.830
TOTAL NEW SCHEMES TO BE FUNDED FROM EXTERNAL RESOURCES			34.739	49.754	28.454	112.947

*Based on notional funding estimates

Projects/Funding Directorate	2013/14			2014/15	2015/16	2016/17	Total Budget 2013/14 to 2016/17
	Slippage from 12/13	Latest Budget	Total Revised Budget	Budget	Budget	Budget	Total
	£m	£m	£m	£m	£m	£m	£m
Education, Social Care and Wellbeing	1.589	17.177	18.766	28.611	17.349	11.924	76.650
Building Schools for the Future	0.000	42.859	42.859	12.791	0.000	0.000	55.649
Communities, Localities and Culture	0.559	11.428	11.987	10.265	3.349	0.000	25.601
Development & Renewal (Excluding HRA)	5.981	23.321	29.302	3.486	1.300	0.730	34.818
Chief Executive's	0.000	0.128	0.128	0.000	0.000	0.000	0.128
Corporate GF provision for schemes under development	0.000	10.000	10.000	0.000	0.000	0.000	10.000
Poplar Baths and Dame Colet House	0.000	0.000	0.000	0.000	20.000	0.000	20.000
Total excluding HRA	8.129	104.913	113.042	55.152	41.998	12.654	222.846
Poplar Baths and Dame Colet House	0.000	0.000	0.000	0.000	16.000	0.000	16.000
HRA (Approved Schemes)	6.859	88.433	95.292	96.180	59.990	15.000	266.462
HRA (Schemes under development)	1.673	4.362	6.035	4.580	0.010	0.000	10.625
Total HRA	8.532	92.795	101.327	100.760	76.000	15.000	293.087
Total Budget	16.661	197.708	214.369	155.912	117.998	27.654	515.934

Projects/Funding Directorate	Grant	SCE	MRA	SC	CR	PB	S106	CA	DR	Total	Slippage from 2012/13	2013/14 Original Budget	2013/14 Total Revised Budget	2014/15 Budget	2015/16 Budget	2016/17 Budget	Total Budget 2013/14 to 2016/17
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m							
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m							
Education, Social Care and Wellbeing	75.804	0.000	0.000	0.000	0.601	0.000	0.000	0.000	0.245	76.650	1.589	12.200	18.766	28.611	17.349	11.924	76.650
Building Schools for the Future	47.722	0.000	0.000	2.036	5.891	0.000	0.000	0.000	0.000	55.649	0.000	52.963	42.859	12.791	0.000	0.000	55.649
Communities, Localities and Culture	12.481	0.000	0.000	0.000	2.447	0.750	9.914	0.000	0.009	25.601	0.559	9.733	11.987	10.265	3.349	0.000	25.601
Development & Renewal (Excluding HRA)	15.569	0.000	0.000	0.000	11.756	0.000	7.351	0.000	0.141	34.818	5.981	12.306	29.302	3.486	1.300	0.730	34.818
Chief Executive & Resources	0.000	0.000	0.000	0.000	0.128	0.000	0.000	0.000	0.000	0.128	0.000	0.000	0.128	0.000	0.000	0.000	0.128
Corporate GF provision for schemes under development	0.000	0.000	0.000	0.000	0.000	10.000	0.000	0.000	0.000	10.000	0.000	10.000	10.000	0.000	0.000	0.000	10.000
Poplar Baths and Dame Colet House	0.000	0.000	0.000	0.000	0.000	20.000	0.000	0.000	0.000	20.000	0.000	0.000	0.000	20.000	0.000	0.000	20.000
Total excluding HRA	151.576	0.000	0.000	2.036	20.824	30.750	17.265	0.000	0.395	222.846	8.129	97.202	113.042	55.152	41.998	12.654	222.846
Poplar Baths and Dame Colet House	0.000	0.000	0.000	0.000	0.000	0.000	0.000	16.000	0.000	16.000	0.000	0.000	0.000	16.000	0.000	0.000	16.000
HRA (Approved Schemes)	92.805	0.000	88.623	0.000	8.274	20.232	9.868	22.000	24.660	266.462	6.859	42.548	95.292	96.180	59.990	15.000	266.462
HRA (Schemes under development)	0.000	0.000	7.625	0.000	3.000	0.000	0.000	0.000	0.000	10.625	1.673	35.933	6.035	4.580	0.010	0.000	10.625
Total HRA	92.805	0.000	96.248	0.000	11.274	20.232	9.868	38.000	24.660	293.087	8.532	78.481	101.327	100.760	76.000	15.000	293.087
Total Budget	244.382	0.000	96.248	2.036	32.097	50.982	27.133	38.000	25.056	515.934	16.661	175.683	214.369	155.912	117.998	27.654	515.934

Index to Types of Funding	
Grant	Central Government or Other
SCE	Supported Capital Expenditure
MRA	Major Repairs Allowance
SC	Schools Contribution
CR	Capital Receipt
PB	Prudential Borrowing
S106	Section 106 Funding
CA	Credit Arrangement
DR	Direct Revenue Funding

OUTLINE STRATEGIC PLAN 2014-15

Strategic Plan 2014/15

Outline Plan

DRAFT

Introduction: the 2014/15 context

The outline Strategic Plan describes the council's overall aims, objectives and the outcomes we want to deliver. The final Strategic Plan will detail the milestones planned in 2014/15 to achieve those outcomes.

The Strategic Plan is informed by the Mayor's key priorities to

- Increase affordable family-sized housing;
- Improve attainment and invest in out of school activities;
- Reduce crime and ASB;
- Tackle worklessness;
- Improve cleanliness and the public realm.

The Strategic Plan 2014/15 takes into account the continued impact of the government's reductions in funding to local authorities. A key area of focus in 2014/15 will be working to design and deliver savings that will be required in future years. The council continues to prioritise front-line services.

National Context

The Coalition Government is continuing to implement significant changes to the services which our local residents rely on. This includes:

- Significant reform of welfare, including reduced entitlements to housing benefit and increased conditions placed upon those seeking to claim unemployment benefits. A key focus for the government in 2014/15 will be working on the implementation of Universal Credit.
- A reduction in local authority remit in key areas, such as education with the encouragement of free schools and academies.
- New expectations and requirements in a range of areas, for example in relation to supporting carers, helping tenants to buy their council property and rights of community groups in relation to planning.

Council Finances

The prolonged real term reduction in public spending faced by local authorities has been a continued challenge for the council. The 2010 Spending Review and subsequent statements from the Office for Budget Responsibility have seen extensive reductions in central government funding - both revenue and capital. The council has already made good progress in achieving savings, however further cuts now mean that there is a budget reduction of approximately £71m to achieve in the next three years. The protection of the quality of front line services is a fundamental principle for the Mayor and council.

The council will continue to explore innovative ways in which it can deliver quality services with fewer resources. So far, we have achieved savings through activities such as through greater partnership working, shared services and working more closely with the third sector, as well as investigating revenue raising opportunities.

Population growth and change

The estimated resident population of Tower Hamlets is 263,000. Over recent years, the borough has seen the highest population growth in the country.

Tower Hamlets remains a relatively young borough, with almost half of the recent population rise concentrated in the 25-35 age range. The profile of the borough is one of increasing diversity, with 41% of the population born outside of the UK. There are sizeable Bangladeshi (32%) and White British communities (31%) and an increasing number of smaller ethnic groups in the resident population.

Employment and the economy

Tower Hamlets has good economic and employment growth prospects. There are already over 200,000 jobs in the borough: equating to 3 jobs for every 2 working age residents. The local economy has important financial, communication and retail sectors with 60% of all employment in the borough based in Canary Wharf and the City Fringe. Work with local business, including small and medium enterprises (SMEs), to create growth remains an important priority.

Supporting residents to benefit from the borough's strong economy is still a key challenge. Only 15% of jobs within the borough are taken by local people. There has been a recent reduction in unemployment in the borough but Tower Hamlets remains significantly below London averages on key employment indicators. Maintaining effective employment services, to support more local residents into employment, will be central to continued improvement.

Education

Outcomes for local children and young people continue to improve. Local Key Stage 2 and GCSE results are now consistently above national averages. The Mayor's Education Award has helped more young people continue in education post 16 and A Level grades are getting better year-on-year.

Housing and Environment

A fast growing population, low income levels for many households and high house prices makes housing a key challenge for the borough. The borough has a strong track record of building large numbers of affordable homes for residents – amongst the best in the country.

Despite this, housing need and demand continue to increase. For example, there are around 22,000 households on the housing waiting list with over 9,000 of these overcrowded. Typically only around 2,000 properties become available each year.

In addition, the Government's welfare reform changes are really taking effect. Many households have had their income reduced and there has been a rise in residents seeking advice: both to understand how the changes will affect them, and to get support in mitigating the impact of the reforms.

The Local Development Framework sets out the extensive physical renewal that is planned to meet the needs of the borough's growing population in the medium and longer term. Innovative developments are planned for the borough-which include housing and new facilities such as schools, transport links and parks.

Health and Care

Despite strong progress in recent years, improving healthy life outcomes for residents remains a key priority in the Strategic Plan. Eight out of ten residents report that their health is good or very good; however, the proportion citing poor health is the fourth highest in London.

Health inequalities begin early and Tower Hamlets has one of the highest rates of childhood obesity in the country. The successful integration of public health functions into the council during 2012/13 provides a strong platform for further health improvements across all ages.

Social care is a strong local and national priority. In recent years, Tower Hamlets has focused on safeguarding and transforming social care services by giving users more choice and control. Nationally, the Care Bill sets out a number of significant changes the council will need to focus upon including reform of how support is accessed and funded. Work to support the further integration of health and care locally will be taken forward by the Health and Wellbeing Board.

Inequality and fairness

Underpinning the objectives of the Strategic Plan is the theme of One Tower Hamlets – reducing inequality, fostering community cohesion and supporting strong local leadership.

The effects of the economic downturn, coupled with the loss of funding for many public services, means that the council is operating in an environment in which there are risks that inequality will grow rather than reduce in the borough. In 2012 the council established an independent Fairness Commission. The Commission reported in September 2013 and made a number of recommendations focused upon issues of inequality relating to money, jobs and homes.

The Commission recommended several ways of tackling the underlying causes of inequality in the borough, in order to make Tower Hamlets fairer. The challenge for the council and its partners, over the next year, is to work together to develop actions and approaches to take these recommendations forward.

Single Equality Framework

The Strategic Plan 2014/15 incorporates the council's Single Equality Framework (SEF) priorities. The SEF sets out the council framework for tackling inequality and promoting cohesion and incorporates an analysis of inequality in the borough. Priority SEF equality objectives are marked with an *.

To ensure that we are able to track performance against our equality objectives for 2014/15 we have identified a set of equality performance measures. These include existing performance measures that relate to equality and measures which will be disaggregated by specific equality strands where we need to narrow the gap in terms of outcomes for specific groups. This approach demonstrates that we are meeting the requirements of the Public Sector Equality Duty to prepare and publish objectives which demonstrate how the organisation will meet the aims of the Duty. The SEF measures are highlighted on pages 14-15.

From vision to performance

The Mayor and our partners have a clear vision for the borough *to improve the quality of life for everyone living and working in Tower Hamlets*. It is a vision that has been agreed by partners in the Tower Hamlets Partnership.

As part of this vision the Mayor developed a set of pledges which are articulated through the **Five Themes** of the Community Plan:

A Great Place to Live - Tower Hamlets will be a place where people live in quality affordable housing, located in clean and safe neighbourhoods served by well-connected and easy to access services and community facilities.

A Prosperous Community - Tower Hamlets will be a place where everyone, regardless of their background and circumstances, has the aspiration and opportunity to achieve their full potential through education and vibrant local enterprise.

A Safe and Cohesive Community - Tower Hamlets will be a safer place where people feel safer, get on better together and difference is not seen as threat but a core strength of the borough.

A Healthy and Supportive Community - Tower Hamlets will be a place where people are supported to live healthier, more independent lives and the risk of harm and neglect to vulnerable children and adults is reduced.

One Tower Hamlets – Tower Hamlets will be a place where everyone feels they have an equal stake and status. We are committed to reducing inequalities, supporting cohesion and providing strong community leadership.

Strategic Priorities

Sitting underneath the Strategic Plan's five themes are the council's strategic priorities. These priorities set out more explicitly the organisation's key objectives for the next year.

A Great Place to Live

- 1.1: Provide good quality affordable housing
- 1.2: Maintain and improve the quality of housing
- 1.3: Improve the local environment and public realm
- 1.4: Provide effective local services and facilities
- 1.5: Improve local transport links and connectivity
- 1.6: Develop stronger communities

A Prosperous Community

- 2.1: Improve educational aspiration and attainment
- 2.2: Support more people into work
- 2.3: Manage the impact of welfare reform on local residents
- 2.4: Foster enterprise and entrepreneurship

A Safe and Cohesive Community

- 3.1: Focus on crime and anti-social behaviour
- 3.2: Reduce fear of crime
- 3.3: Foster greater community cohesion

A Healthy and Supportive Community

- 4.1: Reduce health inequalities and promote healthy lifestyles
- 4.2: Enable people to live independently
- 4.3: Provide excellent primary and community care
- 4.4: Keep vulnerable children, adults and families' safer, minimising harm and neglect

One Tower Hamlets

- 5.1: Reduce inequalities
- 5.2: Work efficiently and effectively as One Council

Key Activities and Initiatives

The next section of this outline plan sets out the key activities and initiatives we propose to carry out in 2014/15 to enable us to deliver our vision and strategic priorities. The full Strategic Plan will set out further detail on these activities, including the more specific milestones planned in 2014/15.

A Great Place to Live

A Great Place to Live reflects the Council's continuing ambition to make Tower Hamlets a place where people are proud to live, work and visit.

In 2014/15 we will endeavour to maximise the number of new affordable homes delivered, increase the number of existing homes that meet the Decent Homes Standard and tackle fuel poverty. We will also continue to focus on securing transparent service charges for leaseholders and ensuring that Registered Providers deliver on their service agreements.

The council will maintain its leading role on significant regeneration developments, including at Blackwall Reach and in Whitechapel. Improving our public realm and maintaining our rich heritage for future generations will remain a key focus. The council will also take further steps to enhance its library and lifelong learning service, as well as our leisure facilities.

A key priority is to respond effectively to continuing housing and welfare reform, including homelessness prevention, as we seek to mitigate the impact on our residents.

In 2014/15 our priorities are to:

Provide good quality affordable housing by:

- Increasing the availability of affordable family sized housing*
- Delivering regeneration at Robin Hood Gardens, in the Poplar area and the Ocean Estate
- Seeking to mitigate homelessness and improving housing options
- Effective strategic planning to deliver high volumes of affordable housing and funding for infrastructure

Maintain and improve the quality of housing by:

- Reducing the number of council homes that fall below a decent standard
- Improving the quality of housing services
- Offering affordable fuel options through the Tower Hamlets Energy Community Power (Energy Co-operative)*

Improve the local environment and public realm by:

- Implementing the Carbon Reduction Plan for council buildings
- Protecting and improving the local environment through engagement with major utility companies and Crossrail
- Working in partnership to improve our public realm
- Increasing household waste sent for re-use, recycling and composting
- Improving our parks and open spaces

Provide effective local services and facilities by:

- Managing national planning changes effectively to deliver local priorities
- Further improving our markets and town centres
- Implementing the Tower Hamlets local Community Infrastructure Levy (CIL)
- Implementing the Masterplan for Whitechapel

- Delivering the People's History Plaque Scheme

Improve local transport links and connectivity by:

- Supporting sustainable local transport, including cycle improvements

Develop stronger communities by:

- Engaging residents and community leaders in policy and budget changes
- Implementing a framework for engagement of borough-wide equality forums in the Partnership
- Celebrating the achievements and contribution made by the local third sector
- Delivering locally appropriate services through the locality Hubs
- Further improving our citizen centred local governance structures through the work of the local community ward forums and the community champion programme

A Prosperous Community

We aim to create a Tower Hamlets in which everyone, regardless of their background and circumstances, has the aspiration and opportunity to achieve their full potential.

Tower Hamlets aims to maintain its excellent performance in school improvement, supported by a strong local education authority and active parents and governors. The council will continue to invest in supporting young people across all ages.

Fostering enterprise and employment is a key priority for the council. It is important that we continue to drive local economic growth by working effectively with business, including small and medium enterprises. Supporting more local people into jobs through effective employment services is also essential.

As the Government seeks to introduce its Universal Credit system, the council will maintain its support to residents through national welfare reform. An extensive programme of information and awareness raising, supported by employability and other assistance for residents, will remain important throughout 2014/15.

In 2014/15 our priorities are to:

Improve educational aspiration and attainment by:

- Ensuring sufficient places are provided to meet the need for statutory school places
- Expanding free early education places of high quality for disadvantaged two year olds
- Raising attainment and narrowing the gap between the lowest 20% and the median of all children at the end of the Early Years Foundation Stage (EYFS)
- Increasing the number of children achieving 5 A*-C grades including English and maths grades at GCSE
- Bringing A Level results to above the national average*
- Assist more people into further education and to university, and continue to deliver the Mayor's Education Allowance and Mayor's Higher Education Award
- Maintaining investment in youth services and provision for young people
- Providing effective support for parents and governors

Support more people into work by:

- Supporting residents into jobs through employment and skills programmes
- Maximising local employment and economic benefits from the council's procurement, our contractors and third party providers and planning processes
- Supporting English for Speakers of Other Languages (ESOL)*

Manage the impact of welfare reform on local residents and maximising incomes by:

- Delivering the welfare reform temporary accommodation support fund
- Driving the ongoing partnership wide programme of information and awareness raising around welfare reform *
- Monitoring the impact on local people and ensuring our grants, services and policies support residents*

Fostering enterprise and entrepreneurship by:

- Supporting a programme of information to third sector and social enterprises to support commercial independence
- Doing all we can to support local business Working collaboratively with boroughs and across London to enhance investment and opportunity

Safe and Cohesive Community

Ensuring that everyone feels safe and confident in their homes and on the streets of Tower Hamlets remains a key Mayoral priority. There will be a continued focus on crime and anti-social behaviour, with effective and visible enforcement.

The council will continue to invest in Police Officers and uniformed THEOs. We also recognise the need to go beyond simply tackling crime and ASB to also address people's fear of crime and perceptions of personal safety through better information, community engagement and an improved local environment.

Tower Hamlets is rightly proud of its diversity. The council remains committed to bringing all of its communities together to foster understanding, support cohesion and build 'One Tower Hamlets'. Supporting events which celebrate the diversity of the borough and its people plays an important role in this respect.

In 2014/15 our priorities are to:

Focus on crime and anti-social behaviour by:

- Furthering development of the Tower Hamlets Enforcement Officer (THEO) service
- Delivering the partnership 'Violence against women and girls' programme
- Managing the night time economy
- With our partners, delivering the Partnership Community Safety Plan
- Working with the Police and Mayor for London to maintain and improve enforcement, CCTV and deployment of local police to improve community safety

Reduce fear of crime by:

- Improving the responsiveness and visibility of our ASB services
- Working with people with drug and alcohol dependencies to break the cycle of substance misuse

Foster greater community cohesion by:

- Supporting the delivery of a wide range of community events*
- Delivering the Mayor's One Tower Hamlets fund scheme*

A Healthy and Supportive Community

Our aim is to support residents to live healthier, more independent lives and reduce the risk of harm and neglect to vulnerable children and adults.

Within this theme, a key emphasis is on promoting healthy lifestyles and ensuring fewer residents require long-term care for avoidable health needs. The council is also committed to protecting the interests of residents in the context of significant health reforms. The successful transfer of public health responsibilities to the council during 2013/14 provides a solid foundation on which to build.

The council is committed to ensuring that Tower Hamlets is one of the top performing councils in the country with responsibility for social services. We will continue to support our most vulnerable residents; Tower Hamlets is the only borough in England that still provides free homecare for example.

In 2014/15 our priorities are to:

Reduce health inequalities and promote healthy lifestyles by:

- Delivering free school meals for all reception and year 1 pupils
- Supporting young people to live healthy lives*
- Embedding integrated government arrangements to maximise health outcomes
- Using Public Health expertise within a council and partnership wide approach to reduce health inequalities
- Investing in the borough's leisure centres and playing pitches
- Helping people out of drug and alcohol dependency and into education, employment and training

Enable people to live independently by:

- Improving support to carers*
- Improving the customer journey by embedding principles of choice and control*
- Enabling personalised support for the borough's most vulnerable residents

Provide excellent primary and community care by:

- Delivering integrated working between health and social care

Keep vulnerable children, adults and families safer, minimising harm and neglect by:

- Working together to protect vulnerable adults
- Providing proportionate support to vulnerable children and families
- Introducing improvements to the adoption system

One Tower Hamlets

Underpinning the Community Plan vision is the aspiration to build One Tower Hamlets – a borough where everyone feels they have an equal stake and status. We are committed to reducing inequalities, fostering cohesion and supporting strong community leadership.

The over-arching aim of One Tower Hamlets takes on added importance in the context of considerable budget reductions. As part of this, we will work with partners to help address the recommendations arising from the recent Fairness Commission.

This theme also reflects the key projects we are delivering to make our council more lean, flexible and citizen-centred. Over the next year, we intend to better use our assets, buy better and work smarter. The council is developing its partnership arrangements, including a new localised Partnership structure.

In 2014/15 our priorities are to:

Reduce inequalities by:

- Employing a workforce that fully reflects the community it serves*
- Increasing the number of temporary workers resourced from the local community, by utilising Tower Hamlets in-house temporary resourcing service (ITRES).
- Maximising income for local people Coordinating and supporting the implementation of the recommendations arising from the Tower Hamlets Fairness Commission
- Supporting the mechanism for engaging local disabled people in the design, delivery and scrutiny of local services

Work efficiently and effectively as One Council by:

- Working with managers to improve and reduce staff sickness absence
- Developing the strategic ICT partnership
- Improving revenue collection and tackling fraud
- Developing Progressive Partnerships to further the Mayor's social objectives
- Improving customer satisfaction and value for money
- Making better use of our buildings and other public assets

Measuring our Performance

We use a basket of performance measures to track whether we are delivering on our strategic priorities. The proposed measures are set out below. These will be reviewed as part of the development of the final Strategic Plan.

A Great Place to Live

- Number of affordable homes delivered*
- Number of social rented housing completions for families (gross)
- Level of homeless prevention through casework
- Number of overcrowded families rehoused
- Percentage of overall housing stock that is decent
- Satisfaction with parks and open spaces
- Percentage of household waste sent for reuse, recycling & composting
- Improved street & environmental cleanliness
- Satisfaction with local neighbourhood

A Prosperous Community

- Achievement across the Early Years Foundation Stage*
- Achievement at Level 4 or above in both English and Maths at Key Stage 2*
- Achievement of 5 or more A*- C grades at GCSE or equivalent including English and Maths*
- A Level Average Points Score per student in Tower Hamlets*
- Number of young people not in education, employment or training (NEET)*
- Employment rate (gap v London)*
- Jobseekers Allowance Claimant Count (gap v London)*
- Child Poverty rate*

A Safe and Cohesive Community

- Personal robbery rate *
- Residential burglary rate
- Motor vehicle crime rate
- Violence with injury rate
- CAD calls for ASB
- Local concern about ASB and Crime*
- Satisfaction with the Police and Community Safety Partnership*
- Proportion of residents who believe people from different backgrounds get on well together in their local area

A Healthy and Supportive Community

- All age, all-cause mortality rate*
- Number of people who have stopped smoking*
- Proportion of children in reception who are obese*
- Under 18 conception rate*
- Percentage of CAF reviews with an improved score
- Proportion of social care clients and carers in receipt of Self Directed Support*
- Self-reported experience of social care users
- Average time between a child entering care and moving in with its adoptive family
- Percentage of ethnic minority background children adopted*

One Tower Hamlets

- Proportion of staff that are LP07 or above who have a disability*
- Proportion of staff that are LP07 or above who are from an ethnic minority*
- Proportion of staff that are LP07 or above that are women*
- Working days lost due to sickness absence
- Customer access satisfaction
- Proportion of residents that agree the council involves residents when making decisions
- Proportion of residents that agree the council is doing a good job

**denotes SEF performance measure*

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