

Meeting of the

CABINET

Wednesday, 9 February 2011 at 5.30 p.m.

SUPPLEMENTAL AGENDA

BUDGET 2011/2012

DOCUMENT PACK

**Overview and Scrutiny Committee
(08 February 2011)**

**Cabinet
(09 February 2011)**

**Council
(23 February 2011)**

Please Note

It is important that all members of the Council attending the above meetings bring this document pack with them.

LONDON BOROUGH OF TOWER HAMLETS

CABINET

WEDNESDAY, 9 FEBRUARY 2011

5.30 p.m.

10. ONE TOWER HAMLETS

10 .1 General Fund Revenue Budget and Medium Term Financial Plan 2011/2012-2013/2014 (CAB 086/101) (Pages 1 - 294)

10 .2 2011/12 - 2013/14 Capital Programme (CAB 087/101) (Pages 295 - 316)

10 .3 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2011/12 (CAB 088/101) (Pages 317 - 338)

Agenda Item 10.1

Committee/Meeting: Overview & Scrutiny Committee Cabinet	Date: 8 th February 2011 9 th February 2011	Classification: Unrestricted	Report No:
Report of: Corporate Director – Resources Originating officer(s): Chris Naylor, Corporate Director- Resources & Alan Finch, Service Head – Corporate Finance		Title: General Fund Revenue Budget and Medium Term Financial Plan 2011/2012- 2013/2014 Wards Affected: All	

Lead Member	Cllr Alibor Choudhury, Lead Member Resources
Community Plan Theme	One Tower Hamlets
Strategic Priority	All

1. SUMMARY

- 1.1. This report invites the Cabinet to submit its recommendation for the General Fund budget and Council Tax for 2011/12, and a Medium Term Financial Plan 2011/12- 2013/14 to Budget Council for consideration on 23rd February 2011.
- 1.2. On the 12th January, the Cabinet considered the General Fund revenue budget and referred initial budget proposals to Overview & Scrutiny Committee for consultation in accordance with the Budget & Policy Framework.
- 1.3. The Overview and Scrutiny Committee was due to meet to consider these matters last night (8th February) and any comments will be reported to your meeting this evening. This report also sets out the results of public consultation on the budget, with residents and business ratepayers.
- 1.4. At the time of submitting this report, the Government had not yet announced the Council's final Formula Grant settlement for 2011/12. There is not expected to be any change from the provisional figure announced in December. A further report will be made at your meeting if necessary.
- 1.5. The Greater London Authority (GLA) is meeting to sets its precept on 23rd February, and the report sets out the latest available information on the Mayor's budget proposals at the time of writing and any update will be

provided verbally at your meeting. The final GLA budget and precept will be reported to Council on 23rd February.

- 1.6 This report also includes final advice from the Corporate Director of Resources on the financial risks facing the authority and his statutory advice on the robustness of the budget process. The report considers the impact of risk on the overall General Fund budget, and reviews the level and planned use of general and earmarked reserves. Cabinet is asked to consider a strategy in relation to maintaining reserves at a level consistent with known pressures on the Council's budget and unquantifiable future risk.
- 1.7. Four other reports on this agenda are also concerned with budgeting and forward financial planning for the next three year period and each will impact upon the General Fund. Appropriate cross-references are included in this report. These are;
- Housing Revenue Account budget 2011/12-2013/14
 - Dedicated Schools Grant Allocation 2011/12
 - Capital Programme 2011/12-2013/14.
 - The Council's Treasury Management Strategy and Prudential Indicators for 2011/12, which is concerned with the management of the Council's borrowing and investments for the next financial year and with setting affordable limits for borrowing and capital expenditure.

2. DECISIONS REQUIRED

The Overview & Scrutiny Committee is recommended to consider the report and recommendations and pass any comments it may have to the Cabinet for consideration at its meeting on 9th February 2011.

The **Cabinet** is recommended to:-

Budget Consultation

- 2.1 Consider any comments or recommendations of the Overview and Scrutiny Committee.
- 2.2 Consider the outcome of the various consultations carried out in relation to this budget as set out in **Appendix H (to follow)** and Section 6.

Grant Funding

- 2.3. Note the funding available for 2011/12 and the indications and forecasts for future years (section 8);

Directorate Base Budgets 2011/12

- 2.4 Approve the base budgets for 2011/12 for each Directorate as set out at **Appendix A.**

Approved Budget 2010/11

- 2.5 Agree the growth contingency and savings for 2011/12 as set out in Sections 10, 11 and 13 and **Appendices B and D** and note the implications for later financial years.

Medium Term Financial Plan 2011/12-2013/14

- 2.6. Note the Medium Term Financial Plan set out at **Appendix C,** the savings target arising in relation to future years and the actions being undertaken to address it.

Financial Risks: Reserves & Contingencies

- 2.6 Note the advice on strategic budget risks as set out in section 15 and **Appendix E,** in particular the significant increase in risk that the Council is exposed to as a result of the financial settlement, and the proposed response of the Council to managing this risk.

Robustness of the Budget Process

- 2.9. Note the advice of the Corporate Director- Resources in relation to the robustness of the budget process as set out at Section 17.

Balances/Reserves

- 2.7 Note the review of reserves as set out in section 16 and further detailed in **Appendices F and G.**
- 2.8 Note officers' advice on the strategy for general reserves and note that this will be further considered by the Cabinet in February.

General Fund Revenue Budget 2011/12

- 2.9 Agree a General Fund Revenue Budget of £310.960m and a Council Tax (Band D) of £885.52 for 2011/12 and refer the proposal to Budget Council for consideration.

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 10th March 2011. The setting of the budget is a decision reserved for Council.
- 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.

4. ALTERNATIVE OPTIONS

- 4.1 The authority is bound to respond to the unprecedented cuts 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 cuts.

5. BACKGROUND

- 5.1. At its meeting on 12th January, the Cabinet received a report setting out budget proposals for 2011/12-2013/14. These proposals were the result of a lengthy planning process. Cabinet confirmed the base budget for 2011/12, considered growth pressures and risks bearing on the Council's budget and agreed initial proposals for efficiency savings to address the funding cuts announced by the Government in December.
- 5.2. This report invites the Cabinet to set its final proposal for the General Fund Revenue Budget and Council Tax for 2011/12 and medium term financial plan to the end of 2013/14 and refer these for approval to Budget Council on 23rd February 2011.
- 5.3. This report should be considered in conjunction with the reports on the Capital Programme and the Housing Revenue Account, which are also on this agenda, and the Council's Strategic Plan. Together these reports ask Cabinet to consider a number of key strategic issues and to make decisions that will enable next year's budget to be formulated.
- 5.4. The budget proposals have been considered as part of a strategic & resource planning framework, which identifies how budget proposals contribute to the delivery of the Strategic Plan and Community Plan. In considering officers' proposals, leading Members have regarded them in the context of;

* the strategic direction for services,

- * the need to identify a medium term efficiency programme that takes account of the need to deliver the magnitude of savings required to balance the medium term financial plan.
- * the relative costs and performance of existing services, and
- * budget planning which is at the heart of the Council's overall planning process.

- 5.5. In formulating its budget proposal, the Cabinet needs to consider the decisions made to date alongside the advice of officers on budget pressures and risk, consider contributions to budget contingencies, reserves and balances, and in so doing establish a balanced and robust budget for 2011/12 and a sustainable medium term financial strategy for the Council.
- 5.6 Budget decisions taken in setting the budget for any one financial year have an impact well into the future. In this context, the three year balanced budget strategy and maintenance of a Medium Term Financial Plan puts the Council in a strong position when making budgetary judgments in 2011/12.
- 5.7. The Government Spending Review announcement on 20th October confirmed that local government is facing probably the deepest and most sustained cuts in Government funding for many decades. In setting a budget for 2011/12, it is essential that Members have regard to the financial projections and risks set out in this report and in the Medium Term Financial Plan.

6. BUDGET CONSULTATION

- 6.1. Formal budget consultation is taking a number of forms:-
- Consultation with the Overview and Scrutiny Committee under the Council's Budget and Policy Framework.
 - Statutory consultation with the business community;
 - Budget Congress meetings with partners and community representatives.
 - Public consultation through a number of focus groups over the consultation period.

Responses to Consultation

- 6.2. The Overview & Scrutiny Committee was due to consider the Cabinet's initial budget proposals at its meeting yesterday (8th February), after the preparation of this report. Any comments or recommendations made by Overview & Scrutiny Committee will be reported to you at this evening's meeting.
- 6.3. The results of public consultation are set out at **Appendix H [to follow]**

- 6.4. The results of statutory consultation with the business community are not to hand at the time of preparing this report and will be reported at your meeting.
- 6.5 Cabinet should consider the results of these consultations in allocating resources and recommending the total budget requirement and Council Tax for 2011/12

7. PROJECTED OUTTURN 2010/2011

- 7.1. The projected outturn for the Council's General Fund for 2010/11 is currently £311.153m, which represents a projected overspend against service budgets of £1.084m. The over spend is a matter of concern, and it reflects growth pressures arising in 2010/11, which are discussed in relation to 2011/12 budget pressures below.

8. FUNDING FOR 2011/12 and LATER YEARS

Formula Grant

- 8.1. At the time of submitting this report, the Secretary of State for Communities and Local Government had not announced the final local government finance settlement for 2011/12. However in recent years these have always done no more than confirm the figure provided for consultation and the same is expected this year. A further report will be made at the meeting if there is any change in this position.
- 8.2. The Formula Grant comprises;
- A 'Relative Needs Amount' (RNA) which allocates resources in accordance with the needs of the authority relative to others. Tower Hamlets continues to have one of the highest relative needs allocations in the country.
 - A 'Relative Resource Amount' which allocates resources in accordance with relative Council Tax base per head of population. This provides for the partial equalisation of resources between those authorities with a high tax base and those with a relatively low tax base. Once again, Tower Hamlets receives a relatively high allocation in this block.
 - A 'Central Allocation' which is a standard amount per head of population and does not vary significantly between authorities.
 - A 'Floor Damping' amount which, for Tower Hamlets, supplements the amount of Formula Grant to be received to the level of the minimum guaranteed increase, or floor.

In addition, for 2011/12 and 2012/13, the grant includes an adjustment relating to a number of former specific grants transferred into Formula Grant which increases the baseline for the Formula Grant by £26.7m. This incorporates a

baseline adjustment which assumes the authority's central education costs will be reduced by about £1m as a result of the setting up of Academies, despite the fact that there are no Academies in Tower Hamlets.

8.3. Tower Hamlets' provisional allocations for the two years are;

<u>Table 8.3 Formula Grant Provisional Settlement 2011/12 and 2012/13</u>	Formula Grant (adjusted) 2010/11 £m	Formula Grant 2011/12 £m	Provisional Formula Grant 2012/13
Block			
Relative Needs Amount	212.847	201.410	177.224
Relative Resource Amount	(32.613)	(33.512)	(33.167)
Central Allocation	44.097	32.841	29.598
Floor Damping	7.872	6.336	15.679
Adjustment for former specific grants transferring into Formula Grant	26.728	22.597	22.500
Formula Grant	258.932	229.673	211.835
Change on previous year (Grant floor increase)		-11.3%	-7.8%

Thus Tower Hamlets' Formula Grant will reduce by £47.1m (18.2%) over the two years 2011/12 – 2012/13.

8.4. The Formula Grant was subject to a review of distribution for 2011/12 and the Council raised three issues in particular with the Government under the consultation. The outcome was;

- Against the authority's wishes, the Government has adopted proposals that reduce the weighting given to labour costs in the Area Cost Adjustment. On a like for like basis this has probably cost the authority about £6.7m a year against its undamped grant settlement.
- Against the authority's advice, the Government has removed Bangladeshi children from the definition of low achieving ethnic groups. This probably costs the authority £1.3m in undamped Formula Grant, although there is a concern that the adjustment may in time also be made to schools grants with a much greater effect.

- The impact of these changes has, however, been damped by the Government through a series of banded grant floors, ranging from -11.3% to -14.3% in 2011/12. Tower Hamlets has successfully lobbied for fair treatment through the damping mechanism. Tower Hamlets is in the highest of these bands, which gives it a final damped settlement of -11.3%. This is lower than the average -9.9% settlement for England but higher than the average -11.6% settlement for authorities with a similar range of responsibilities. However it also needs to be recognised that damping is only temporary and is ultimately not a substitute for a fair settlement.
- 8.5. There is as yet no announcement of funding beyond 2012/13 pending a full review of Local Government finance that the Government intends to undertake during 2011. For Medium Term Financial Planning purposes, the national figures announced in the Spending Review have been used.
- 8.6. Tower Hamlets is also one of three authorities in London which are in receipt of a Transitional Grant in 2011/12 (Hackney and Newham are the others). This has been calculated to ensure that no authority's 'revenue spending power' reduces by more than 8.9% across all funding streams, including Council Tax, Formula Grant and specific grants. Tower Hamlets will receive £3.767m in 2011/12, but this will discontinue for 2012/13. This has the effect of softening the front-end loading of the settlement slightly by moving some of the three-year savings target back to 2012/13, but it does not change the extent to which the Council's total budget will need to reduce over the two years 2011/12 and 2012/13.

Specific Grants

- 8.7. Generally speaking, the Government has adopted a policy of removing ringfencing and reducing the number of specific grants. This makes for a simpler settlement and provides authorities with greater financial flexibility than they might otherwise have had, although this has to be seen in the context of funding reducing substantially in cash terms.
- 8.8. The Area Based Grant introduced in 2008/09 has been discontinued, and much of the funding allocated through it has been employed through Dedicated Schools Grant and a new Education-related grant called the Early Intervention Grant. As a result of grant transfers involving the main non-ringfenced grants of Formula Grant and ABG, there is a net reduction in such grants previously allocated to fund Council expenditure of £4.802m and this is reflected in the Council's savings target for 2011/12.
- 8.9. The following specific grants were also announced as part of the draft settlement and it is thought that there will be only eight specific grants allocated by the Government in 2011/12

Table Grants	8.9 2011/12	Specific -	2010/11 Actual	2011/12 Provisional	2012/13 Provisional	Status

2012/13	£m	£m	£m	
Dedicated Schools Grant & Pupil Premium	289.778	302.849	Not announced	Ringfenced
Early Intervention Grant	N/A (*)	20.383	20.757	Non-ringfenced
Learning Disabilities & Health Reform Grant	N/A	1.774	1.816	Ringfenced
Preventing Homelessness Grant	0.880	1.925	1.925	Non-ringfenced
Housing & Council Tax Benefits Subsidy Admin Grant	4.667	4.662	Not announced	Non-ringfenced

(*) The grant has been funded by discontinuing various other former grants

Children's Services

8.10. The grants position affecting Children, Schools and Families is complex. A report concerning the allocation of Dedicated Schools Grant (DSG) appears elsewhere on the Cabinet's agenda for this evening. The Government has abolished a large number of former funding streams, some of which have been brought within the DSG, and has created a Pupil Premium. The DSG report sets out the implications of this in detail. The authority is limited to a maximum amount of DSG funding which can be set aside to fund central expenditure (the Central Expenditure Limit) and in order to remain within this target, a combination of measures is set out in the DSG report including delegating additional funding to schools and some cost savings. There will be costs of implementing these savings estimated which cannot be charged to the DSG and will need to be met from reserves and contingencies within the General Fund. Since some of the implications are dependent upon decisions by individual school governing bodies, the full impact cannot be estimated at this stage, but it is thought that costs of implementation will not be less than £1m.

8.11 The Government has also created a single large specific grant for Education called the Early Intervention Grant which has been formed by drawing together a number of other former specific grants including some ABG. Although this grant is non-ringfenced, the size of the grant and the fact that the former grants used to create it comprise a large proportion of the funding for the non-schools Education budget means that the only possible decision is to allocate the grant for children's services use. The allocation for 2011/12 is £20.383m which compares with £23.546m which the authority has budgeted to spend against these grants in 2010/11. Further savings will therefore be necessary to enable the Directorate to remain within the available funding and the Director will devise a separate set of proposals for the Cabinet to consider at a future meeting.. However, to allow a meaningful dialogue with schools

about these budgets and to allow time for uncertainty about two additional grants (Youth Justice Board and Music Grant) to be resolved, it is proposed that any savings required should be implemented for the new school year in September 2011. The cost of this can be covered from contingencies.

- 8.12. The risk that schools may choose not to buy-back a greater range of services is one that will take some time to clarify, because individual schools will need to make decisions about individual services, which will then feed through to the income generated from schools for those services, possibly in a gradual way. This is also likely to be a permanent risk for some services because even if schools choose to buy back at this stage, they will be able to make different decisions in the future. The Council's reserves and contingencies policy will need to take this into account.
- 8.13 Announcements are awaited in relation to one other significant grant, the Lifelong Learning Grant from the Skills Funding Agency, which provides the Council with £2.812m in the current financial year. An announcement is anticipated, although the amount is not known and this funding stream must also be considered as a risk.
- 8.14. The Government has announced that additional funding to support social care will be paid to the authority via the NHS, and a provisional figure of £3.725m has been published. However the terms for the allocation of this funding are not known, although the Government says it expects local authorities and the NHS to work together on how the money should best be spent. Elsewhere in this report, a number of risks relating to cost pressures are set out including some relating to Social Care, and it may be that this additional funding can be applied to strategies which will manage that risk while avoiding cost transfer to other agencies such as hospitals. It is suggested that this funding should be held against those risks at this stage.

Ministerial Statement in relation to Council Tax

- 8.15. In his provisional settlement statement, the Secretary of State confirmed that he intends to replace the current capping power with a power for residents to veto excessive Council Tax increases through a referendum. However this will require primary legislation and in the meantime current capping legislation remains in place. The Secretary of State gave a strong indication that capping powers would be used on any authority that proposes an increase in Council Tax deemed to be excessive.
- 8.16. Section 18 of the report discusses Council Tax further.
- 8.17. Cabinet is asked to note the details and impact of the local government finance settlement and other grant allocations for 2011/12 and 2012/13.

9. PROVISIONAL BUDGET TARGETS 2011/2012

- 9.1. Budget decisions for 2011/12 will be based upon a provisional budget target, the starting point for which is the original approved budget for 2010/11 of £310.369m.
- 9.2. At Cabinet in July, Members agreed a package of savings in response to in-year cuts in funding imposed by the Government at its Emergency Budget in May. In consequence of this, the detailed allocation of the current budget differs from the original budget for 2010/11 approved in March. **Appendix B** sets out how the 2011/12 base budget differs from the original approved budget and shows the base budgets for 2011/12 for each Directorate which, subject to adjustments for savings, Corporate Directors will be expected to manage within over the next financial year.
- 9.3. Asset Rentals and Support Service Charges will be adjusted for, subsequent to this meeting. However, the impact on the General Fund budget is neutral.

10. COMMITTED GROWTH 2011/2012- 2013/2014

- 10.1 Committed growth is additional spending that, for all practical purposes, is unavoidable. It includes new statutory requirements, responsibilities transferred from the Government and other bodies, new taxes and demand led growth (which arises when there is an increase in the number of clients requiring statutory services).
- 10.2 All bids for committed growth have been reviewed collectively by the Chief Executive and Corporate Directors and the following working definition has been applied:-

“Where the Council has discretion over whether it incurs the expenditure, then this should not be regarded as committed growth, regardless of the impact on service performance.”

A number of items have come forward which, for various reasons, it is not possible to contain within existing plans and these are detailed at **Appendix C.** These have been considered by Corporate Management Team and the Mayor and none of them currently fully meet the definition of committed growth, although they are risks to the Council’s budget. The growth risks listed at Appendix B total £7.433m but officers are confident that these can be managed down by between 25%-30% in 2011/12 and a growth contingency of £5.5m is therefore recommended.

- 10.3. Committed Growth forecast for 2012/13 and other future years will be subject to review and further scrutiny in subsequent budget rounds. For the purposes of the Medium Term Financial Plan, it represents a planning figure and not an allocation of funding to the Directorate in question.
- 10.4. **Capital Financing & Investments**

The cost of past borrowing, less the income from investments, must be provided for within the budget. The calculated impact of this, based on a forecast of interest rates, is as follows;

Table 10.4	2011/12 £000s	2012/13 £000s	2013/14 £000s
Capital Financing & Investments	777	-50	84

10.5. Pensions Fund

The Council's Pension Fund is subject to a triennial revaluation of its assets and liabilities. This year's revaluation has taken place at the of a three year period in which investment performance has been seriously affected by the credit crunch and the recession that followed. Liabilities to the fund continue to rise as a result of increased longevity. Following discussion with the actuary it is necessary for the Council to increase its contributions to the Fund.

Table 10.5	2011/12 £000s	2012/13 £000s	2013/14 £000s
Pensions Fund	900	2,150	3,400

The Hutton Commission into public service pensions is expected to report in 2011 and is likely to recommend measures to rebalance the future costs of the scheme between taxpayers and beneficiaries in favour of the taxpayer. The implications of this would first be felt in the 2013 revaluation. The impact of this is not known and therefore it is not reflected in the actuarial revaluation.

11. INFLATION & OTHER CONTINGENCIES

- 11.1. The authority's budget needs to include financial provision for inflation and for other risks and uncertainties, especially those which are outside the Council's control.

Inflation

- 11.2. The impact of inflation on the costs of providing Council services is effectively unavoidable; The Council is negotiating with existing suppliers over prices as part of its response to Government cuts, but in general if prices on offer to the Council rise in line with inflation the Council is obliged to pay them.
- 11.3. There was no Local Government pay award in 2010 and in June, the Chancellor of the Exchequer called for a further two year pay freeze for all public sector workers with salaries of more than £21,000 a year, who should receive a £250 flat rate. The Trade Unions have submitted a pay claim for £250 on *all* salaries.
- 11.4. Non pay inflation in the economy has been high as the impact of quantitative easing and other factors have fed through to the money supply. The Medium Term Financial Plan provides for inflation at 2%, which is in line with the Government's long-term target but could be a low estimate. Taking pay and

non-pay factors together the inflation contingency for 2011/12 is recommended to be £4.491m. Any increase in inflation above this will need to be found from within Directorate budgets.

12. MEDIUM TERM FINANCIAL PLAN

- 12.1. The development of the 2011/12 budget has taken place within the context of a longer term strategic and resource planning process. The Government has published Spending Review figures up to the end of the current Parliament, and these show that the challenging outlook for the public finances will persist at least until 2014/15 and possibly beyond. The measures taken to balance the budget in 2011/12 will enhance the Council's financial resilience as we enter this period.
- 12.2. Whatever the constraints, it is important that resource allocation is seen in terms of the outputs and outcomes that are expected as a result of financial decision. The allocation of funding has been considered in the light of its impact on the delivery of services.
- 12.3. The fact that resources are now shrinking instead of growing as in recent years makes no difference in principle to this approach, which has designed to ensure that:-
- A forward looking financial forecast influences the development of service plans
 - Service plans identify the financial consequences of proposed actions, including the resource implications associated with achieving the objectives set out in the Strategic Plan.
 - Financial plans allocate resources to address changing community needs and priorities.
 - Resources are directly related to performance improvement in order to minimise costs and optimise value for money.
 - Different options for delivering policy outcomes are examined and taken into account.
 - Service and financial plans address key risks to budgets and performance.
- 12.4 In addition to the funding issues described above, the Council's budget will continue to experience additional demands over the medium term from population growth. This means that in practice the reductions in grants that are publicised will be greater when expressed in terms of the budget the Council has available per head of population.
- 12.5 A detailed medium term financial projection for 2011/12-2013/14 is attached at **Appendix C** . It indicates that the financial settlement and other pressures

identified in this report will result in an estimated savings target for the Council of £29.9m in 2011/12, a further £33.0m in 2012/13 and a further £9.1m in 2013/14.. The total savings target for the 3 years is £72.0m which compares with £70.2m reported to the Cabinet in August.

- 12.6. Based on figures in the Spending Review, a provisional savings target of around £20m for 2014/15 can be assumed. 2013/14 therefore seems to be respite from the larger annual savings figures not a return to normal. The actual figures for both 2012/13 and 2013/14 will be dependent upon a number of factors, not least the Government's announced review of the local government finance system in 2011/12.
- 12.7. The transitional funding announced as part of the funding settlement has therefore slightly eased the front-end loading expected in the Spending Review, especially for high needs authorities like Tower Hamlets. However in doing so, it has simply moved some of the problem back to 2012/13. This provides some extra time for authorities to deliver on change projects, but it will not affect the total level of budget reduction required by the end of 2012/13.

13. BUDGET SAVINGS & EFFICIENCIES

- 13.1. The impact of the Spending Review on the Medium Term Financial Plan confirms a tightening financial position for the Council for 2011/12 and beyond. At the same time the Council will continue to face significant and largely unavoidable spending growth and inflation pressures.
- 13.2. Efficiency savings for 2011/12 agreed at Cabinet in July are included in the base budget as set out in **Appendix A**, £2.790m are not ongoing, in addition to which £0.239m of savings agreed in previous financial years are not ongoing into 2011/12.
- 13.3. In addition, the previously agreed HR Improvement Programme was implemented in November which results in £1.500m in savings for 2011/12 through restructuring and streamlining HR business processes. This saving counts towards the target required for 2011/12.
- 13.4. The authority has also been advised of reductions in payments to two bodies. The Audit Commission has announced a reduction in fees that should translate to a £45,000 saving for Tower Hamlets, while London Council subscriptions will reduce by £65,000 for 2011/12.
- 13.5. In accordance with the Cabinet's instructions in August, officers have identified a range of savings opportunities which will minimise the risk to service outcomes over the three year period. Offsetting savings and efficiencies identified by each directorate are shown below. A more detailed summary is included as **Appendix D1** and the detail of each saving identified by Directors which has an impact in 2010/11 is provided in **Appendix D2**.

14. CAPITAL

- 14.1 A report elsewhere on this agenda seeks approval for a draft capital programme for 2011/12-2013/14.
- 14.2 The authority's revenue budget and its capital programme are closely linked. Both the revenue budget and capital programme are designed to support the delivery of key objectives. In financial terms, there are revenue implications associated with capital investment: part of the capital programme is directly funded by the revenue budget, while any borrowing undertaken by the authority impacts on revenue through the costs of interest and debt repayment. As indicated above, the Medium Term Financial Plan includes provision for the ongoing costs of past borrowing.
- 14.3 The resources available to fund the capital programme have reduced over the last few years. Funding for the Council's own capital spending priorities (the Local Priorities Programme) is now heavily dependent upon a few large scale asset sales and receipts from this source can therefore not be relied upon. In setting the capital programme for 2011/12 and beyond, the Council will initially be restricted to sources of funding already available, including receipts from assets already disposed of or where sales have been arranged.
- 14.4 An option normally open to the Council is to provide more funding through the revenue budget, either through direct contribution or through borrowing, providing it is shown to be prudent and affordable. As this report makes clear, the very tight funding position of the Council's revenue budgets means that opportunities for funding capital from revenue budgets and reserves are very limited and the Council is not in a position to consider capital expenditure funded from revenue sources or from borrowing until it is satisfied that a balanced revenue budget position has been reached.

15. FINANCIAL RISKS: RESERVES & BALANCES

- 15.1. A robust, transparent and sustainable annual budget and medium term financial strategy requires an assessment of the financial impact of the key risks identified through the Council's risk management process, and identification of the financial mechanisms for funding those risks should they materialise.
- 15.2 The Audit Committee and the Corporate Management Team receive quarterly reports on the key strategic and corporate risks impacting on the authority. Senior Finance Officers have evaluated these risks to assess their potential financial impact and identify how they should be reflected in the Council's financial planning. Three categories of financial risk are identified:
- Where the implications would be accommodated within existing financial provisions, such as directorate budgets or earmarked reserves.
 - Where specific risk financing arrangements are in place, such as those covered by insurance.

- Those which need to be taken into account at a corporate level as part of the budget process.
- 15.3 Issues which fall into the final category include:-
- Business continuity issues, such as systems breakdowns, contractor failure or loss of a key administrative building.
 - Risks associated with large-scale projects.
 - Risks associated with the implementation of legislation and guidelines.
 - Strategic financial risks, including changes in budgetary assumptions, overspends and major financial control failures
- 15.4 **Appendix E** sets out those strategic and corporate risks (drawn from the Council's risk register) which would be likely to have a financial impact if they were to materialise, together with the key risk areas in service/Directorate budgets and associated mitigating measures.
- 15.5 There are three ways in which risks can be dealt with within the budget;
- By having regard to risks in setting levels of general balances and earmarked reserves
 - Through setting aside specific contingencies within the budget for allocation during the year as and when required (see Section 9 above).
 - By funding specific risk mitigation programmes with the aim of reducing the potential financial impact on the Council in the future.
- 15.6. These approaches can be thought of in a hierarchy:-
- General balances are used in the main to cover unknown and unforeseen eventualities.
 - Earmarked reserves are set aside for specific issues that are more likely to occur, but where the financial impact and the timing is uncertain.
 - Contingencies are used for risks that, if they arise, are almost certain to materialise during the next budget year.
 - Funding of risk mitigation measures is appropriate for large and relatively certain risks, where it can be shown that allocating funding is likely to prevent larger risks from developing later.
- 15.7 There are a number of aspects of the budget where information is still awaited or where the impact of changes is not yet sufficiently clear to provide budget certainty. A level of uncertainty and risk is inherent in any budget setting process.

16. BALANCES/RESERVES

- 16.1. Where financial risks cannot be dealt with in other ways, it is essential that the authority provides adequate financial cover in the form of reserves or balances. This includes cover for eventualities which are outside the Council's control.
- 16.2. Financial risks which can be identified to particular causes are normally dealt with through 'earmarked' reserves. Unforeseen eventualities are covered through general reserves, otherwise known as 'balances'. Reserves and balances must be set at an appropriate level, neither too low (which would put the authority at financial risk) nor too high (which would tie up resources that could be used to deliver Council priorities).
- 16.3. The consequence of setting balances too low is that unforeseen circumstances could lead to overspends which cannot be met from Council resources. In these circumstances, authorities have no option but to take rapid action to reduce costs, which can have unplanned and unwanted consequences for service delivery. It is the responsibility of an authority not just to meet the current overspend, but also to find sufficient resources to rebuild balances to an appropriate level. This is a situation which a handful of authorities find themselves in each year, despite their best efforts.

General Reserves

- 16.4. Statute requires local authorities to set a balanced budget and places responsibilities and powers with the chief finance officer (CFO) should serious problems arise (including in relation to reserves). External auditors are responsible for reviewing and reporting on financial standing but are not responsible for setting a minimum level of reserves.
- 16.5. The level and use of reserves must be determined by the Council, informed by the judgement and advice of the CFO. When calculating the budget requirement, the CFO must report to Members on the adequacy of reserves. The Secretary of State has powers if necessary to set a minimum level of reserves.
- 16.6. The Council needs to consider the level of its reserves as an integral part of its medium term financial planning. Advice set out at **Appendix F** outlines the reasons for keeping adequate reserves and some of the issues that need to be taken into account in judging whether or not reserves are adequate.
- 16.7. In outline, in order to assess the adequacy of general reserves, the strategic, operational and financial risks facing the authority need to be taken into account. Financial reserves have an important part to play in the overall management of risk in the Council. Authorities with adequate reserves and sound financial health can embark on more innovative programmes or approaches to service delivery, knowing that the Council has sufficient financial capacity to manage any associated risks.

- 16.8. There is therefore no 'correct' level of reserves, and a particular level of reserves is not a reliable guide to the Council's financial health. The Audit Commission no longer assesses reserves against a specific, numerical guideline. However the external auditor will normally comment on the adequacy of reserves in his Annual Audit Letter.
- 16.9. The Council faces an unprecedented financial challenge in an extremely uncertain environment and this carries attendant financial risks.
- * As an authority representing a relatively deprived area, the Council is highly dependent upon Government grant and therefore has a high exposure to the general tightening of the public finances. The Government has provided grant figures for 2011/12 and, in some cases, for 2012/13, but has also shown in the past that it is willing to revisit grant allocations in-year if necessary.
 - * Aspects of the economy remain very uncertain, with the main threats being inflation (which could increase the Council's costs) and a double-dip recession (which could impact the Council's costs but also lead to the Government revisiting its public spending decisions). The third quarter economic growth figures announced in January indicated that the economy shrank once more in the final months of 2010, raising the prospect of a double-dip recession. In response the Government has reaffirmed its determination to keep downward pressure on public spending.
 - * The Government has also announced a review of local government finance which it will be undertaking in 2011 and is expected to be implemented from 2013/14. We do not know what the impact of this will be, but recent reviews have tended to be disadvantageous to high needs authorities, especially those in inner city areas.
 - * Population growth in Tower Hamlets can be expected to continue, but without the increases in funding required to sustain it without substantial change management.
 - * As set out in Section 8 above, the education settlement introduces some new risks to services provided centrally by the authority on behalf of schools.
 - * The Council also has an ambitious improvement and efficiency programme, and a number of major and interdependent projects, with significant financial implications, which will come to fruition in similar timescales over the next three years. The risk of not achieving savings must be taken into account.
 - * The programme of savings will involve costs in relation to project management. In addition, there will be costs incurred in implementing proposals. For example, £4m has been set aside from reserves (with a

further £4m from contingencies) to fund staff severance packages in the current financial year.

- * The Council has made other allocations from reserves over the recent period, such as those made to fund the housing overcrowding strategy and, within the last year, an allocation of £2.5m from general reserves to deal with the renegotiation of the Schools PFI contracts in relation to Building Schools for the Future.
- * Although the Council has done well in identifying £56m worth of savings over the next three years, the total target for the same period is £72m, and potentially over £90m over the course of the next four years if Spending Review figures are borne out.

16.10. Having regard to the potential for volatility in the medium term financial outlook, the time-limited nature of the Collection Fund surplus (paragraph 17.3), and the strategic financial risks highlighted in this report, it is recommended that Cabinet seeks to maintain general reserves at between 5% and 7.5% of budget requirement. This broadly equates to a target range of £15.7m to £23.6m.

16.11. A projection of the level of general reserves anticipated as at 31st March 2011 is shown at **Appendix G** and indicates that reserves are currently expected to stand at £20.6m as at 31st March 2011, which is in the middle of the recommended range. However in view of the financial risks facing the Council over the next few years as set out in 16.9 and in more detail at **Appendix F**, in particular the need to identify further savings after 2011/12 and the delivery risk of achieving a £30m savings plan in 2011/12, it is recommended that the reserves need to be maintained at the upper end of the range. A contribution of £3.0m is therefore included as part of the budget strategy for 2011/12.

17. ROBUSTNESS OF THE BUDGET PROCESS

- 17.1. Under Section 25 of the Local Government Act 2003 it is a requirement for the chief finance officer to report on the robustness of the estimates and the budget process
- 17.2 The following table sets out the key strategic budget risks and the principal mitigating measures;

Strategic Budget Risk	Principal Mitigating Measures
The allocation of resources does not reflect the Council's priorities as set out in the Strategic Plan.	The Council's budget and service planning processes are aligned. Financial plans are developed concurrently with service plans and reviewed against information on performance and inspection; cost, procurement and value for money; user consultation and feedback; and policy developments and other pressures for change. Annual budget decisions are set in the context of a longer

	<p>term financial outlook which identifies the resource implications of achieving the objectives set out in the Strategic Plan.</p> <p>The revenue and capital budget processes are conducted concurrently, and cross-referenced, to ensure that the Council's priorities are addressed in the most appropriate way.</p> <p>All growth and savings options are evaluated for their impact on the Council's key priorities and the Tower Hamlets Index.</p>
<p>Resource and spending projections prove over-optimistic or otherwise inaccurate</p>	<p>Savings targets are set to achieve a balanced budget in the event of a realistic settlement scenario. Reserves and balances are maintained to ensure that a worst case scenario can be managed. Budget assumptions are subjected to sensitivity analysis to ensure the risks are recognised. Committed growth bids are challenged to ensure that they met the strict criteria of the definition and were truly unavoidable. Government announcements are followed to ensure that signals are reflected in plans.</p> <p>Spending projections built into the Medium Term Financial Plan for 2013/14 are more speculative in the absence of information on funding settlements. The assumptions built into the MTFP have used the best forecast data from the Spending Review and official Treasury forecasts. They have also been subjected to sensitivity analysis.</p> <p>The Reserves strategy has been monitored in the light of Government spending cuts, economic instability and the level of uncertainty and therefore enhanced risk that now pertains. The detailed advice on reserves and balances is included in the budget report.</p>
<p>Savings are not achieved and/or budget growth does not deliver the intended service benefits.</p>	<p>The delivery of savings proposals is being managed through a well-resourced Programme Management Office and overseen by the Corporate Management Team operating as a Transformation Board. Each efficiency item is being led by a Corporate Director with senior responsibility for delivery. Projects and programmes are being managed through robust project management procedures and the delivery of savings is being tracked on an ongoing basis.</p>
<p>Net spending exceeds the approved budget.</p>	<p>There are both service level and corporate budget monitoring procedures in place. Responsibility for monitoring budgets and meeting budget targets is clearly allocated in Financial Regulations to Corporate Directors and Service Heads. The Corporate Management Team receives a monthly report on spending against budgets and ensures that robust action is taken to address issues as soon as they are identified.</p> <p>Regular reports are timetabled and made to the Cabinet. In addition to reserves, provision has been made in budgets for 2011/12 for contingencies against identified budget risks and for the costs of implementing the Medium Term Financial Plan.</p>

	<p>The Programme Management arrangements described above have been dove-tailed into existing monitoring processes to ensure effectiveness and consistency.</p>
<p>The risks of individual budget options are insufficiently explained</p>	<p>All budget options and proposals are set out in pro-forma style, including the risk implications at corporate and service level, and attached as appendices to the budget agenda.</p> <p>Members have received advice from officers about the submission of supplementary proposals at any stage of the budget process that they must all be subject to comments from the relevant senior officer and the Chief Finance Officer.</p>
<p>Core assumptions on pay and price inflation are unrealistic.</p>	<p>Corporate budget preparation guidelines are issued during the summer providing common assumptions about pay and price inflation to ensure consistency between service budgets and between the General Fund and the HRA.</p> <p>The assumptions are reviewed and agreed at a Corporate Financial Services Managers' forum. Levels of inflation and economic forecasts are kept under review throughout the budget process. A sensitivity analysis is carried out to ensure that where projections are inaccurate, the budgetary impact is manageable.</p> <p>Directorate budgets are cash limited.</p>
<p>The budget does not incorporate unavoidable cost pressures and known developments.</p>	<p>The medium term financial planning process is now embedded in the Council's strategic management framework and the budget for 2011/2012 and Medium Term Plan has been substantially derived from the Financial Outlook and Review. The opportunity exists to bring forward cost pressures that were not known about earlier in the process.</p> <p>The Capital Strategy ensures that the revenue impact of capital investment is identified and incorporated in financial plans.</p> <p>There are both service level and corporate budget monitoring procedures. Budget variances in the current year arising from unavoidable cost pressures have fed into the 2011/2012 budget process in the form of committed growth bids.</p>

- 17.3 An assessment of key risk areas relating to individual service budgets has also been undertaken (set out at **Appendix E**) allied to Directorate specific statements of assurance and advice on balances, contingencies and reserves is set out elsewhere in this report. Taking account of those measures, the Corporate Director (Resources) is satisfied that the budget process has been sufficiently robust to assure Members that the proposals included within it can deliver a balanced, sustainable budget.

18. COUNCIL TAX 2011/2012

- 18.1. As part of its decision making this evening, the Council needs to recommend a Council Tax for 2011/12. The Band D Council Tax implied by the decisions

taken ahead of this meeting and the recommendations included in the report is for a Band D Council Tax of £885.52, which is no increase over the Council Tax for 2010/11.

- 18.2. Tower Hamlets' Council Tax is currently 11% below the average Band D Council Tax for London Boroughs in 2010/11, and the sixth lowest Band D Council Tax in London.
- 18.3. The Council collects Council Tax on behalf of itself and the Greater London Authority and pays the resulting income into a Collection Fund for distribution. Any deficit on the Collection Fund at the end of the financial year must be recovered in the following year and the impact is split between the preceptors (the Council and the GLA) in proportion to their Band D Council Tax. Similarly any surplus must be redistributed in the same way. It is estimated that the Collection Fund will have a surplus as at 31st March 2011 and £2.549m will be allocated by the Council in its budget as its share of this surplus.
- 18.4. For 2011/12, the Government has announced that it will provide a Council Tax Freeze Grant to authorities that set a Council Tax increase at 0%. The funding will be equivalent to the difference between a 0% Council Tax and raising 2010/11 Council Tax by 2.5 per cent. The grant applies only to the Council tax set in 2011/12 but will continue to be provided for the four years of the Spending Review. The indicative amount of grant for Tower Hamlets is £1.961m, and for the purposes of this report and for the Medium Term Finance Plan, it is assumed that the authority will set its Council Tax at 0% and receive the grant. The effect of the grant is that if the Council sets any increase in Council Tax between 0% and 2.5%, it will lose more grant income by doing so than it will gain in Council Tax income. Above 2.5%, each 1% increase in Council Tax raises £787,000.
- 18.5. The following table shows examples of the total budget associated with different levels of Council Tax.

<u>Table 18.5 – Council Tax Examples</u>	Budget	Council Tax	Change
	£M	£/Band D	%
<i>2010/2011</i>	310.4	885.52	-
<i>2011/2012</i>			
◆ No Council Tax increase	314.7	885.52	NIL
◆ Council Tax increase of 2.5% - Government's long term inflation target	316.7	907.69	2.5%
◆ Council Tax increase of 4.5%- current rate of inflation (RPI)	318.3	925.37	4.5%

This demonstrates that a fairly significant change in Council Tax has only a relatively small impact on the Council's budget in the context of the savings targets the Council is seeking to deliver.

- 18.6. These examples are for illustration only and they may need to be amended to take account of the final Formula Grant announcement (due in late January/early February) and the surplus on the Collection Fund (see 18.3 above) will need to be reassessed in the final stages of the budget process in accordance with statutory requirements.

Greater London Authority Precept

- 18.7. The GLA precept needs to be added on to Tower Hamlets' Council Tax. The statutory deadline for this announcement is 1st March. The Mayor is currently consulting on a draft budget which would set the GLA's Council Tax for 2011/12 at the same level as for 2010/11. The GLA does not plan to consider and approve its budget until 23rd February. Tower Hamlets Council is not able to reject the GLA's budget; the Local Government Finance Act 1992 requires only that the Council adds the GLA's Council Tax to its own in order to calculate the total tax liability for residents of the borough.

Council Tax Base

- 18.8. The Council Tax Base for the authority for 2011/12 as approved by the Cabinet in January is 88,917.

Budget Capping

- 18.9. Legislation enables the Secretary of State to cap local authority budgets which he deems to be excessive. There are two options open to Ministers; either they can require an authority to recalculate its budget for the year ahead, or they can place an authority on notice that its budget will be capped unless it restrains its budget in the following financial year.

19. BUDGET SETTING TIMETABLE

- 19.1. Following this evening's meeting, a recommended budget requirement and Council Tax will be referred for consideration by the Full Council at its special budget meeting on 23rd February. The setting of Council Tax is a matter reserved to the Full Council by legislation.
- 19.2. The Greater London Authority is also meeting on 23rd February to consider the Mayor's budget proposal for the GLA and the outcome will be reported to Budget Council at the meeting.

- 19.3. The authority is legally required to set a Council Tax before 11th March in any financial year. Notwithstanding this, the Council's local billing arrangements are dependent upon the Council Tax being set in accordance with the Council's established calendar.

20. COMMENTS OF THE CHIEF FINANCIAL OFFICER

The comments of the chief financial officer have been incorporated into this report of which he is the author.

21. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 21.1. 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.
- 21.2. 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 and the Council's Constitution reflects the statutory requirement.
- 21.3. 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.
- 21.4. The Council's Constitution includes the Budget and Policy Framework Procedure Rules, which specify a process by which the budget is to be developed. The process includes consultation with the Overview and Scrutiny Committee and the report properly recommends that Cabinet consider the views of the Overview and Scrutiny Committee before determining its proposals for submission to full Council.
- 21.5. In circumstances where the Council is calculating the budget requirement, the chief finance officer (the 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.

- 21.6. The report appropriately brings forward relevant financial information concerning the setting of council tax and calculation of the budget requirement. It sets out the results of consultation with payers of non-domestic rates and other consultation. It sets out the chief finance officer's views the robustness of estimates and the adequacy of reserves. It is open to Cabinet to agree the base budget, growth and savings figures that form part of the calculation and to recommend to the full council the budget requirement and council tax as proposed.
- 21.7. The report otherwise recommends that Cabinet agree the medium term financial plan. This is a matter that informs the budget process and may be viewed as a related function. It is, in any event, consistent with sound financial management and is a matter that is open to the Cabinet.

22. ONE TOWER HAMLETS CONSIDERATIONS

- 22.1 The setting of the Council's budget is a complex and lengthy process which involves consultation with the general public, businesses and Members of the Council through the Budget and Policy Framework. The budget is set in the context of the Community Plan, which takes account of the needs of all sections of the community living, working in Tower Hamlets and visitors.
- 22.2. High quality information on the equality impact of savings proposals is necessary to enable budget decisions to be taken in an informed, fair and transparent way. At a time of significant financial pressure, this is essential to maintaining the Council's policy of tackling inequality and disadvantage, as well as fulfilling the authority's legal duties.
- 22.3. The table below outlines the process, which has been developed in consultation with the Council's Corporate Equalities Steering Group, that is being employed to equality impact assess all budget proposals.

Who	Output	When
Service Managers/ Directors	Screening of individual savings proposals	December
Dedicated team	Aggregated Equality Impact Assessments of major savings themes	January 2011
	Budget Equality Impact Assessment	January 2011
Tower Hamlets	Community Plan Equality Impact Assessment	February 2011

Partnership	Fairness Commission to track local impact and revisit approach	2011/ 2012
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- 22.4. Every savings proposal has been individually screened against a checklist of critical questions to assess the potential equality impact for communities and staff. A summary of the equality implications and completed screening assessment is included within each budget proposal attached at **Appendix D**. Full impact assessments for proposals that are identified to have significant equality implications including their cumulative impact will be made available on the Council website before the end of the first week in February.
- 22.5. As part of the Community Plan refresh, officers will also work with the Tower Hamlets Partnership to understand the cumulative equality impact of savings that are to be made borough wide across partner organisations. This will inform the development of focused equality priorities for the refreshed Community Plan, which will aim to ensure that limited resources are targeted at the most significant inequality gaps at risk of further widening in the next period.
- 22.6 Although these equality impact assessments will help anticipate the likely effects of proposals on different communities and groups, in reality the full impact of a decision will only be known once it is introduced. The actual impact of the implemented savings proposals will therefore be reviewed through a Fairness Commission in 2011/12.

23. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

The SAGE implications of individual proposals in the budget are set out in the papers relating to those proposals.

24. RISK MANAGEMENT IMPLICATIONS

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 15 of this report.

25. CRIME AND DISORDER REDUCTION IMPLICATIONS

The CDR implications of individual proposals in the budget are set out in the papers relating to those proposals.

26. **EFFICIENCY STATEMENT**

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.

27. **APPENDICES**

Appendix	Title
Appendix A	Base Budget and Base Directorate Targets 2011/12
Appendix B	Potential Committed Growth 2011/12 – 2013/14
Appendix C	Medium Term Financial Plan 2011/12- 2013/14
Appendix D	Savings Summary and Detail
Appendix E	Strategic & Corporate Risks
Appendix F	Reserves and Contingencies
Appendix G	General Reserves as at 31 st March 2011
Appendix H	Budget Consultation for 2011/12 (to follow)

Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
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None

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2011/12 BASE BUDGET

	Original Budget 2010/11	Supporting People ABG Adjustment	WNF ABG Adjustment	Balance of unallocated ABG	Correction of Corporate Management Support Services	HR Positive Action Scheme	Transfer of Homelessness from AHWB to D&R	Transfer of FM from Resources to D&R	CSF LSC ABG Adjustment	Additional ABG allocation Sep 2010	Loss of LPSA Reward Grant	Government grant reductions 2010	One-off 2010/11 savings	On-going 2010/11 savings	Revised Budget 2010/11
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
DIRECTORATE BUDGETS															
Adults Health & Wellbeing	90,218	15,385													100,956
Children, Schools and Families	93,896								321						91,799
Communities, Localities & Culture	74,911														74,350
Development & Renewal	12,425						2,230	4,399							18,759
Chief Executive	13,369	11,226			524	250									23,091
Resources	18,362				(524)	(250)		(4,399)							13,288
Corporate/Capital	19,445			311						136					19,642
TOTAL	322,624	15,385	11,226	311	-	-	-	-	321	136	-	-	(5,330)	(2,790)	341,883
Payments to/from Balances	6,066													2,268	8,334
Inflation and Other Contingencies	2,200														2,200
Provision for future growth															-
ABG 2010/11															-
Commitment Growth Approved to Date															-
Savings Approved to Date															-
Reduction in Specific Grants															-
One off Savings Towards 2010-11 Target															-
Ongoing Savings Towards 2010-11 Target															-
2009-10 Carry Forwards															-
Increase in Budget Contingency															-
London Pension Funds Authority Levy															-
Capital Financing & Investment															-
Parking Control A/C	(3,310)														(3,310)
Local Public Service Agreement	(700)														(700)
Efficiency Reserve	689														689
Funding for Accelerated Delivery Programme	(1,802)											1,727			(75)
Insurance Fund	500														500
Contribution to Investment Reserve	2,900														2,900
One off Spending in 2008-09															-
Area Based Grant	(18,798)	(15,385)	(11,226)	(311)					(321)	(136)					(42,052)
BUDGET REQUIREMENT	310,369	-	-	-	-	-	-	-	-	-	-	5,852	(5,330)	(522)	310,369

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SUMMARY GROWTH RISKS 2011/12 - 2013/14

APPENDIX B

Adults, Health & Wellbeing

	2011-12	2012-13	2013-14	Total 2011/12-2013/14
	£000's	£000's	£000's	
Demographic Growth Pressures - Older People with Dementia	2,145	2,860	2,860	7,865
Learning Disabilities Commissioning Budget	602	802	802	2,206
Total Growth Bids	2,747	3,662	3,662	10,071

Communities Localities & Culture

	2011-12	2012-13	2013-14	Total Budget 2011/12-2013/14
	£000's	£000's	£000's	
Freedom Passes/ Concessionary Fares	2,246	2,246	2,246	6,738
Total Growth Bids	2,246	2,246	2,246	6,738

Children, Schools & Families

	2011-12	2012-13	2013-14	Total Budget 2011/12-2013/14
	£000's	£000's	£000's	
Children's Social Care & Youth Offending	1,740	2,860	3,700	8,300
Total Growth Bids	1,740	2,860	3,700	8,300

Development & Renewal

	2011-12	2012-13	2013-14	Total Budget 2011/12-2013/14
	£000's	£000's	£000's	
Local land charges	100	100	100	300
Administrative Buildings - NNDR	550	550	550	1,650
Total Growth Bids	650	650	650	1,950

Total Growth Bids (All Directorates)

	7,383	9,418	10,258	27,059
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MEDIUM TERM FINANCIAL PLAN 2011/12 - 2013/14

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Initial Budget (adjusted for Formula Grant changes)	297,926	337,097	310,960	292,540
Inflation and Other Contingencies	3,182			
Savings implementation (Cabinet December 2010 refers)	4,000	-4,000		
Projected overspend 2010/11	1,084	-1,084		
Inflation		4,491	4,600	4,600
Committed Growth				
Approved to date	3,691			
Growth 2011-12 onwards- -assume can be met from existing contingencies in 11/12		5,500	5,800	4,750
2010/11 savings target (Cabinet 7/7/10)				
Reduction in Area Based Grant	4,125			
Loss of LPSA Reward Grant etc	1,727	-1,727		
One-off savings towards 2010/11 target	-5,330	5,330		
Ongoing savings towards 2010/11 target	-2,790			
Increase/ reduction in budget contingency	2,268	-5,330		
Savings				
Approved to date	-4,520	239		
Other Adjustments Required				
Provision for increases in levies	353			
Capital Financing and Investment	2,365	777	-827	134
Pensions Fund		900	1,250	1,250
One off spending in 2008/09	-317			
Other Funding				
Prioritisation of Area Based Grant	-295	3,707		
Service Improvement Growth				
LAP Budgets		-2,380		
Contribution to Investment Reserve	2,900			
Contribution to General Balances		3,000		
Transfer of Grants	26,728			
Council Tax Freeze Grant		-1,961		
Transitional Grant		-3,767	3,767	
Annual savings target		-29,832	-33,010	-9,140
Budget Requirement	337,097	310,960	292,540	294,134
Formula Grant	-232,204	-229,673	-211,835	-211,411
Formula Grant adjustment	-26,728			
Collection Fund Surplus / Deficit	-3,478	-2,549		
	74,687	78,738	80,705	82,723
Council Tax Base	84,343	88,917	91,139	93,417
Recommended Band D Council Tax - Tower Hamlets	£885.52	£885.52	£885.52	£885.52
Change in Council Tax	0.00%	0.00%	0.00%	0.00%
Cumulative savings target (Three Year Budget)				-71,982

NB Forecasts are incremental year on year, not cumulative

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Directorate Service Improvement						
Ref No.	Directorate	Current Name	2011/12 Year 1 £'000	2012/13 Year 2 £'000	2013/14 Year 3 £'000	TOTAL £'000
AHWB/1	Adults Health & Wellbeing	Promoting Independence and reducing demand for domiciliary care through Reablement	740	1,849	1,142	3,731
AHWB/2	Adults Health & Wellbeing	Better use of Supported Housing	250	630	940	1,820
AHWB/3	Adults Health & Wellbeing	Modernising Learning Disability Day Services	200	600	600	1,400
AHWB/5	Adults Health & Wellbeing	Care Management Levels	220	0	0	220
AHWB/6	Adults Health & Wellbeing	Housing Link	312	0	0	312
AHWB/7	Adults Health & Wellbeing	New Business Procurement with Framework I	120	0	0	120
		Total (Adults Health & Wellbeing)	1,842	3,079	2,682	7,603
CE/2	Chief Executive	Review of Democratic Services and Member Support	323	0	0	323
		Total (Chief Executive)	323	0	0	323
CLC/1	Communities Localities & Culture	Parking Driving Change through enhanced Performance	1,250	1,000	0	2,250
CLC/2	Communities Localities & Culture	Highways income and efficiencies opportunities	200	800	50	1,050
CLC/3	Communities Localities & Culture	Pest Control Service review	125	0	0	125
CLC/4	Communities Localities & Culture	Review of Supervised Adventure Play Activities	214	0	0	214
CLC/5	Communities Localities & Culture	Service Rationalisation - Restructure/Redesign of Directorate Enforcement Functions	614	172	0	786
CLC/6	Communities Localities & Culture	Service Integration - Reorganisation of Clean and Green Group and Rationalisation of Management of Parks and Open Spaces	608	0	0	608
CLC/7	Communities Localities & Culture	Commercial Waste Income Opportunities	300	350	400	1,050
		Total (Culture)	3,311	2,322	450	6,083
CSF/1	Children, Schools & Families	Redesign and integration of Early Years and Children's Centres Management	2,978	0	0	2,978
CSF/2	Children, Schools & Families	Family wellbeing model	0	0	200	200
CSF/3	Children, Schools & Families	Redesign support for young people aged 13-19 to reflect need	727	0	0	727
CSF/4	Children, Schools & Families	Pupil Transport efficiency review	50	150	100	300
CSF/5	Children, Schools & Families	Review of Extended Schools Services	873	0	0	873
CSF/6	Children, Schools & Families	Redesign of parent support and advice to reflect need	35	50	40	125
CSF/9	Children, Schools & Families	Government Transfer of functions for student Awards	300	0	0	300
CSF/10	Children, Schools & Families	Review and rationalisation of emotional health and wellbeing support	179	0	0	179
		Total (Children, Schools & Families)	5,142	200	340	5,682
D&R/1	Development & Renewal	Transformation of front end to back office functions through planning digitisation	64	186	0	250
D&R/2	Development & Renewal	Corporate Subscriptions Deletion	25	75	100	200
D&R/3	Development & Renewal	Review of Employment and Enterprise and 2012 legacy arrangements	110	40	40	190
		Total (Development & Renewal)	199	301	140	640
ALL/1	All Directorates	Directorate Supplies & Service Efficiencies	1,205	776	639	2,620
		Total (All Directorates)	1,205	776	639	2,620

Ref No.	Directorate	Current Name	2011/12 Year 1 £'000	2012/13 Year 2 £'000	2013/14 Year 3 £'000	TOTAL £'000
Programme Savings						
BAM/1	Development & Renewal	Better Asset Management	80	481	268	829
Total (Better Asset Management)			80	481	268	829
IO/1	Schools, Children & Families	Recharge Schools for Support Services	1,873	189	100	2,162
IO/2	Development & Renewal	Review of Planning fee income	250	0	0	250
IO/3	Chief Executive	Shared Legal Services	50	50	50	150
IO/4	Resources	Improved Income Collection, Debt Management and Fraud prevention	1,560	948	632	3,140
Total (Income Optimisation)			3,733	1,187	782	5,702
LEAN/1	All Directorates	Management Streamling & Agency Management Reduction	5,916	1,965	1,310	9,191
LEAN/2	All Directorates	Merging Communications, Publications and Participation and Consultation functions	1,200	100	0	1,300
LEAN/3	All Directorates	Strategy Policy and Performance (SPP)	1,010	340	0	1,350
Total (Lean)			8,126	2,405	1,310	11,841
MOI/1	Resources	Managing our information	750	650	200	1,600
Total (Managing Our Information)			750	650	200	1,600
SSP/1	All Directorates	Improve Contract pricing through Contract re-negotiation	273	273	358	904
SSP/2	Communities Localities & Culture	Better targeting of Street Cleansing and Refuse Collection contracts	325	375	825	1,525
SSP/3	Communities Localities & Culture	Events In Parks (overall reduction in summer usage of Victoria Park)	200			200
SSP/4	Communities Localities & Culture	Integrated Public Realm Contract - Service Efficiencies	0	1,200	1,300	2,500
SSP/5	Resources	Telephone Contract renewal	413	0	0	413
SSP/7	Adults Health & Wellbeing	Domiciliary Care Re- Commissioning	1,045	345	0	1,390
SSP/8	Adults Health & Wellbeing	Applying the National Care calculator in order to reduce supplier margins	400	0	0	400
SSP/9	Adults Health & Wellbeing	Shared Re-Commissioning Supporting People Services	760	0	0	760
SSP 10	Communities Localities & Culture	Leisure Service Efficiencies	95	333	495	923
Total (Successful Strategic Partnership)			3,511	2,526	2,978	9,015
SW/1	Resources	Smarter Working	0	0	2,340	2,340
Total (Smarter Working)			0	0	2,340	2,340
n/a	Resources	HRIP Delivered in 2010/11 (with savings in 2011/12)	1,500			1,500
n/a	All	Audit Commission reduced fee	45			45
n/a	All	Reduction in London Councils Subscription	65			65
Total			29,832	13,927	12,129	55,888

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
AHWB/1**

TITLE OF SAVING OPTION:	Promoting independence and reducing demand for domiciliary care through reablement		
DIRECTORATE:	Adults Health and Wellbeing		
SERVICE AREA:	Older People	LEAD OFFICER:	John Roog
FINANCE CONTACT	Paul Thorogood		

	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	152	45	45	0	90
Employee Costs	6,371	(1,071)	(2,188)	(1,518)	(4,777)
Other Costs	11,213	331	339	376	1,046
Income (Specify)	0	0	0	0	0
TOTAL	17,584	740	1,849	1,142	3,731

Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference

	2011/12	2012/13	2013/14	2014/15+
	£'000	£'000	£'000	£'000
Capital Expenditure	0	0	0	0

1. Outline/ details of saving proposal, including indications of stage of development, and work and timescales needed to finalise proposal:

Description of reablement

‘Reablement’ describes an approach to care provision which, by concentrating resources on intensive input to rebuild and maximise an individual’s capacity to manage their own care at key junctures – typically, following accident, ill-health, hospitalization, the onset of disability

or impairment - reduces the need for long term, ongoing, and more intensive care. The promotion of reablement is a key element in the Care Services Efficiency Delivery Programme promoted by the Department of Health. As a service model, the universal availability of reablement services is also central to Putting People first, the Government's three year programme for the transformation of adult social care published in January 2008.

Reablement is key to both the introduction of personalised adult social care and to the efficient management of resources. Reablement is about:

- supporting people to regain skills and confidence;
- enabling people to set and achieve their own goals so they can have choice and control in their daily lives;
- doing things with people rather than for people; and
- focussing on strengths and aspirations as well as coping with difficulties.

Members approved the introduction of the LBTH Reablement Service in January 2009 and the service started during 2009/10 at the Royal London and Mile End Hospitals for all patients discharged who were either new to home care or who needed an increase in their existing care package. It has since been rolled out to become an 'intake' service applying to all new community based referrals as well as hospital discharge.

Description of saving

Since the initiation of the Council's Reablement service in 2009, the service has been delivered by the In-house Home Care Service utilising its strong existing links with District Nurses, Occupational Therapists and other relevant professionals to deliver the service successfully. Delivering Reablement successfully requires a highly skilled and well managed workforce, and the In-house Service is well suited to these requirements. At this time there is not a wider market of suppliers of reablement in the Borough.

The hourly cost of the in-house Home Care service is significantly higher than the hourly cost of domiciliary care commissioned from external suppliers (both third sector and private). Since October 2009, all new long term packages of home care support have been commissioned from external suppliers rather than from the in-house Home Care Service. Services are only commissioned from suppliers who provide domiciliary care that is judged to be "good" or "excellent" by the independent regulator, the Care Quality Commission. As a consequence of this, we have seen a gradual reduction in the number of long-term hours being delivered by the In-house service as existing long term packages come to an end. It is proposed that this pattern of using the in-house service as a focussed and effective reablement service, and commissioning long term support packages from external suppliers be continued. This pattern of services will make a significant contribution to the delivery of the savings set out in the table above.

A detailed model of future activity and cost for the in-house service has been constructed (see section below on Calculation of Savings for more detail on this model), and using this model we are predicting that if the current arrangement is maintained, the in-house Home Care service will reach a point of being a Reablement specific service, with no ongoing long term packages of care, by around September 2013.

It is important to note that the In-house service currently makes substantial use of agency

staffing to supplement the directly employed workforce. The initial reduction in long-term hours is therefore being managed by reducing the use of agency staff usage, and this will continue to be possible until part way through 2011/12, meaning no short term impact on the employed establishment.

Based on current and projected activity levels for Reablement, this will mean that the service will be delivering around 7,000 hours of Reablement care per month on an ongoing basis from September 2013.

To deliver a Reablement service at this level of activity will require a staffing establishment of 62FTEs, which equates to a reduction of 90 FTEs from the current complement of 152 FTEs. The service has not been recruiting since January 2010, and would expect (based on experience in previous years) that around 25 staff (15 – 20 FTEs) leave each year. This would reduce the staffing complement at the end of 2012/13 to around 100 FTEs, and would therefore leave a requirement to reduce the total staff group by a further 38 FTE posts, or 55 actual employees (taking account of part-time working) through redeployment or redundancy.

Calculation of savings

There are two sources of savings in this proposal: those from the reconfiguration of the in-house Home Care Service to be a smaller, specialist reablement service and those from the overall reduction in demand for domiciliary care that is the result of effective reablement.

The savings relating to the reconfiguration of the in-house service have been calculated using the detailed modelling work referred to above. The model identifies the future staffing requirement for a Reablement only service, and the scale of the reduction in FTE's required between now and September 2013 to achieve this future requirement.

The savings calculation for the reduction in demand delivered by the Reablement approach is based on the Diagnostic Model produced by the Department of Health's Care Services Efficiency Delivery Programme. The model uses the financial and activity data from case studies of existing reablement services to provide a predictive model of costs and savings. It profiles both the initially higher costs of a reablement package and the likely savings from the subsequently lower costs of ongoing care packages. This profile is based on empirical findings on the overall financial impact of the percentage of service following reablement:

- who did not need an ongoing care package;
- who required a lower level of care package;
- whose needs remained the same following the reablement programme;
- whose needs increased following the reablement programme

Feeding Tower Hamlets specific data on home care costs and referral rates into this national model results in predicted net savings for 2011/12 and 2012/13 of £400k per annum. There is no national modelling from the studies from which to predict a 'year three and onwards' impact of reablement (in our case 2013/14). However, it is not feasible for large savings to be accrued indefinitely year on year and a more cautious £100k has been identified for 2013/14. In addition to these savings, a further £300k was taken for 2010/11, so the overall Full Year Effect is £1.2million.

Initial results from our own Evaluation

The recent LBTH Reablement Service Phase One Evaluation produced some encouraging initial results. The service appears to be popular amongst the people who have used it - and the evidence shows that it appears to work for as reflected in some of the key points from the evaluation: :

- 88% of people interviewed said that their confidence had increased directly as a result of reablement,
- 100% felt they had achieved their goals and 100% felt they could do more for themselves.
- 81% of all the goals people set for themselves were wholly or partially achieved.
- 47% of people didn't need any services at the end of reablement - and 82% of these people were FACS (Fair Access to Care Services) eligible at the start of reablement.
- Of the people who did need an ongoing service nearly half had a smaller care package than they would have had under a FACS assessment at the start of reablement.

The initial financial analysis of the Reablement 's Services impact in reducing the number of longer term care hours needed suggests that the savings proposed are achievable.

2. Service implications of saving:

The reablement programme is expected to deliver a major reconfiguration of care services – away from a model which is primarily geared to meeting long term dependency needs to one which is geared to reducing dependency and promoting independence.

The savings are the result of the long term reduction in hours needed to support people who have been helped to regain independence rather than be supported at their current level of dependence. The reduction is directly related to reduction in need therefore and there are no implications of undesirable or inappropriate services reductions for people.

As noted earlier in re-commissioning Domiciliary Care services for 2011/12 onwards, the Directorate will be ensuring that long term services are all commissioned from providers rated as good or excellent by CQC.

3. Actions required to achieve saving:

In order for the proposed savings to be delivered, the following actions will be required:

1. Re-commissioning of externally purchased Domiciliary Care services, and achievement of the benchmark average unit cost of inner London authorities;
2. A continued freeze on recruitment to the in-house service;
3. An ongoing reduction in the usage of agency staff to supplement the employed workforce down to a point where agency staff are only being employed on an emergency / short notice basis to cover staff sickness or other similar short term requirements.
4. A detailed plan for achieving the required reduction in FTE employees
5. Through the re-design of the Directorate's Operating Model and 'customer journey' the Reablement service needs to be incorporated as a core element of our overall approach in order to ensure that the maximum number of individuals gain benefit from it in terms of optimising their independence, and that in turn this reduces the requirement for (and therefore cost of) longer term support.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
<p>The various potential implications for staff and contractors have been detailed in other sections, but to summarise here:</p> <p>1. For staff, a reduction in the overall FTE establishment required to run the service from 152 FTE's currently to 62 FTE's by March 2013. Taking account of projected turnover during that period this indicates a requirement to reduce the establishment by 38 FTE's – equating to around 55 actual employees – through redeployment or redundancy.</p> <p>2. It should be noted here that the Council's Single Status Agreement, dated 01 April 2007, committed the Council to maintaining its In-house Home Care service at a size of not less than 4,768 hours of care per week for a period of 5 years from the signing of the agreement (31 March 2012). The modelling work underpinning this savings proposal indicates that by that date the service will still be delivering comfortably in excess of the 4,768 hours per week (at around 5,350 hours per week), so it is considered that there is no risk of breaching the agreement.</p> <p>3. For contractors, an increase in the annual value of hours purchased (to offset reduced activity in the In-house service) by around £450 - £500k per annum.</p>	
5.	Other risk factors which could prevent this saving being achieved following implementation
<p>The proposed saving is predicated in part on a reduced unit cost for externally purchased domiciliary care following the retendering of these services. The future unit cost is based on achieving the inner London authorities average cost. A failure to achieve this through the tendering exercise would have a consequential impact on the level of saving achieved by the proposal set out here.</p>	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p>The proposed savings are based on maximising the use of reablement to increase independence and reduce the need for long term domiciliary care services. The proposal is that the in-house Home Care service is reconfigured to become, over a 3 year period, a smaller, specialised reablement service. Standard domiciliary care that is required by service users on a long term basis following reablement will then be arranged from the external market. The efficiency improvement will be measured by budget / actuals comparisons with a 2010/11 baseline.</p> <p>The In-house service will also benefit from being able to focus increasingly on its specialist Reablement function, thus helping to maximise the benefit to be delivered from this approach.</p>	
7.	Main issues arising from Equalities Impact Assessment (if any)
<p>An Equalities Impact Assessment of the proposal is underway, but not yet completed. The key immediate issue arising is that the affected workforce is almost exclusively female.</p>	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	<ul style="list-style-type: none"> • The reablement service will act as a triage for access to domiciliary care and as a consequence of this access to the reablement service will increase. • This pathway of care will apply to all, apart from a small number where reablement is clearly not appropriate e.g. for people who are terminally ill needing end of life care
Does the change involve revenue raising?	No	<ul style="list-style-type: none"> • Reablement cannot be charged for under national guidance
Does the change alter who is eligible for the service?	Yes	<ul style="list-style-type: none"> • The Council's eligibility criteria under FACS guidance remain unchanged at critical and substantial levels of need. • The numbers of people who have critical and substantial levels of need will be reduced by successful reablement • There is strong evidence that this leads to improved outcomes for people in both national studies and through the evaluation of the Tower Hamlets service
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in	No	

house?		
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	Yes	<ul style="list-style-type: none"> • All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.
Does the change involve a redesign of the roles of staff?	Yes	<ul style="list-style-type: none"> • The in-house Home Care service will be reorganised into a reablement service and a long term service. The latter service is for existing packages of care only and the volume of work will reduce over a 3 year period. • This will involve redesign of roles • Staff deployment is driven by the needs of service users, and it is this that could potentially constrain the ability of staff to work flexibly.

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
AHWB/2**

TITLE OF SAVING OPTION:					
Better use of Supported Housing					
DIRECTORATE:					
Adults Health and Wellbeing					
SERVICE AREA:		Commissioning & Strategy		LEAD OFFICER:	
				Deborah Cohen (Richard Fradgley, Darren Summers, Cheryl Spencer)	
FINANCE CONTACT					
Paul Thorogood					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	-	-	-	-	-
Employee Costs	-	-	-	-	-
Other Costs	16,070	250	630	940	1820
Income (Specify)	-	-	-	-	-
TOTAL	16,070	250	630	940	1820
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	0	0	0	0	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

Supported housing offers many people with mental health problems or learning disabilities a high quality and more independent model of living, as well as being significantly more cost effective than traditional residential care. This proposal is to increase the use of supported housing and reduce the use of residential care where this is indicated by the relevant professional assessment of an individual person's needs.

In mental health services Tower Hamlets makes a very high number of residential placements compared with other authorities and the trend has been upwards over several years. This proposal is to reverse the upward trend and to reduce the overall spend on residential care placements for Adult Mental Health and people with Learning Disabilities (age 18 to 65) through increased use of supported housing.

Calculation of Savings

Funding with the NHS

Most placements in Mental Health are jointly funded with the NHS (in varying proportions) and in some cases wholly funded under the national NHS continuing care framework. A far smaller percentage of placements in Learning Disabilities are continuing care funded and very few are joint funded. The decision as to the mix of funding is *clinically led* and beyond ensuring the correct assessment process is followed (for example that the Continuing Care framework is applied wherever relevant) this is not a decision that is made by commissioning staff.

Mental Health Placements

The funding arrangements for MH impact on the amount of savings that can be made. For MH each time an individual service user is moved from residential into another type of accommodation it will be necessary to reassess the funding package. In 2009-10 NHS spending on placements was £1.6m and Council spend was £4.9m.

For the purposes of this proforma it is assumed that the savings are allocated between Health and Council in the ratio 1/3rd NHS and 2/3rd Council based on the current ratio of £1.6m NHS total: £4.9m Council expenditure. However in reality this will be tested on a case by case basis. It should be noted that individuals who are NHS funded are less likely to be candidates for move on out of residential care and that it is those with lower percentages of NHS funding who are the most likely for move on.

It should be noted that the unit cost per client in the most expensive supported housing project is less than £20,000 per year, whereas the average cost of a residential care placement is approximately £50,000 per client per year. Savings are therefore based on an assumed cost per placement of £50,000 per annum and cost of supported accommodation of £20,000 per annum. 100% of this cost will fall to the Council in the way that at present the Council pays 100% of all residential costs and then where appropriate recharges a percentage to the NHS.

The Proposal

The upward trend in residential placements is to be held in check during 2010/11 through improved pathway management and process for placements in residential care. In January 2010 a new team, the Resettlement Team, was set up to achieve this. The Resettlement

Team is dedicated to moving clients on from residential care. The team will not only be responsible for moving existing clients in residential care on to other forms of accommodation but will also seek to renegotiate existing placement costs using the care funding calculator.

The Resettlement Team identify alternative accommodation options, but they do not make the final decision. Reviews focus on the needs of the individual receiving support. All reviews are conducted within the Care Programme Approach and input is across the multi disciplinary Community Mental Health Team. In situations where alternative forms of support are introduced these are only commissioned if they meet quality standards.

Learning Disabilities

In 2008/09 there were 132 people, and in 2009/10 159 people, with learning disabilities aged between 18 and 64 in residential care¹. At the beginning of 2010 there were 784 individuals over the age of 18 known to the CLDS. The Joint Strategic Needs Assessment indicates an upward trend in the numbers known to LD Services. However it is very difficult to predict the future numbers of people in residential care and there is very little benchmarking information but CIPFA Benchmarking Report for 08-09 (latest available) shows LBTH as a relative low user of supported accommodation and average on residential care².

Growth bids in the recent past, made on the basis of the information from special schools year 9 reviews, have assumed that there are approximately 20 individuals with high needs turning 18 and leaving school each year who are likely to require some form of accommodation based care. There will also be individuals whose needs change over a period of time who may not be able to continue to live in their family home. This does not mean that their requirement is for residential care as supported accommodation may also be appropriate.

A recent review of individual placements³ identified that there are some people in residential care whose needs could be met in independent supported accommodation. Continued provision of long term residential care for these individuals is potentially detrimental for the individual (in terms of fostering dependence and not independence).

Using the current residential care database information the average cost of long term residential care for people with learning disabilities is £1,190 per week against an estimated average cost of £780 per week for supported accommodation for people with learning disabilities (based on £400 per week supported housing cost and 20 hours per week at £19 per hour additional support costs). However, a support package can vary considerably and these figures which are averages should be treated with care.

The review work by the resettlement officers to date has looked at 30 clients of whom 9 have been identified as having their needs better met in supported accommodation.

Two resettlement workers have been employed by the commissioning team initially to complete re-assessments and then to plan and effect move on for these individuals. These workers are working across this and the care funding calculator savings plan (separate

¹ RAP Return 2008/09 and 2009/10

² CIPFA PSSEX 2008-09

³ using the Residential Care Funding Calculator tool

proforma) and the costs of these workers going forward is subject to an invest to save bid.

It is predicted that at least £80,000⁴ could be saved per year if the 9 people identified by the initial review can be moved into supported accommodation. This predicted annual saving in 2010-11 is for the 9 clients who have been identified by the initial review. This is doubled for 2011-12 on the basis of there being at least a further 20 clients who could be moved to supported accommodation.

2. Service implications of saving:

Service delivery implications

- Improved management of accommodation pathways especially for clients following discharge from hospital and for move on from residential care. This will be set out in a Mental Health Accommodation Strategy to go to Cabinet in between April and June 2011
- Centralisation of the placement of individuals and improved negotiation of placement prices – to be achieved through the reorganisation of Commissioning (in staff consultation in Dec 2010)

3. Actions required to achieve saving:

Mental Health

From January 2010 a new team, the Resettlement Team, has been dedicated to assessing the suitability of moving people on from, and reducing use of, residential care. The team is not only responsible for moving people currently supported in residential care on to other forms of accommodation but also renegotiates existing placement costs.

The work of the team is supported by an Accommodation Pathways Board which is charged with increasing the supply of alternatives to residential care, including the use of Supporting People funding, and general needs accommodation. Work has already started to increase the number of supported housing beds provided by Registered Social Landlords, with the aim of commissioning sufficient capacity to reduce use of residential care from 129 beds to 75 by 2013/14.

Learning Disabilities

Speed of implementation is dependent on capacity of the Community Learning Disability Service to review clients and find alternative accommodation. This capacity has been enhanced by the recent employment of two resettlement officers.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Increase in demand for housing units from RSLs and support for service users to access private rented accommodation.

5. Other risk factors which could prevent this saving being achieved following implementation

⁴ Calculated using the actual current care package cost and an estimate of £780 per week for a supported accommodation placement.

Implementation Risks/ Issues including management/ mitigation issues

- Inability to commission sufficient supported housing capacity (to be mitigated through early involvement of senior management within Council's D&R Directorate and negotiation with RSLs).
- Insufficient capacity within the Supporting People programme to fund support to keep people in independent accommodation (factored into the Supporting People Strategy).
- Risk adverse clinical practice that continues to make use of residential care. For MH to be managed by East London Foundation Trust (ELFT) to ensure that the approach in Tower Hamlets is consistent with that in Hackney and Newham where far less use is made of residential provision for populations with similar if not greater morbidity.
- For LD risk averse practice from social work practitioners to be managed within AHWB
- Overall costs of step down/alternative accommodation are less than the costs of residential care on the basis of the assumptions made in the proforma above. This will be monitored closely in tracking the movement in packages month on month.

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
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This project will realise a saving of £1.8m by the end of 2013/14.

7.	Main issues arising from Equalities Impact Assessment (if any)
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The Accommodation Project Board for MH and the Learning Disabilities Partnership Board will monitor the outcomes of the care decisions using the six equalities strands annually.

Individuals receiving support are vulnerable and decisions will be based on clinical assessments (usually multidisciplinary and including social care) and not any other consideration.

An EQIA screening has been undertaken and full EQIA will be undertaken.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	Yes	<ul style="list-style-type: none"> • The change reduces the resources spent on people with mental health problems and learning disabilities, but provides a better quality and better value for money alternative to residential care • The numbers of people supported is not reduced • The provision of residential care for people who are able to live more independently in supported housing is not best practice. In many cases due to the shortage of residential care people are currently living in residential homes outside the Borough, away from networks of family and friends.
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	<ul style="list-style-type: none"> • There is no evidence that access will be more difficult or costly. Any service user who is moving from residential care into supported housing, does so on the basis of an assessment of need and is fully supported by care management staff through that transition.
Does the change involve revenue raising?	No	<ul style="list-style-type: none"> • This is not a revenue raising proposal • Under national regulations people living in residential care are already financially assessed to make a contribution to their care costs • People living in supported housing make no contribution to the costs of their care support • People moving into supported housing would be helped to claim all housing and disability benefits that they are entitled to.
Does the change alter who is eligible for the service?	No	<ul style="list-style-type: none"> • There is no change in the Council's FACS eligibility criteria.
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting	No	<ul style="list-style-type: none"> • These services are all provided by external providers

out of a service currently provided in house?		
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
AHWB/3**

TITLE OF SAVING OPTION:					
Modernising Learning Disability Day Services					
DIRECTORATE:					
Adults Health and Wellbeing					
SERVICE AREA:		Commissioning & Strategy		LEAD OFFICER: Deborah Cohen (Cheryl Spencer)	
FINANCE CONTACT					
Paul Thorogood					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	11	-	-	-	-
Employee Costs	316	-	-	-	-
Other Costs	4,744	200	600	600	£1.4m
Income (Specify)	-	-	-	-	-
TOTAL	5,060	200	600	600	£1.4m
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	-	-	-	-	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

Day services for people with learning disabilities are currently provided in a range of settings by third sector organisations and the Council. Services are often traditional and not fully in line with best practice and national policy as set out in Valuing People Now. A number of the buildings used are not of an appropriate standard.

This proposal is to reconfigure the learning disability day services across the Borough and provide a modern, best practice based model that operates out of good quality accommodation and supports people with learning disabilities. At the same time the proposals also offers better value for money by reducing overall spend by £1.3m. In addition there will be a reinvestment of £300K into specialised supported employment services to increase the numbers of people with learning disabilities into employment. This is an area where performance in Tower Hamlets has been below average in the past.

This proposal supports the strategic aim to move away from old style day centre provision to more meaningful day opportunities that include training and employment options that increase the independence of service users in line with Valuing People Now (the Department of Health's three year strategy for people with a Learning Disability, launched in 2009).

Day Services for people with a Learning Disability places and number of service users registered in August 2010 is set out below. The numbers registered should not be taken to be a measure of utilisation as many service users do not attend day services a full 5 days each week. This is being researched in more depth as part of the Day Opportunities Strategy referred to in section 3 below.

- BPCA - 40 places, 36 people registered
- The Camden Society - 15 places, 16 people registered
- Apasenth - 45 places, 42 people registered
- Tower Project - 70 places, 78 people registered
- Redbridge Community Housing - 63 places and 53 people registered
- Coborn - 25 places and 25 people registered

2. Service implications of saving:

There may be a level of initial disruption for individual service users who are used to attending particular day services. Individual service users would be supported by allocated social workers through any period of transition to minimise disruption. The use of personal budgets will be maximised to enable service users to have more choice than previously possible over what day opportunities/services they may wish to access.

No assumption is made as to whom the future providers of these services will be. This will be subject to the appropriate procurement arrangements in line with the Council's financial regulations.

3.	Actions required to achieve saving:						
<p>Work has started on a Day Opportunities Strategy and consultation on the draft strategy will commence in early 2011. The Strategy will include:</p> <ul style="list-style-type: none"> • Identifying under utilised services; • Identifying duplication in current service provision; • Consulting with service users and carers to agree a service model • Benchmarking levels of investment in TH against other boroughs and service costs; and • Remodelling current provision to deliver outcome focussed services that offer choice and control to service users (meeting the aspirations of 'Putting People First' and 'Valuing People Now'). <p>The amount spent on day opportunities current comprises:</p> <table border="0"> <tr> <td>Spot purchases</td> <td>£2.60m</td> </tr> <tr> <td>Block contracts</td> <td>£1.96m</td> </tr> <tr> <td>In house services</td> <td>£0.5 m</td> </tr> </table> <p>The day services block contracts to be reviewed include:</p> <ul style="list-style-type: none"> • BPCA - £455,000 • The Camden Society - £409,000 • Redbridge Community Housing - £1.1m <p>A bid for capital funding to support the development of a new Learning Disability Centre using PFI social care credits has been made. Department of Health/Treasury approval is currently expected in early 2011. This centre would form one part of the proposed new pattern of services in Tower Hamlets.</p> <p>Anticipated date for full implementation and delivery of savings:</p> <ul style="list-style-type: none"> • Proposals are presented to the Council's Cabinet – February 2011 and subject to Cabinet approval: • Plan in place to deliver re-assessments of all affected service users (person-centred planning for all those affected) - February 2011 • Specific recommendations on the need for any additional services, decommissioning of services, remodelling of services and new services - February 2011 • EqIA updated with proposals for new service delivery - February 2011 • Efficiencies of £300k delivered for reinvestment into employment and training services - 2011/12 <p>Estimated cost of implementation and proposed source of funding:</p> <p>An interim project manager has been recruited to carry out this piece of work. The cost is</p>		Spot purchases	£2.60m	Block contracts	£1.96m	In house services	£0.5 m
Spot purchases	£2.60m						
Block contracts	£1.96m						
In house services	£0.5 m						

supported by the Directorate in 2010/11 from the Social Care Reform Grant.	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
<p>Any changes or reductions to the in house services would most likely result in the transfer of employees under TUPE to other providers. No provision has been made at this stage for any redundancy costs as this would be to pre-empt the findings of the review.</p> <p>The reinvestment in WNF funded supported employment projects require a downscaling of the existing project from total current funding of £780,000 to £300,000. Further work will be carried out on the development of alternative models including the development of further social enterprises employing people with learning disabilities.</p>	
5.	Other risk factors which could prevent this saving being achieved following implementation
<p>Implementation Risks/Issues including management/mitigation issues:</p> <p>This is a major project that will require detailed project planning, governance and monitoring arrangements. This will pick up the risk issues.</p> <p>In the current financial climate there is a risk of not getting PFI social care credits – contingency plans for an alternative means of funding the redevelopment of an LBTH building are in place.</p>	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
This project will realise a £1.4 m saving by 2013/14.	
7.	Main issues arising from Equalities Impact Assessment (if any)
To be covered in EQIA as part of the project plan referred to above.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	<ul style="list-style-type: none"> • Access will be improved as service users will be accessing more modern facilities and a broader range of services. • A full EQIA is being is being carried out on this project
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	<ul style="list-style-type: none"> • No change is proposed to the Council's existing eligibility criteria under FACS guidance • The way in which need is met may change as a result of this proposal
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	Yes	<ul style="list-style-type: none"> • It is possible that as a result of the modernisation programme the one existing day service that is run by the Council may be decommissioned.
CHANGES TO STAFFING		

<p>Does the change involve a reduction in staff?</p>	<p>No</p>	
<p>Does the change involve a redesign of the roles of staff?</p>	<p>Yes</p>	<ul style="list-style-type: none"> • As noted above this is subject to the outcome of the review, but it is likely that roles will change so that staff can work more flexibly to meet service user needs e.g. supporting people to access community based facilities rather than providing the majority of services in a traditional day centre

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
AHWB/5**

TITLE OF SAVING OPTION:					
Care Management					
DIRECTORATE:					
Adults Health & Wellbeing					
SERVICE AREA:					
Older People and Disabilities			LEAD OFFICER: John Roog		
FINANCE CONTACT					
Paul Thorogood					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	69	5	-	-	5
Employee Costs	3,000	220	0	0	220
Other Costs	0	0	0	0	0
Income (Specify)	0	0	0	0	0
TOTAL	3,000	220	0	0	220
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

It is envisaged that through the transformation of our care management and assessment (social work) services and the introduction of better ICT support through Framework-i we will by 2011/12 be able to achieve greater productivity from our workforce.

This proposal is based on reducing our level of care management provision to the inner London average.

Data for 2007/8 (the latest comparative data available) shows that that the ratio of social care staff to service users in Tower Hamlets is approximately 7.4% higher than the Inner London average. Using this percentage reduction as a benchmark target for efficiencies for 2011/12 would result in savings of approximately £220k across what are currently our older people, physical disabilities and vulnerable adults services.

This is equivalent to just over 5 social work posts. Posts are currently vacant and will be deleted, therefore there are no redundancies directly arising from this proposal.

2.	Service implications of saving:
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The savings will be the result of the more efficient use of staffing resources and will not result in a reduction of service for service users. They will be achieved through the planned restructure (currently in design stage) which is intended to deliver an appropriate model to deliver the Transformation of Adult Social Care (TASC).

3.	Actions required to achieve saving:
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A new organisational structure is required in AHWB to deliver the TASC policy objectives. The AHWB Directorate has a well developed TASC work programme which is on course to deliver a number of significant changes including the design of new business processes and new staffing structures. These will be subject to the Council's Management of Change Policy and consultation is due to start with staff in January 2011.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
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The need for a significant restructure to deliver efficiencies and the TASC Programme has been recognised for some time now and a careful policy of caution exercised over the substantive filling of vacancies that may help limit the level of displacement and redundancy associated with a substantial restructure. Our current analysis shows that we have similar numbers of vacancies to expected post reductions so we are anticipating that displacements will be minimised. This will ultimately depend on the details of appropriate skill matches in the change management process.

5.	Other risk factors which could prevent this saving being achieved following implementation
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None identified at this stage.

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p>The proposals are intended to deliver the same or better quality and quantity of services with reduced staffing levels and a net saving of £220k per annum. Our services will continue to be monitored for those activity and quality levels through our own internal performance management framework and the external national Care Quality Commission processes.</p>	
7.	Main issues arising from Equalities Impact Assessment (if any)
<p>There is no current EQIA but the whole TASC Programme will be subject to an EQIA. Proper application of the Management of Change Policy will also be a safeguard in this and no adverse equality impact is anticipated at this stage.</p>	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the		<ul style="list-style-type: none"> • All staff affected will be subject to the councils

<p>change involve a reduction in staff?</p>	<p>Yes</p>	<p>Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>Yes</p>	<ul style="list-style-type: none"> • Care management roles are being redesigned to deliver the Transforming Adult Social Care agenda. • There is no impact on equal pay • There is no reduction in the ability of staff to work flexibly

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
AHWB/6**

TITLE OF SAVING OPTION:		Housing Link			
DIRECTORATE:		Adults Health and Wellbeing			
SERVICE AREA:		Disabilities and Health	LEAD OFFICER:		Katharine Marks
FINANCE CONTACT		Paul Thorogood			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	7	7	-	-	7
Employee Costs	404	312	-	-	312
Other Costs	8	-	-	-	-
Income (Specify)		-	-	-	-
TOTAL	419	312	0	0	312
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	0	0	0	0	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

Supporting people with mental health problems to maintain tenancies and live independently is a core role of Community Mental Health Teams. The Borough also has contracts for floating support services. Floating Support is a service that provides housing related support to vulnerable adults (over 16) to enable them to maintain their independence in their own home. Floating support services will generally be short term (less than 2 years) and will have the flexibility to support a person wherever they live – as distinct from accommodation based services, where support is tied to particular accommodation.

This kind of support service help the individual to become more independent, and may mean that they can continue to live independently at home when with out support it would be difficult to do so.

Housing related support might include:

- Setting up and maintaining a home or tenancy
- Managing finances and benefit claims
- Developing independent living skills
- Gaining access to other services
- Help to make sure the clients accommodation is safe and secure

There is a current duplication of services in Tower Hamlets providing this support and a rationalisation of services is proposed.

The Housing Link Team provided by the Council is based in the East London Foundation Trust. The team provides floating support to people experiencing mental ill health who live independently. The team support people who are at risk of losing their tenancy. The service currently receives approximately 180 referrals per year of which approximately 70-80 are allocated for support within Housing Link. The support provided includes advocacy and advice on housing matters as well as co-ordination of services to support independent living such as blitz cleans, access to benefits and debt advice.

Few boroughs have a service of this type, with the work carried out to support mental health service users with housing being carried out as a core function of the Community Mental Health Teams. For inpatients, who represent a significant part of the workload of this team, it is best practice for care coordinators from the CMHTS to start the process of care planning as soon as possible after admission. Such practice enables early identification of any risk to accommodation that admission to hospital might give rise to and it is part of the role of the care coordinator to address this. It is also expected that service users would be able to utilise other floating support services in the Borough.

It is proposed that savings can be made by decommissioning LBTH Housing Link. All of the people receiving this floating support service would have their needs assessed by the Community Mental Health Teams before any service change is made. If there are requirements for ongoing services they would be commissioned from elsewhere. The council's housing and homelessness service currently offers support to people with maintaining a tenancy through the tenancy support team.

The current contract for this service has been extended for 1 year and is due to expire March 2011, this therefore presents with the opportunity to not re-tender this service.

2.	Service implications of saving:
<p>The Housing Link service is provided in house by Tower Hamlets staff operating under a Service Level agreement funded by AHWB including Supporting People funding.</p>	
3.	Actions required to achieve saving:
<p>To deliver this saving will require the following:</p> <ul style="list-style-type: none"> • project plan for the decommissioning of the service including risk assessment • Equalities Impact Assessment is completed • reassess the needs of the people currently using the service <p>closure of the service to new people</p>	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
<p>The Housing Link service is provided by Tower Hamlets employees. The decommissioning of the service would lead to deletion of posts and will be handled through the Council's Management of Change procedure.</p>	
5.	Other risk factors which could prevent this saving being achieved following implementation
<p>The reassessment of need of the existing service users may lead to the commissioning of additional services which would lead to increased expenditure in the Mental Health Commissioning budget.</p>	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p>This saving would realise a saving of £312k in 2011/12 with a balance of the budget being used to support the commissioning of the Community Mental Health teams.</p>	
7.	Main issues arising from Equalities Impact Assessment (if any)
<p>An Equalities Impact Assessment will be carried out.</p>	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	Access to support for people with mental health problems to enable them to maintain tenancies will be provided through the Community Mental Health Teams and the floating support service, rather than through Housing Link.
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	There is no change in the Council's FACS eligibility
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	Yes	<ul style="list-style-type: none"> • The floating support service is provided by an external provider following an extensive tendering exercise • The Community Mental Health Teams are joint teams with East London Foundation NHS Trust. LBTH staff are seconded to ELFT.
CHANGES TO STAFFING		

<p>Does the change involve a reduction in staff?</p>	<p>Yes</p>	<p>All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>No</p>	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
AHWB/7**

TITLE OF SAVING OPTION:					
New Business Processes with Framework-i					
DIRECTORATE:					
Adults Health and Wellbeing					
SERVICE AREA:					
Commissioning and Strategy			LEAD OFFICER:		Deborah Cohen (Keith Burns)
FINANCE CONTACT Paul Thorogood					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	29	4	-	-	4
Employee Costs	1,123	120	0	0	120
Other Costs	-	-	-	-	-
Income (Specify)	-	-	-	-	-
TOTAL	1,123	120	0	0	120
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	0	0	0	0	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

The proposed saving is based on an estimated requirement for one fewer manager post and two fewer FTE Administrative Assistant posts following the introduction of Frameworki / Framework Financials and an interface with Ezitracker, the Electronic Home Care Monitoring system. The saving will come from the lower volume of manual processing work that the introduction of these new systems will deliver.

2. Service implications of saving:

The savings are predicated on Frameworki / Framework Financials delivering a reduced requirement for manual processing. If this reduced requirement materialises following the introduction of Frameworki then the saving can be achieved without impact on service delivery

3. Actions required to achieve saving:

Anticipated date for full implementation and delivery of savings:

Frameworki and Framework Financials have been successfully implemented during 2010. The delivery of this saving is contingent on the interface between Framework Financials and Ezitracker (EHCM) which is planned for February 2011. If this is achieved on schedule then full-year savings can be delivered in 2011/12 as planned.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

This saving would lead to the deletion of four posts in the Adults Health and Wellbeing commissioning teams. The staff affected have generic skills that are required across the Council and would be suitable for redeployment. Support would be provided under the Council's Management of Change procedure.

5. Other risk factors which could prevent this saving being achieved following implementation

Implementation Risks/ Issues including management/ mitigation issues

Key implementation risk is any delay in delivery of the interface by the ICT suppliers Corelogic and Panztel. Any such delay would push back the date of delivery of savings.

The indicative savings are contingent on this interface. A robust project management approach is being used to achieve this key interface and to mitigate the risk.

Estimated cost of implementation and proposed source of funding

It is unknown whether any redundancy costs arise, but they are likely. Any such costs would be incurred in 2011/12 at the latest (but may be required in 2010/11).

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

This project will save £120k in 2011/12 from the staff budgets in the Adults Health and Wellbeing commissioning teams.

7.	Main issues arising from Equalities Impact Assessment (if any)
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The payment for services is not a front facing service and does not impact on the people we support. Any change involving Council staff must follow the Council's Management of Change procedure.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		

<p>Does the change involve a reduction in staff?</p>	<p>Yes</p>	<p>All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>Yes</p>	<ul style="list-style-type: none"> • Roles for remaining staff are being redesigned to incorporate new business processes. • There is no evidence of impact on equal pay or reduction in the ability of staff to work flexibly

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CE/2**

TITLE OF SAVING OPTION:		Review of Democratic Services and Member Support			
DIRECTORATE:		Chief Executive's			
SERVICE AREA:		Democratic Services	LEAD OFFICER:		John Williams
FINANCE CONTACT		Martin McGrath			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	27.13	6			6
Employee Costs	£1,221	158			158
Other Costs	£1,552	165			165
Income (Specify)	-£263 (Mainly THH)				
TOTAL	£2,510	323			323
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
NO					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	n/a	n/a	n/a	n/a	

1.

Outline/ details of saving proposal, including indications of stage of development, and work and timescales needed to finalise proposal:

A. Re-organisation of Democratic Services (Members Support, Committee and Administrative Support Teams):

The Democratic Services Team provides support to elected Members and to the Council's decision making and constitutional processes. The three teams to be reviewed currently comprise of 28 posts (27.13 FTE).

The total budgeted expenditure for the teams in 2010/11 is £2,773k. This is broken down as follows:-

- Employee costs = £1,221k
- Non-staffing costs = £609k (of which £425k represents recharges)
- Members' Allowances and Member Learning & Development = £943k

Benchmarking data shows that the level of support provided to Councillors in Tower Hamlets is generally higher than in many neighbouring and peer authorities. In addition the number of Members Enquiries processed has increased year on year from 5,666 in 2005/06 to 8,655 in 2009/10.

The section was last fully reorganised in 2007 and a further review is now required to respond to changes since then including the introduction of the elected mayoral system from October 2010. Savings of £400k p.a. are required to be achieved by this service. This represents about 28% of the total budget excluding Members' allowances and recharges.

The reorganisation, which was launched for consultation on 17th December, will aim to:-

- Rationalise the support provided to Members both from within CE's Directorate and across the Council services;
- Achieve the savings required;
- Deliver the most suitable support arrangements for the Mayor & Councillors and the decision-making process, reflecting changing roles under the new mayoral system;
- Address changes in work demands and gaps in provision that have been identified since the last reorganisation in 2007;
- Ensure that staffing structures and job descriptions reflect the roles that will be required going forward;
- Simplify job descriptions, improve flexibility and provide development and learning opportunities for staff; and
- Maximise the use of ICT by both Members and officers, increase efficiency and eliminate waste.

Subject to consultation under the Council's agreed procedures it is projected that the reorganisation could result in the deletion of up to 6 existing posts in 2011/12 (2 posts in the committee team, 2 posts in Members services and 2 posts in the Admin support team). This will lead to budget savings of £158k in 2011/12 (excluding funding for new posts in the Mayor's Office).

B. Reduction in non-staffing budgets

Alongside the reorganisation of the team, a range of savings are proposed in non-staffing expenditure in order to achieve the savings required. These non-staffing savings total over £160k p.a..

In the main the non-staffing savings relate to printing; stationery and other office expenses; and support services to Members.

There are also proposals for reductions in expenditure on Member Learning and Development (by reduced use of external events, more on-line training and restrictions on conference attendance); and in the level of Members' Allowances, by at least 5% (i.e. extending the cut already agreed in respect of Special Responsibility Allowances to the Basic Allowance as well).

The full breakdown of proposed non-staffing savings is as follows:-

Reduction in stationery budget (Committee & Members Support): £7.7k
Reduced staff transport costs: £3.0k
Deletion of Agency Staff budget: £10k
Deletion of Interview Expenses budget: £2k
Refreshments: £22k (90% already implemented)
Reduction in Chair of Council's expenses: at least £15k
Reduction in Member Learning & Development budget: £15.6k
Reduction in printing (committee agendas etc): £22.5k
Review of Members' Allowances: at least £40.8k
Reduction in non-staffing support to Members: at least £22k

Further details and service implications of these reductions are set out below.

2. Service implications of saving:

Mayor's Office

The reorganisation of the Democratic Services Teams will establish a Mayor's Office to undertake the necessary support services for the Mayor and Deputy Mayor including policy, strategy and communications advice, research and briefing, community liaison, diary management, PA, executive and casework support. The structure will reflect the fact that more enquiries will go to the Mayor as a focus for Executive decisions. New policy will be lead by the Mayor and Mayor represents to the Borough to local Regional and National Stakeholders.

In relation to support for non-executive Councillors, the service review and associated budget reductions will give rise to a number of changes in the level of support provided:-

Members Enquiries and direct support

- Processing of Members' Enquiries (MEs) for all Councillors, including the Scrutiny Lead Members, will transfer to the Members' Services Team.
- However, the range of tasks undertaken in relation to MEs will reduce. Staff will

continue to receive MEs and process them to the relevant department but will not send an acknowledgement, nor a copy of the response, to the resident concerned. All communications or correspondence between the Councillor and his/her constituent will be the responsibility of the Councillor him/herself.

- Members' Enquiries will not be accepted where the information requested can be easily obtained by other means such as referring to the Council's website or Members' Intranet. All 'Streetline' enquiries will be directed to the telephone hotline. Other categories of enquires may be identified that will not be accepted in the ME system including (subject to further discussion on the detail) enquires to external organisations including the Police and RSLs. A bank of previous responses (anonymised) will be available on the Intranet for reference to avoid repeat enquiries.
- The aim is to move towards a situation where a formal ME is increasingly seen as a last resort. It is expected that the above measures will result in a reduction in the number of MEs of up to 35% which it will be possible for a reduced number of staff in the new Councillor Support Team to handle. In addition, experience in neighbouring boroughs with a Mayoral system suggests that an increasing number and proportion of enquiries will flow directly to the Mayor's Office.
- Work will also commence on the development of a web-based enquiry form that will, alongside a dedicated contact centre hotline, enable the Members' Enquiry system to move onto a fully automated, self-service basis within one year.
- PA support for the Scrutiny Lead Members will be withdrawn. PA support for the Chair of Overview and Scrutiny Committee will be provided by the clerk to the committee.
- The Councillors' timesheet system will be put on-line for Members to complete themselves without officer assistance.

Meetings support

- The Committee team will reduce in size and its management structure will be rationalised. The team will prioritise clerking and other support for the formal Constitutional meetings only (i.e. Council, Cabinet, formal Committees and Panels) and associated meetings including the Mayor's Advisory Board, although it is intended that the latter meeting will become more informal in nature and will not require detailed minuting, except in its Cabinet pre-agenda role.
- The Team will no longer provide support for CMT, MABG, nor for Social Services Complaints Review, Secure Accommodation Panel, Corporate Parenting Steering Group or other officer-led or non-constitutional meetings to be determined.
- Hard copy agendas will be provided only on request and only to Members of the Committee concerned (for Cabinet meetings, Cabinet Members plus O&S Committee members) plus one per relevant Directorate. All other agenda distribution will be electronic.
- The deletion of all refreshments at meetings will be continued and will be extended to any meetings not already covered.
- The team will also support the new statutory petitions and e-petitions scheme, the programme of Members seminars and Members' IT provision
- The Democratic Services team will no longer provide any support for the Education Appeals function (subject to further discussion on possible funding from Children,

Schools and Families)

Councillor support/facilities

- Financial support for Members' Surgeries venue hire will be capped at £15 per member per month.
- 'Free' business cards will be limited to 250 per Councillor per year. Any additional printing required will be charged to the Councillor.
- Members will no longer be issued with free diaries
- There is currently no budget for the provision of members IT equipment and this will need to be addressed in 2013/14. In the meantime all IT or phone replacement costs caused by damage or loss of equipment issued by the Council will be recharged to the Councillor
- Responsibility for purchasing IT consumables including printer cartridges will transfer to the individual Councillors.
- The courier delivery to Councillors will be reduced from three times to once a week.
- The proposed reduction to the Member Learning and Development budget will require less use of external training and restrictions on conference attendance alongside increased use of on-line and other self-directed learning programmes).

Civic/Ceremonial functions

- The total 'Chair of Council' budgeted expenditure in 2010/11 is £82.7k.
- It is proposed that the annual Chair of Council's Reception (traditionally held immediately after the Annual Council Meeting in May) and the Civic Awards ceremony will be discontinued.
- The Chair's Charity Ball will be held on a strictly self-financing basis.
- Other Civic/Ceremonial engagements and attendance at events will be subject to a new protocol and an annual cash-limited budget
- Chair of Council's crests will be restricted to 12 per year.
- We will cancel the lease car and instead contract with a vehicle hire company to provide suitable transport as required by the Chair of Council and the Mayor

3.	Actions required to achieve saving:
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Consultation (with staff and members) and subsequent implementation of staffing reorganisation.

Communication of changes to Member support arrangements.

Develop IT-based solution for self-service Members' Enquiries.

Development of specification and tendering of car hire contract.

In relation to any proposal to change the level of Members' Allowances the agreement of the Council Meeting will be required.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
<p>Some service directorates may need to make alternative arrangements to clerk meetings currently supported by the Democratic Services Committee Team (CE's office in the case of CMT meetings).</p> <p>Councillors will receive reduced allowances, will have reduced access to some (external) Learning and Development activities and will be required to undertake (and pay for) more of their support services.</p> <p>The Children, Schools and Families directorate will need to make alternative arrangements for support to the Education Appeals process (unless funding can be made available to provide the service, or a client-side function, within Democratic Services).</p> <p>The Chair of Council will undertake fewer community engagements.</p>	
5.	Other risk factors which could prevent this saving being achieved following implementation
<p>The changes above will remove some support services that Members have become accustomed to. Whilst this is necessary for budget purposes, and will align Tower Hamlets more closely with provision in other London Boroughs, it is recognised that the removal of these services will have an impact on our Members and will require Senior Management level support to ensure that the savings proposed are achieved.</p>	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p>Greater efficiency as an adequate service will be provided at lower cost than currently.</p> <p>The level of service in Tower Hamlets will be closer to the London-wide benchmark than is the case at present.</p> <p>Improvement will be measured by the normal budget monitoring processes.</p>	
7.	Main issues arising from Equalities Impact Assessment (if any)
<ul style="list-style-type: none"> • Possible effect of changes to Member Support services on Members' representation/advocacy role for citizens experiencing disadvantage. • Need for consideration of equalities implications in relation to proposed staff reductions and changes to roles. 	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	YES	Elected members will now be required to manage correspondence with constituents, and in time utilize a web based system and a dedicated hotline to submit members enquiry.
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	

CHANGES TO STAFFING		
Does the change involve a reduction in staff?	YES	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.
Does the change involve a redesign of the roles of staff?	YES	Some staff roles are being redesigned. The aim of this is to enhance the ability of staff to work flexibly and it will not have an impact on equal pay. All job descriptions will be formally evaluated in accordance with the Council's agreed scheme.

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CLC/1**

TITLE OF SAVING OPTION:		Parking: Driving Change through Enhanced Performance			
DIRECTORATE:		Communities, Localities & Culture			
SERVICE AREA:		Parking Services	LEAD OFFICER:		John Chilton
FINANCE CONTACT		Luke Cully			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	118	4			4
Employee Costs	4,037	128			128
Other Costs	11,035	522			522
Income (Specify)	15,072	600	1,000		1,600
TOTAL	-	1,250	1,000		2,250
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
LBTH is determined to offer a fair and equitable parking service for the residents and businesses of the borough. With that as one of its key drivers a series of measures have been considered that supports the safe and efficient movement of vehicles in, around and through the borough. These measures comprise:-					

2011/12 Proposals

Following an independent Value for Money review which was completed in 2009 a Performance Enhancement Programme was initiated which aims to deliver an additional £1.25m surplus by March 2011/12. The Programme consists of 3 separate but interdependent projects:

Parking Performance Enhancement – . The VFM review recognised that the performance of the Service was generally in the upper half of its peer group but that there was scope for further improvement. In broad terms this will result in improved operational performance (more structured deployment of resources) via the development and utilisation of performance metrics.

The Parking Services Review – this is the re-organisation project which will provide a new structure to support a 3 Year Plan that aims to ensure that the service is recognised as a leading Council within the Parking industry meeting both service expectations and offering value for money in its delivery to its customers.

The Integrated ICT Solution for Parking Services – this refers to the procurement and implementation of a new ICT solution for the Service which will replace the service's current multiple applications with a single integrated Parking Management Information System.

All three elements of the programme must be progressed and delivered in order to achieve the desired outcome. In summary the programme is expected to deliver £ (1,250 k) in 11/12.

2012/13 Proposals. – once the 11/12 enhancement programme is completed it is considered that a solid foundation will exist that will allow for:

Cease on street vehicle removals:

- Cease on-street vehicle removals in all cases other than suspended parking bays and where there is a risk to health and safety.

Increasing Income via:

- Improve recovery of penalty charge notices to that of highest London quartile (moving from 68% to 72%) - £200k
- Improve efficiency of enforcement operations and in particular enhanced use of CCTV. - £300k
- Continue to review fees and charges annually, equalising charges for Pay and Display across the borough and taking a firmer line to support the Council's wider transport and environmental policies. – £350k
- Encouraging customers to greater use of self-service via the Web (following implementation of the new parking ICT system) and increasing the use of phone payments. - £150k

The proposals as outlined above are anticipated to generate additional income/savings in the region of £1m, although they are earmarked for implementation in 2012/13 a number could be brought forward by 12 months (e.g. Review of Fees and Charges –report to Cabinet in Feb 2011).

2.	Service implications of saving:
<p>The Parking Service seeks to manage parking on the highway within Tower Hamlets by balancing supply (which is relatively finite) and demand, which is responsive to price. At the same time places suitable for parking are rationed by time (a maximum stay) and a system of “first come first served” is replaced by reserving space for special needs groups to which the Council then issues permits: in order of priority disabled, residents, businesses and visitors. Understanding the use of the pricing mechanism to discourage motorists from driving into the Borough in the hope of finding a free parking space or in encouraging a resident to change to smaller less polluting vehicles is key to understanding how the service can and does generate an operating surplus.</p> <p>The Council’s objectives in managing parking on the highway will only be achieved if there is an element of compulsion and this is provided by our Civil Enforcement Officers carrying out patrols or issuing penalty charges via CCTV. (In addition the Parking Service also carries out enforcement of bus lanes and certain moving traffic infringements). All penalty charges are determined by the London Mayor in consultation with the Secretary of State and are set at a deterrent level rather than to just to recover the cost of the service.</p> <p>There is a balance to be struck in parking between meeting the needs of motorists and achieving the Councils policies in terms of compliance with the regulations (which is generally to the benefit of residents) and the achievement of the Council’s wider transport and environmental policies. The proposals as outlined above aim to assist in achieving this objective.</p>	

3.	Actions required to achieve saving:
<p>CLC will manage the delivery of these savings according to the council’s project management handbook.</p>	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
<p>Minimal staffing impact, reorganisation will be dealt with via the Councils handling organisational change procedure.</p>	
5.	Other risk factors which could prevent this saving being achieved following implementation

The Parking Service has achieved considerable improvements in business efficiency, as measured by the surplus generated each year, which is placed in the Parking Control Reserve Account.

The account is meeting part of the increased costs of Concessionary Fares resulting from the Governments reallocation of Special Grant, as well as funding elements of the Local Priorities Capital Programme. These savings and commitments are funded from the Parking Control Revenue Account, which must produce as a minimum, an annual surplus equivalent to the savings and specific commitment requirements.

At 31.3.2011 the Parking Reserve Account is projected to have a balance of approximately £6.7m and commitments of approximately £6.6m. therefore, if income projections prove inaccurate as a result of improved compliance or reduced demand it is unlikely that this saving will be achieved.

In addition, National or, regional political decisions could all have an impact, this is an ongoing risk in Parking Services.

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
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The current provision of (and support arrangements for) ICT within parking is inefficient involving duplication and avoidable costs. Savings will arise from rationalising systems to an industry standard package.

The re-organisation of the service will reduce duplication and assist in streamlining processes. It will also assist the service in meeting change and taking advantage of new opportunities and challenges as they arise.

The Parking Performance Enhancement project will improve individual staff productivity.

7.	Main issues arising from Equalities Impact Assessment (if any)
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An EQIA screening has been undertaken and full EQIA will be undertaken.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	Yes	There is no evidence at present to identify any specific groups that will be at greater risk of receiving a parking fine following changes to the service. The majority of fines are issued to non residents. Materials to inform residents of forthcoming changes will follow LBTH standards for engaging diverse members of the community.
Does the change alter who is eligible for the service?	Yes	An impact assessment will be undertaken to identify any residents who will no longer be eligible for the service, evidence will be provided and analysed within the EqIA in order to answer this question.
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service	No	

currently provided in house?		
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	Yes	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CLC/2**

TITLE OF SAVING OPTION:		Highways income and efficiencies opportunities			
DIRECTORATE:	CLC				
SERVICE AREA:	Public Realm	LEAD OFFICER:	Jamie Blake		
FINANCE CONTACT	Luke Cully				
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	55		10		10
Employee Costs	2,247		400		400
Other Costs	10,242	200	50		250
Income (Specify)	2,274		350	50	400
TOTAL	10,215	200	800	50	1,050
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
Highways Advertising - £200,000					
The provision of advertising sites across the Borough has attracted interest from the private sector and a number of sites have been installed (including within the Transport Depot next to the A13) which have generated a income to the Council. Whilst there are clear planning restrictions to the development of advertising hoarding at some sites and a number of major					

roads through the Borough are owned by Transport for London, the introduction of additional advertising sites is seen as potential income stream and is being looked at by Highways and Corporate Communications.

The target would require officers to identify 5 suitable advertising hoarding sites within the Borough between 2011/12 and 2013/14

Highways Insurance - £250,000

The baseline insurance costs for Public Realm are £700,000 per annum. This includes the insurance premium and payments on claims, the majority of which are highways related.

The highway section and insurance team have worked closely over the past two years to introduce more robust defence mechanisms and inspection regimes to mitigate the likelihood of payment of claims. In addition the insurance team are in the process of renegotiating the insurance premium which should deliver additional savings for the service.

Current trends would indicate that savings target are achievable assuming that the Highways section continue to improve the inspection regime and work closely with colleagues in the insurance section.

Utilities Income - £200,000

Following the introduction of a new IT system, officers propose that a charging system is introduced that would enable the Council to generate income from Utilities companies who are carrying out highways works within the borough.

Restructure – £400,000

The Transportation and Highways Section will undertake a full review of all staff resources and look to reduce staff in Council funded areas whilst maximising the amount of grant that is available from third parties including TfL and s106 / s278 schemes.

2. Service implications of saving:

The charging of utilities companies should reduce the transport disruption of road works – however if utilities keep all roadwork’s to a minimum, income targets could prove to be challenging.

The effect on the service of reductions in managerial staff have yet to be quantified

3. Actions required to achieve saving:

Highways Advertising

- Identify current potential sites – quick wins
- Work towards a borough wide agreement with an external provider – lead by D&R

Highways Insurance

- Set up internal review board in partnership with resources group
- Agree monitoring standards and review historic claims and outstanding liabilities
- Look to establish future budget monitoring and claims monitoring processes

Utilities Income

- Project plan to be drafted

Restructure

- Staff consultation to begin in January 2011

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
Cost involved in redundancies (10 staff)	
5.	Other risk factors which could prevent this saving being achieved following implementation
<ul style="list-style-type: none"> • Increased insurance claims as part of “claim society” • Lack of high profile advertising sites • Planning restrictions in some areas • Utilities change business model to limit time taken for excavations • TFL ownership of major routes through the Borough • Costs involved in restructure negate savings package 	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<ul style="list-style-type: none"> • Insurance – monitoring of claims and management of outstanding claims / payments • Insurance – highways inspections will form part of localised service carried out by generic staff 	
7.	Main issues arising from Equalities Impact Assessment (if any)
An EQIA screening has been undertaken and the equalities impact of the staffing change will be picked up through the application of the Council’s Handling Organisational change procedures.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		

<p>Does the change involve a reduction in staff?</p>	<p>Yes</p>	<p>All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>No</p>	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CLC/3**

TITLE OF SAVING OPTION:		Pest Control Service Review			
DIRECTORATE:		CLC			
SERVICE AREA:		Environmental Control	LEAD OFFICER:		Bryan Jones
FINANCE CONTACT		Luke Cully			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	13				
Employee Costs	522				
Other Costs	230				
Income (Specify)	495	125			125
TOTAL	257	125			125
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>This proposal relates to the introduction of Pest Control charging for treatment services provided to private dwellings, extending service delivery to the commercial sector e.g. shops and restaurants and a service development initiative to reduce demands on the service.</p> <p>As part of the implementation of this proposal a concessionary rate will be introduced.</p>					

2.	Service implications of saving:
<p>The Pest Control Service will move closer to being cost neutral by introducing charging to the carrying out of treatments to private properties. At the moment only those who live in THH and RSL managed properties are charged for the service, and there is a perception that this is unfair. Charges to be introduced will be based on a London average and will recover the costs of Labour, Materials and administration, no charge will be made for services provided to senior citizens.</p> <p>The service undertakes 30,000 inspections a year but about 10% of these are no shows. Benchmarking has indicated that IT can be used to significantly reduce this problem.</p> <p>Service standards and the high levels of customer satisfaction with this service will not be affected by these savings. The service will continue to seek to win new business from other RSLs, extend service provision into the commercial sector and develop a strategy to provide shared services.</p>	

3.	Actions required to achieve saving:
<p>Relevant committee approval is needed to introduce charging for carrying out Pest Control Services in private dwellings, and a report detailing the proposals will be presented to Cabinet in February 2011.</p> <p>IT will be developed to introduce an appointment reminder system before every visit.</p>	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
None	
5.	Other risk factors which could prevent this saving being achieved following implementation
None.	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
Introduction of charging to private dwellings will be more equitable. The reduction of no shows will reduce this significant waste of resources and this can be easily monitored.	
7.	Main issues arising from Equalities Impact Assessment (if any)
An EQIA screening has been undertaken and full EQIA will be undertaken.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	This proposal involves the introduction of a fee paying service for aspects of the pest control service, which is currently delivered free of charge. A full Equalities Impact Assessment will be undertaken in January 2011 to identify the likely implications of the proposal on vulnerable households.
Does the change involve revenue raising?	Yes	As detailed above, this will be analysed as part of the Impact Assessment. It is intended that a concessionary rate will be introduced as part of this proposal.
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	

CHANGES TO STAFFING		
Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CLC/4**

TITLE OF SAVING OPTION:		Review of Supervised Adventure Play Activities			
DIRECTORATE:		CLC			
SERVICE AREA:		Public Realm	LEAD OFFICER:		Jamie Blake
FINANCE CONTACT		Luke Cully			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	8	8			8
Employee Costs	245	245			245
Other Costs	19	-31			-31
Income (Specify)					
TOTAL	264	214			214
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	

Capital Expenditure		£75 capital sum – to convert current play sites to open access sites – Bartlett park could be developed as part of s106 funded improvement. Funding from this source could match fund allocated capital funds		
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:			
<p>CLC currently operate two adventure play facilities that have permanent staff presence. The sites are at Bartlett Park and Whitehorse Road</p> <p>The proposed reduction would involve passing over the responsibility for day to day operation to a third sector provider. The savings estimate is based on 100% reduction in salaried staff but creates a resource of 50k to commission provision from the third sector.</p> <p>Officers are planning to undertake a user study of the facilities. If it was agreed that the proposal should go forward it is anticipated that the changes to provision could be made for the 2011/12 financial year</p>				
2.	Service implications of saving:			
<p>The facilities are currently operated by council staff. The proposal is to operate these services in partnership with the third sector and community organisations.</p> <p>Assets could be transferred to third sector partners.</p>				
3.	Actions required to achieve saving:			
<ul style="list-style-type: none"> • Carry out a user study to identify peak periods of use and locality of residents • Engage 3rd sector delivery agents to discuss potential takeover of facilities as a contingency to unsupervised play facilities • Agree draft heads of terms of delivery contract/service level agreement • Reorganise/Review staff structures(Redeployment/ Redundancy potential) • Identification of 3rd Sector funding sources 				
4.	Potential implications for staff, contractors, partners, assets and other Directorates:			

<ul style="list-style-type: none"> Reduction of 8 staff posts redeployment/ redundancy potential 	
5.	Other risk factors which could prevent this saving being achieved following implementation
A comprehensive communications strategy will need to be put in place to ensure that changes to the management of adventure play cannot be misconstrued as a reduction to adventure play provision.	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
Improved value for money via reduction of staffed provision and continuation of service	
7.	Main issues arising from Equalities Impact Assessment (if any)
None	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	If the sites were to be turned into open access play facilities then access to the service would be increased as current access is controlled by restricted supervised hours.
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
	Yes	All staff affected will be subject to the councils Handling

<p>Does the change involve a reduction in staff?</p>		<p>Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>No</p>	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CLC/5**

TITLE OF SAVING OPTION:		Community Safety/Environmental Control Service Rationalisation - Restructure/Redesign of Directorate Enforcement Functions			
DIRECTORATE:	CLC				
SERVICE AREA:	Environmental Control /Community Safety	LEAD OFFICER:	Bryan Jones/Andy Bamber		
FINANCE CONTACT	Luke Cully				
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	180	17	5		22
Employee Costs	7,727	614	172		786
Other Costs					
Income (Specify)					
TOTAL	7,727	614	172		786
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

This savings proposal relates to the consolidation and rationalisation of Directorate Enforcement and Regulatory functions within a new service division of Safer Communities. It will create one service that identifies with the Corporate Transformation Programme of being Lean, Flexible and Citizen Focused, by working with partners in localities to ensure a highly visible effective regulatory service, in line with the Council's enforcement Policy.

2. Service implications of saving:

The amalgamation of enforcement and regulatory services within these 2 divisions is designed to maximise opportunities relating to service delivery. This will be achieved by removing bureaucracy and de-layering management structures, which will enable the new division to focus more clearly on regulatory activities with partners in a more efficient and effective way.

The necessary restructure will emphasise the requirement to retain front line services to meet community need within the localisation agenda together with our partners. An example of this would be our response to Noise nuisance. At present we are effective at dealing with statutory noise (such as noise from nightclubs or infrastructure projects) but less so with non statutory noise associated with Anti Social Behaviour (disturbance from congregating youths and neighbour disputes). The proposal in this instance is to have one management team that draws together a structured response to deal with these noise issues. Enforcement teams will deal with the first response because we know that 67% of the time you get a positive response to the knock on the door and the request from a uniformed Council officer.

This new approach will better utilise resources, reduce costs and has the potential to reduce the demand of the work on the statutory noise team by 45%. Furthermore, Partners will only need to deal with one service thereby shortening lines of communication and providing a more effective and timely response to local issues. This removes confusion for residents.

3. Actions required to achieve saving:

Restructure of services within Environmental Control and Community Safety, managed in accordance with the Council's Handling Organisational Change Procedure.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Staff will be subject to a restructure with new Job Descriptions, they will have closer working relationships with Legal Services, Statutory partners and the Third Sector.

5. Other risk factors which could prevent this saving being achieved following implementation

Potential for Central Government devolving functions to Local Authorities, without adequate funding.	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
Consolidation of enforcement and regulatory functions will increase efficiency and improve value for money	
7.	Main issues arising from Equalities Impact Assessment (if any)
An EQIA screening has been undertaken and the equalities impact of the staffing change will be picked up through the application of the Council's Handling Organisational change procedures.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
	Yes	All staff affected will be subject to the councils Handling

<p>Does the change involve a reduction in staff?</p>		<p>Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>Yes</p>	<p>There is no evidence that this would have an impact on equal pay and it is not envisaged at this time that this will reduce the ability of staff to work flexibly. All staff will retain the ability to apply for flexible working through the various policies available within the Council.</p>

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CLC/6**

TITLE OF SAVING OPTION:	Service Integration - Reorganisation of Clean and Green Group and Rationalisation of Management of Parks and Open Spaces				
DIRECTORATE:	Communities Localities and Culture				
SERVICE AREA:	Public Realm and Culture	LEAD OFFICER:	Jamie Blake, Heather Bonfield		
FINANCE CONTACT	Luke Cully				
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	84	16			16
Employee Costs	3,345	608			608
Other Costs					
Income (Specify)					
TOTAL	3,345	608			608
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
The structure of the Public Realm division has recently changed to reflect a key driver to deliver generic and local services. The development of the Clean and Green group is the first stage of this process, and will bring together operational and contract monitoring staff across waste, parks and highways.					

The number of posts affected by this proposal is 84. In addition, the management levels within Mile End Park and Victoria Park will be streamlined in order to deliver effective and consistent services across all parks and open spaces within the borough

A draft staff consultation pack is under development and draft job descriptions for generic contact monitoring / enforcement and inspection staff are also in an initial draft format

2. Service implications of saving:

The outcome of this proposal is to provide a strengthened front line presence whilst at the same time de-layering management structures. Efficiencies will be gained by streamlining management arrangements and via localised and generic working, there will also be added value from staff being based locally, being more visible and engaging with the local community more regularly.

The review will also provide an opportunity for front line staff to obtain a greater range of skills and knowledge, and will be followed up with a comprehensive training package enabling these skills to be developed.

The total value of contracts monitored by this group exceeds £40 million. The existing arrangements lead to some duplication in contract monitoring and sometimes cause confusion of customers who want to see a single point of Council response. E.g. Mile End Park and Victoria Park have two separate managers and two separate Park Ranger services neither which are coordinated with each other. Another example of this would be a Highways engineer who as part of his job would inspect a bollard or lamppost. If it was covered in graffiti or fly posting they would leave it for someone else to deal with. These new arrangements proposed through generic working will prevent this from happening in the future and therefore lead to greater satisfaction levels with our resident/visitors.

3. Actions required to achieve saving:

Formal consultation with Trade Unions will commence on 6th January 2011 and will follow the corporate consultation timetable.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Possible staff reductions through restructuring of business processes and team configuration.

5. Other risk factors which could prevent this saving being achieved following implementation

None	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
Generic working will improve efficiency by ensuring that all front line staff are skilled to undertake a number of duties currently completed by specialist positions. This will increase the number of front line members of staff undertaking a range of duties.	
7.	Main issues arising from Equalities Impact Assessment (if any)
None	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
	Yes	All staff affected will be subject to the councils Handling

<p>Does the change involve a reduction in staff?</p>		<p>Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>Yes</p>	<p>There is no evidence that this would have an impact on equal pay and it is not envisaged at this time that this will reduce the ability of staff to work flexibly. All staff will retain the ability to apply for flexible working through the various policies available within the Council.</p>

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CLC/7**

TITLE OF SAVING OPTION:		Commercial waste Income Opportunities			
DIRECTORATE:		Communities Localities and Culture			
SERVICE AREA:		Public Realm	LEAD OFFICER:		Jamie Blake
FINANCE CONTACT		Luke Cully			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs					
Income (Specify)	2,779	300	350	400	1,050
TOTAL	2,779	300	350	400	1,050
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The legislation relating to the collection of commercial waste is contained within the Environmental protection Act 1990. The Act places a duty on a Local Authority to provide a commercial waste collection and disposal service to businesses if they are requested to collect commercial waste. The service must be chargeable and should be operated on a “break even” basis. Commercial waste services are highly price sensitive and there is considerable private sector activity, especially amongst UK retail chains, major office</p>					

accommodation and large producers.

Local Authorities mainly tend to collect from the SME sector and TH has, over recent years, increased the overall income to £2.78 million for 2010/11. The current service is based on estimated volumes of materials through collection contracts and container collection services. The sales aspect of the service is operated by Veolia, with material being collected as part of the waste collection contract. The service has been supported in part by enforcement action via the Local Enforcement Team, but has been affected by the necessity to deliver a "clear all" policy and a lack of coordination between the sales and enforcement activities.

Targets are based on a draft business plan that has been prepared by Council Officers and Veolia. The overall profile is to increase gross income by 50% which, allowing for a 33% increase in costs (mainly associated with the introduction of fee paid sacks and increased sales and enforcement activity) will generate an additional £1 million net income for 2013/14.

The estimates assume that prices will continue to increase above inflation due to the increase in landfill tax which effects disposal costs and that the borough will introduce a fee paid sack system across all business properties unless they have suitable off street storage areas for containers. Main shopping areas will have time banded collections.

Officers have allocated dedicated enforcement resources to work with the expanded Veolia sales team and a communications strategy is under development, both in terms of sales literature and general information / awareness for the commercial sector.

2. Service implications of saving:

Whilst a focus on commercial waste collections could, in the short term, divert enforcement resources away from other areas of environmental crime, the long term effect of the proposal will be of benefit to the general appearance of the Public Realm. All waste containers will be removed from the main streets and be replaced by time banded collections. This will make busy areas easy to clean and remove the opportunity for graffiti.

There will be some initial minor disruption to the refuse collection service as rounds will need to be rescheduled, but this should be kept to a minimum through detailed planning and staff training.

3. Actions required to achieve saving:

Anticipated date for full implementation and delivery of savings;

It is anticipated that sales will increase on a year by year basis as indicated by the financial data above.

Implementation Risks/ Issues including management/ mitigation issues

- Higher cost base than estimated results in decreased net margins
- Failure to attract additional business
- Increased activity in the private sector
- Continued recession leading to reduced trading

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
The proposals are being developed in conjunction with Veolia who are responsible for the sales services relating to commercial waste collection and who operate similar services from Westminster Council and other London Authorities.	
5.	Other risk factors which could prevent this saving being achieved following implementation
None	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
This proposal reduces the cost of the service through generating efficiencies in contractor working practices. Moving to a time banded sack system will reduce the number of commercial bins present on pavements, increase access for pedestrians.	
7.	Main issues arising from Equalities Impact Assessment (if any)
EQIA screening has been undertaken no EQIA proposed.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	Yes	Increased revenue will be raised from commercial business rather than residents. Sacks will be introduced at a discounted rate to encourage traders to participate in the scheme.
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		

Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CSF/1**

TITLE OF SAVING OPTION: Redesign and integration of Early Years and Children's Centres management

DIRECTORATE: Children, Schools and Families

SERVICE AREA: Learning and Achievement **LEAD OFFICER:** Anne Canning

FINANCE CONTACT David Tully

G11, G21, G12, G13	Current Budget	Saving £000s			
		2010/11 £000	2011/12	2012/13	2013/14
Employee FTEs	249	30			30
Employee Costs	9,917	1,612			1,612
Other Costs	8,401	1,366			1,366
Income (govt grant and fees/ charges)	-13,879	0			0
TOTAL	4,439	2,978	0	0	2,978

Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference

	2011/12	2012/13	2013/14	2014/15+
	£'000	£'000	£'000	£'000
Capital Expenditure				

1. Outline/ details of saving proposal, including indications of stage of development, and work and timescales needed to finalise proposal:

This proposal will streamline the management of early years provision, taking a holistic locality-based approach. This includes a single management structure to oversee services provided through children's centres, day care settings, one o'clock clubs and crèche provision to ensure that services are integrated and effectively meeting need across locality areas.

The Council inherited the management of Children's Centres from the PCT in 2006, and has invested significantly in their development over the last 4 years. We are now in a strong position to review and consolidate provision ensuring that resources are focussed on the provision that we know meets need in relation to improved outcomes for young children.

Efficiencies will be gained by reviewing management structures and reviewing underused services that are not effective in meeting the needs of children and parents. Better use of assets (eg hiring of children's centres/ one o'clock club buildings when not in use by early years services) is also being explored.

Children's centres are currently funded by the Sure Start grant but other early years provision in day nurseries and one o'clock clubs has been funded historically through core budgets. This review will consider moving all funding of provision into the early years funding, which it is understood will in future be provided as part of the Early Intervention Grant, replacing the Sure Start grant. This will achieve a saving to the General Fund and is in line with current grant conditions.

This proposal is already well developed as provision has been comprehensively mapped and options considered by a steering group. It is proposed to move to a new locality-based model, with existing Children's Centres and other premises being used as community service hubs for young children and their parents. The savings will be made from management structures with little impact on front line service provision. The intention is that existing Children's Centre premises will remain in use for community and under 5 provision.

Alongside this is a review of management and administration (back office) functions in Early Years to remove duplication and consolidate back office functions in line with corporate reviews. This review is underway and will be implemented from April 2011.

The saving of £3m is being made from a total expenditure budget of approximately £18m and therefore represents 17% of the total budget. The staffing reduction is 12%.

2.	Service implications of saving:
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Underused and ineffective services will be replaced by more accessible services to consolidate and improve the offer to children and parents. The second part of the proposal is related only to back office and has no service implications.

3.	Actions required to achieve saving:
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Early years services have been comprehensively mapped and reviewed to produce restructuring proposals.

New arrangements for the management of children's centres, including retendering any that are externally managed, will be in place by 1 April 2011 (subject to the determination by the government of the future Early Years funding).

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
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<p>Redeployment and/or redundancy may arise from the remodelling of children's centres.</p> <p>External contracts for Children's Centres will end March 2011.</p> <p>Better use of children's centre and other buildings for income generation.</p>	
5.	<p>Other risk factors which could prevent this saving being achieved following implementation</p>
<p>Any significant reductions or changes in funding for early years services via the new Early Intervention grant would introduce further pressures to these services, compromising the ability to meet the target. Current proposals are based on what we know about grant funding at the time of writing, but will need to be revisited following government announcements in December 2010.</p>	
6.	<p>Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?</p>
<p>Resources will be better targeted to need. Improvements will be measured through reduced cost, and improvement in child health and attainment measures as set out in the CYPP and the EYFS Profile outcomes. Duplication will be removed and back office functions consolidated. The service will continue to meet the needs of the community with reduced funding.</p>	
7.	<p>Main issues arising from Equalities Impact Assessment (if any)</p>
<p>An EQIA screening has been undertaken and the equalities impact of the staffing change will be picked up through the application of the Council's Handling Organisational change procedures.</p>	

Equality Impact Assessment: Test of Relevance

CSF/1 Redesign and integration of Children's Centres and Early Years Services

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	Yes	We are considering raising revenue by hiring premises to groups when not in use by early years services. This change will have no equalities impact. Access to services free of charge will continue for children and parents.
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the change involve a	Yes	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and

<p>reduction in staff?</p>		<p>regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>Yes</p>	<p>Staff roles will change, however this will not affect pay levels or flexible working.</p>

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

Item Ref. No:
CSF/2

TITLE OF SAVING OPTION:		Family Wellbeing Model			
DIRECTORATE:		CSF			
SERVICE AREA:		All		LEAD OFFICER: Helen Lincoln	
FINANCE CONTACT		David Tully			
ALL	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs					
Income (Specify)					
TOTAL	*			200	200
*This saving will come from a range of Children Social Care budgets.					
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	0	0	0	0	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The Family Wellbeing Model sets a framework for the design and delivery of support services across Children and Families Trust partners. It will result in a better targeted and streamlined offer to ensure that we provide the right support at the right time in order to meet the needs of vulnerable children and families. As a result there will be a reduced demand on specialist services such as child protection and looked after children as well as some consolidation of existing targeted services. There will also be streamlining of referral</p>					

pathways to reduce duplication in this area.

The model is at an advanced stage of development and will be implemented from September 2010. Following this, a comprehensive programme of service redesign is planned, which will realise the savings set out in this proposal by 2013/14. As part of that programme, the detail of how these savings will be realised will be established.

2. Service implications of saving:

Clearer referral and assessment processes will make services easier to access when families are in need.

3. Actions required to achieve saving:

Service redesign programme to realise the benefits of the model.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

All partners/ contractors working in children's services will be required to work to the Model. There has been extensive consultation through the Children and Families Trust to ensure buy in of partners. The service redesign programme will result in new working practices for staff as well as changes in contracted/ partner services.

5. Other risk factors which could prevent this saving being achieved following implementation

None identified

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

Better targeted services will ensure that support is more effective and prevent the need for high level interventions through for example child protection.

This will be measured by referral rate to social care services, child protection plan numbers and the number of children coming into care.

7. Main issues arising from Equalities Impact Assessment (if any)

A full EQIA of the model has been undertaken in advance of its launch and no adverse impact was identified. EQIAs of specific service redesign proposals will be undertaken as part of the implementation programme to ensure that any proposals do not adversely impact.

As this proposal aims to better target services to need no negative impact is expected.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	The intention is to improve access to services through providing a more joined up response.
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	See comment	Service redesign has not been finalised – it is possible that this may be the case.
CHANGES TO STAFFING		
	No	

<p>Does the change involve a reduction in staff?</p>		
<p>Does the change involve a redesign of the roles of staff?</p>	<p>See comment</p>	<p>Service redesign has not been finalised – it is possible that this may be the case.</p>

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

Item Ref.
No:
CSF/3

TITLE OF SAVING OPTION:		Redesign support for young people aged 13-19 to reflect need			
DIRECTORATE:		CSF			
SERVICE AREA:		Youth & Community Learning/ Young People and Learning		LEAD OFFICER: Mary Durkin	
FINANCE CONTACT		David Tully			
G39, G27	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	80	9	0	0	9
Employee Costs	2,806	364			364
Other Costs	9,571	363			363
Income (govt grants/ WNF)	-4,037				0
TOTAL	8,340	727		0	727
Capital: Are there any capital set up cost associated with this proposal? N– Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

Figures from the Department of Education show that Tower Hamlets' budget for youth services in 2009-10, at £246 per head of population, is significantly above the national average expenditure of £39 per head of population in 2009-10. Whilst this investment has achieved significant improvements in outcomes for young people, it suggests that there is also scope for efficiencies without reducing outcomes for young people.

A comprehensive review has been undertaken to inform this work. The review found that the significant investment made in Tower Hamlets to support young people had resulted in progress on measures such as reducing the number of young people not in education, employment and training, and youth offending. However more progress is needed on reducing youth unemployment, and increasing the proportion of young people gaining qualifications by 19. We need more work on teenage pregnancy, substance misuse, and crime diversion to support the teenagers. The review included consultation with young people to establish how best to deliver the support they need to achieve these outcomes, which has informed this proposal. The review established a strategic direction of support to 13-19 year olds to ensure that these improvements are delivered, targeting services to need and identifying savings.

The proposals that emerged from the review include:

- Redesign of targeted intervention to ensure it is more accessible and effectively targeted.
- Streamlining the management structure of the central team.

The work will also ensure that systems for referral and signposting to non-local authority provision such as the Summer University are effective and streamlined so that young people are able to more easily access appropriate provision.

The proposals include:

- Management restructure in 2011/12 to save £114k by removing 3 manager and 2 senior youth worker posts (not front line youth workers), replacing them with 2 posts (net reduction of 3 posts)
- Targeting the Connexions provision more effectively, to meet the needs of seriously disadvantaged groups, saving £250k in 2011/12. 3 management posts will be deleted and three operational posts. The remaining staff will work in tandem with crime prevention and inclusion staff, reducing duplication, and maximising impact on young people and their families.
- Ceasing the workforce development SLA with Tower Hamlets College for £63k in 2011/12.
- Reducing the positive activities commissioning budget by £300k in 2011/12.

The work of the youth contracts will be retained, although we will continue to work with providers to ensure it delivers an effective and high quality offer to young people. Tower Hamlets has one of the highest contact rates for youth participation (50%) nationally and we intend that the level of contact is maintained or increased where possible. There will be no reduction to the local universal offer. The Rapid Response Team, outdoor education, and youth involvement will remain intact. Targeted work will be enhanced by more focused work with specific groups. We will maintain in house a capacity to provide targeted support for

vulnerable young people through the successful New Start programme.	
2.	Service implications of saving:
The service will be made more accessible to young people and better targeted to need.	

3.	Actions required to achieve saving:
Formal staffing structure consultation to begin January 2011 .	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
Up to 9 redundancies.	
5.	Other risk factors which could prevent this saving being achieved following implementation
None	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
The proposal will ensure that resources are effectively directed to need, and that services are provided in accessible locations. This will help to sustain improvements in performance in relation to measures such as youth offending and the NEET rate at a lower cost, measured by relevant performance indicators.	
7.	Main issues arising from Equalities Impact Assessment (if any)
Initial screening assessment indicates that the negative impact will be minimal, as the aim of the review is to refocus provision on need and make it more accessible. However a full EQIA will be undertaken.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	The savings will be made as part of an overall restructure, and while there will be reductions in some budgets, we are confident that a more focused and integrated approach to targeted youth support will mean that the resources available to address inequality will be maintained.
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	The change should increase access to the service. Job descriptions will be altered to ensure out-of-school and week-end availability of staff.
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	The change does not alter the eligibility criteria.
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		

<p>Does the change involve a reduction in staff?</p>	<p>Yes</p>	<p>All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>Yes</p>	<p>The roles of the staff will be the same – they will be working with vulnerable teenagers to promote their inclusion in education, employment and training. Staff will work with the young people in groups and on a one-to-one basis, as appropriate, as they have always done, and they will work in tandem with school staff. There will be some changes to hours of work and the management structure, but nothing to affect the core role.</p>

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CSF/4**

TITLE OF SAVING OPTION:		Pupil transport efficiency review			
DIRECTORATE:		CSF			
SERVICE AREA:		Resources	LEAD OFFICER:		Kate Bingham
FINANCE CONTACT		David Tully			
	Current Budget	Saving £000s			Full Year Effect
	2010/11 £000	2011/12	2012/13	2013/14	
Employee FTEs	-				
Employee Costs	-				
Other Costs	3,900	50	150	100	300
Income (Specify)					
TOTAL	3,900	50	150	100	300
Capital: Are there any capital set up cost associated with this proposal?N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The Council is required to provide home to school transport for pupils with a statement of special educational needs who are unable to travel independently. The Council also provides transport to primary school pupils who cannot be provided with a school place within 2 miles of home because of a shortage of places. The service is currently provided to 547 pupils with special educational needs and 250 pupils as a result of school places outside reasonable travel distance.</p>					

Benchmarking information shows that the Council spends an average of £122 per head of the pupil population on home to school/ college transport, compared to the London average of £109. Reducing our expenditure to the comparator average per pupil would save approximately £500k per year. This proposal will aim to reduce the costs of this provision closer to the London average through a combination of efficiency savings and reducing demand.

Demand will be reduced through exploring:

- Alternative ways of ensuring that pupils are able to travel to school, such as independent travel training where appropriate.
- A review of entitlement criteria to ensure that resources are directed appropriately to need.

There is ongoing capital investment to increase the number of primary school places which will, over time, reduce the need for transport for this group of pupils.

Ongoing work with CLC's transport provider service will ensure operating and procurement efficiencies are fully exploited. We are also collaborating with other boroughs through East London Solutions to find ways of reducing the cost of transport provision.

2.	Service implications of saving:
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We will continue to provide a service to those pupils that need it as it is a statutory duty. However in some cases transport will be provided in a different form.

3.	Actions required to achieve saving:
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A review of the service will be undertaken to identify efficiencies. This will include procurement and management efficiencies.

A review of our entitlement policy will also be undertaken to ensure that resources are effectively targeted.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
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The service is run by Communities, Localities and Culture under an SLA with Children's Services. The other main user is Adults Health and Wellbeing. A Transport Efficiency group is being established to ensure that any cross-cutting issues for the service (for example arising from the Transforming Adult Social Care agenda) are addressed.

5.	Other risk factors which could prevent this saving being achieved following implementation
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Any significant growth in need which is greater than anticipated.

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
Efficiencies will be measured through reduced operating costs for the same service.	
7.	Main issues arising from Equalities Impact Assessment (if any)
A screening assessment has been undertaken. There is a potential negative impact on disabled children in terms of access to education as a result of entitlement changes. A full assessment will be carried out on any proposed changes in entitlement to ensure that this impact is avoided.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	This proposal will maintain access to the service for those children who continue to require it, however it will build on our successful programme and where appropriate supporting and encouraging children to become independent travelers.
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the	No	

change involve a reduction in staff?		
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

Item Ref. No:
CSF/5

TITLE OF SAVING OPTION:		Review of extended schools services			
DIRECTORATE:		CSF			
SERVICE AREA:		Youth & Community Learning	LEAD OFFICER:		Mary Durkin
FINANCE CONTACT		David Tully			
G40, G45, G41, G43	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	57	29	0	0	29
Employee Costs	1,991	1,235			1,235
Other Costs	3,540	2,498			2,498
Income (fees and charges, Government Grants, contributions from NHS)	-3,179	-2,860			-2,860
TOTAL	2,352	873	0	0	873
Capital: Are there any capital set up cost associated with this proposal? N– Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>Our extended schools service provides a number of out of school services as well as supporting schools to develop schools based provision. Government policy, and funding, is shifting towards provision by schools with the local authority acting as strategic commissioner of services. As a result, the funding available for these services from 2011/12</p>					

is likely to reduce significantly. This saving represents an additional saving to the general fund over and above an anticipated £2.86m reduction in government grant for these services.

In line with government policy, this proposal shifts provision of services into schools, with the Council acting as strategic commissioner to ensure that there is a comprehensive and balanced offer of out of school activities for pupils. There will be a significant reduction in the centrally based team (8 FTE, representing 32% of the staff). The remaining staff will ensure that we continue to support schools in their provision of out of school hours learning, health promotion and play opportunities.

The proposal also moves after school childcare provision for 3-11 year olds, currently provided as part of our Junior Youth Service (JYS), into schools. During school holidays local authority provision will continue.

In place of JYS provision during term time, eight schools across the borough will offer structured childcare until 6pm for the children of working parents. There will be a charge, reclaimable from Working Families Tax Credits. Other children will have access to a full programme of out of School Hours Learning (OOSHL) provision, which will be provided free as part of the extended day. However this will not be structured child care.

The eight schools who will provide child care are:

- Chisenhale
- Clara Grant
- Holy Family
- Olga
- St Anne's
- St Elizabeth's
- St Mary and St Michael's
- St Matthias

2.	Service implications of saving:
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The majority of provision for out of school activities and childcare will move into schools. The local authority will continue to provide holiday provision.

3.	Actions required to achieve saving:
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Formal consultation to be issued by January 2011.

Implementation of new service structure and transfer of term time provision to schools by 1/4/2011

4. Potential implications for staff, contractors, partners, assets and other Directorates:

There will be up to 29 FTE staff redundancies after the transfer of JYS staff to schools under TUPE is taken into account. 8 of these staff are based centrally in the local authority, with the remaining 21 FTE being sessional childcare staff. Because the sessional staff are part time childcare workers, this equates to a headcount figure of 103. Most of these staff are employed for up to 10 hours a week and may have contracts of work in schools for other roles. The exact number of hours to be reduced will be kept to a minimum with strategies to encourage schools to employ the existing staff in schools.

5. Other risk factors which could prevent this saving being achieved following implementation

None

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

The proposal will ensure that resources are effectively directed to need, whilst achieving significant savings.

7. Main issues arising from Equalities Impact Assessment (if any)

Screening assessment has been completed and a full EQIA will be completed in advance of implementation. On the basis of the screening assessment there is not thought to be any negative impact as the schools provision that exists, and will replace the Council's provision, is well used by all of the community.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	There will be some changes in the location of supervised child care the service will now be provided directly by schools.
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	Yes	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CSF/6**

TITLE OF SAVING OPTION:		Redesign of parent support and advice to reflect need			
DIRECTORATE:		Children, Schools and Families			
SERVICE AREA:		Learning and Achievement	LEAD OFFICER:		Anne Canning
FINANCE CONTACT		David Tully			
G19	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	9	1	1.5	1	3.5
Employee Costs	326	35	50	40	125
Other Costs	59				0
Income (SLAs)	-20				0
TOTAL	374	35	50	40	125
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>A review of provision of advice services to parents of pupils with special educational needs, including the choice advice function which offers advice to parents on transition from primary to secondary school. This service is currently provided in house by the Parents' Advice Centre, and meets our statutory duty to provide a parent partnership function. The statutory requirement is to provide independent advice to parents of pupils who are being assessed for SEN statements. The review will bring costs closer to the comparator average benchmark of £4 per pupil (in 2009-10 Tower Hamlets spent more than ten times this figure</p>					

at £43.) Initial benchmarking with other local authorities has identified alternative ways of delivering this service more cost effectively whilst maintaining high quality advice provision. This will include consideration of alternative provision potentially in the community and voluntary sector, which would also be more independent of the local authority. This is common practice in other boroughs who have successfully provided this service in that way.

An initial review has identified options for future provision but implementation work has not yet started.

2. Service implications of saving:

Nature of service delivery likely to change although a service will continue to be provided as it is a statutory requirement.

3. Actions required to achieve saving:

Review of service, formal consultation and redeployment/ redundancy processes

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Potentially 3.5 FTE redeployment/ redundancy. Potential new business for local third sector if the decision is taken to contract out the parents' advice service.

5. Other risk factors which could prevent this saving being achieved following implementation

None

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

Service provision will continue at lower cost. If external provider is used the arms length community based provision could also offer better and more accessible provision. Case numbers and outcomes will continue to be monitored to ensure quality is maintained for lower cost.

7. Main issues arising from Equalities Impact Assessment (if any)

A screening assessment has identified no potential impact as the service will continue to be provided in a different form. However, a full EQIA will be completed in advance of implementation of any new delivery model to ensure any potential negative impact is mitigated against or avoided.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	Yes	<p>There is evidence from other councils that this support can continue to be provided at a reduced cost.</p> <p>The review will reduce expenditure on advice and support to parents of pupils with special educational needs.</p>
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	Yes	Alternative arrangements to in house provision will be explored, although no decision has yet been taken about contracting out. Any new contract will include promotion of equality.
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	Yes	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.

Does the change involve a redesign of the roles of staff?	Yes	Staff roles will change to accommodate new ways of working. However this will have no adverse impact on flexible working or equal pay.

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CSF/9**

TITLE OF SAVING OPTION:		Government Transfer of functions for student awards			
DIRECTORATE:		Children, Schools and Families			
SERVICE AREA:		Learning and Achievement	LEAD OFFICER:		Anne Canning
FINANCE CONTACT		David Tully			
E22- Student Awards	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	4	3.5			3.5
Employee Costs	175	136			136
Other Costs	204	204			204
Income (Govt grants/ fees and charges)	-40	-40			-40
TOTAL	339	300			300
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>Awards of student grants is being transferred to a central government body and this proposal represents the cost savings through winding down our service as a result of this transfer. There is a small residual function to administer trust funds from Canary Wharf which will remain with the authority.</p> <p>This proposal is in the final stages of implementation.</p>					

2.	Service implications of saving:
None as responsibilities are transferring to another body.	

3.	Actions required to achieve saving:
Formal consultation and redeployment/ redundancy processes- already underway.	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
Staff in the service are in the process of redeployment/ redundancy.	
5.	Other risk factors which could prevent this saving being achieved following implementation
None	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
The service will still be delivered but by a national body at lower cost.	
7.	Main issues arising from Equalities Impact Assessment (if any)
None	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	N/a	Awards of student grants is being transferred to a central government body
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	Awards of student grants is being transferred to a central government body
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	N/a	See above
CHANGES TO STAFFING		
	Yes	All staff affected will be subject to the councils Handling

<p>Does the change involve a reduction in staff?</p>		<p>Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>N/a</p>	<p>See above</p>

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
CSF/10**

TITLE OF SAVING OPTION:		Review and rationalisation of emotional health and wellbeing support			
DIRECTORATE:		Children, Schools and Families			
SERVICE AREA:		Children's Social Care	LEAD OFFICER:		Helen Lincoln
FINANCE CONTACT		David Tully			
G54	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	20				
Employee Costs	939				
Other Costs	861	179	0		179
Income (Specify)					
TOTAL	1800	179	0		179
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The Child and Adolescent Mental Health Service commissioned by the Council and NHS Tower Hamlets from East London Foundation Trust (EFLT) is being reviewed to reduce costs through operating efficiencies. CAMHS will be redesigned to ensure the delivery of a more streamlined service. Better integration with other services (eg Educational Psychology) are also being pursued to ensure that high quality support continues to be provided for children and young people with mental health needs.</p> <p>According to the latest CAMHS mapping exercise Tower Hamlets CAMHS has</p>					

approximately 45 staff per 100,000 (all age) population. The recommended number of non teaching staff for the delivery of a comprehensive CAMHS is 15 per 100,000 (all age) population, or 20 per 100,000 where they have teaching responsibilities. However, the numbers are likely to be higher in areas that deliver other specialist services, which is the case in Tower Hamlets. Data from the NHS commissioners for the North East London Sector also suggests relatively high expenditure in Tower Hamlets, which has a higher unit cost than neighbouring boroughs, but no significant difference in performance. This suggests scope for savings. In addition, analysis of the caseloads and unit costs of the different parts of the CAMHS service within Tower Hamlets show significant differences, including between teams that do similar work but across different geographical areas (for example – the average cost per young person seen is £1,131 in East team but £1,862 in West Team) suggesting further potential for efficiencies.

Negotiations with ELFT are well advanced in readiness for changes to the contract for the financial year 2011-12. These negotiations are progressing well and savings have already been identified by ELFT through management efficiencies and re-organisation, as well as better alignment with other services.

2.	Service implications of saving:
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The service will continue to be provided to all those who are entitled to it with savings being produced by operating efficiencies and better integration.

3.	Actions required to achieve saving:
-----------	--

Negotiation with providers to achieve operating efficiencies (already well advanced).

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
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The provider will receive less money under a new contract. There will be some staffing implications resulting from the proposed changes. Two FTE Tower Hamlets employed social work staff will be removed from the existing service structure and redeployed to front line social care work. There will also be a reduction in staff employed by the East London Foundation Trust. This will reduce the number of staff per 100,000 (all age) population to approximately 35 which is the maximum saving that can be achieved whilst safely managing the clinical risks associated with reducing the service.

5.	Other risk factors which could prevent this saving being achieved following implementation
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None

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
Service will be maintained at reduced cost. Already established contract monitoring arrangements will monitor continuation of service levels.	
7.	Main issues arising from Equalities Impact Assessment (if any)
Screening assessment indicates no negative impact as entitlement and access to service will not change. A full impact assessment will be undertaken prior to implementation.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	NO	
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
D&R/1**

TITLE OF SAVING OPTION:		Transformation of front-end to back-office functions through planning digitisation			
DIRECTORATE:		Development and Renewal			
SERVICE AREA:		Development Decisions/ Resources	LEAD OFFICER:	Owen Whalley/ Chris Holme	
FINANCE CONTACT:		Paul Leeson			
	Current Budget	Saving £000s			
	General Fund 2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	17	2	6		8
Employee Costs	553	64	186	0	250
Other Costs	179	0	0	0	0
Income (Specify)	0	0	0	0	0
TOTAL	732	64	186	0	250
Capital: Are there any capital set up cost associated with this proposal? Y/N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	-	-	-	-	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>It was anticipated when the savings proposal was first submitted in February 2009 that significant general fund savings of £100,000 p.a. would be realised following the back capture of major elements of Planning, Building Control and Land Charges case files into a digital format and a consequent service provision review.</p>					

The 4 key objectives of the project have been to:-

- 1) Implement an automated system for the processing of requests for land charge searches;
- 2) Undertake document and data capture exercises for all historical public documents with the Land Charges, Town Planning and Building Control registers;
- 3) Investigate and cleanse all Statutory Register information data required by the Land Charges search process and to enable automatic searching of the held data;
- 4) Investigate, assess and recommend future methods of delivering Land Charge search replies and Statutory register information to Council customers.

It is anticipated that this work should be complete at the end of September 2010.

Additionally work has been initiated as Phase 1 of a Directorate wide review of administrative, clerical and technical support services to assess necessary staffing levels arising from the introduction of these computer based systems. A project review has been initiated under the direction of the Service Heads for Planning & Building Control and Resources to assess how the current diverse team structure within Planning and Building Control may be rationalised and integrated to provide a more generic and leaner service to take maximum advantage of these new systems. Precise savings that would accrue from this exercise have yet to be finalised but are likely to exceed the 2009 savings proposal of £100,000 p.a.

Matters have become somewhat more complex since the determination that access to Environmental Information should be free. This requires that we are no longer able to make a charge for personal land charge searches. We are therefore additionally assessing how best we can offer an enhanced and collated service for which we may be able to levy a charge within the developing computer infrastructure.

It should be noted that the savings proposed in this submission relate to the General Fund. In addition savings should be generated within the Building Control and Land Charges trading accounts as a result of this initiative.

Service implications of saving:
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This project will achieve immediate cashable savings but, because of the development of the ICT infrastructure, it will be also be possible for further savings to be made in the way that information is delivered to the Council's clients. The streamlining of information delivery should give the client a faster and better access to D&R data and earn more revenue for the Council from the data supplied to the client. It will contribute to a better user experience for the Council's clients.

The Technical Support staff review in Development Control, Building Control and Land Charges will enable further savings to be accrued from staff rationalisation, the possible reduction in the number of teams, the introduction of increased generic working and the creation of a dedicated scanning team.

3. Actions required to achieve saving:

The completion of the "back capture" project and the completion of the Technical Support staff review within Planning & Building Control.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
<p>Staff numbers could be reduced. The remaining staff may need retraining to equip them to better provide for the needs of both the Development Control and Building Control technical teams.</p>	
5.	Other risk factors which could prevent this saving being achieved following implementation
<p>The maintenance of the data systems to enable an accurate, up to date and robust service to continue to be provided. Resources will be required to continue data input and to monitor the robustness of this data.</p> <p>Further rulings regarding the free public accessibility to data for which the authority currently makes a charge.</p>	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p>Fewer staff carrying out more efficient service delivery and allowing faster and better access to D&R data.</p>	
7.	Main issues arising from Equalities Impact Assessment (if any)
<p>An EQIA screening has been undertaken and the equalities impact of the staffing change will be picked up through the application of the Council's Handling Organisational change procedures.</p>	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	There will be improved access to this service in the result of this digitalisation. The proposal seeks to enhance the service provided by streamlining processes.
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No.	
Does the change involve a reduction or removal of income transfers to service users?	No.	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	Yes.	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.

<p>Does the change involve a redesign of the roles of staff?</p>	<p>Yes,</p>	<p>The proposals will create generic roles and staff will be retrained to enable them to respond to the technical needs of both Development Control and Building Control.</p>

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
D&R/2**

TITLE OF SAVING OPTION:		Corporate Subscription Deletion			
DIRECTORATE:		Development and Renewal			
SERVICE AREA:		Olympic and Paralympic Games 2012 / Programmes and Projects	LEAD OFFICER:		Nick Smales / Owen Whalley
FINANCE CONTACT		Paul Leeson			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs	235	25	75	100	200
Income (Specify)					
TOTAL	235	25	75	100	200
Capital: Are there any capital set up cost associated with this proposal? Y/N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	-	-	-	-	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<u>Five Host Borough Unit</u>					
The saving proposal incorporates the natural ending of the Five Host Borough Unit after the Olympic					

and Paralympic Games have taken place in 2012..

Thames Gateway London Partnership

Tower Hamlets is at the heart of consolidating London as Europe's fastest-growing city and also its pre-eminence as a world city. London and the Thames Gateway's growth continue to underpin the economic growth of the rest of Britain.

The Thames Gateway London Partnership (TGLP) is a non-statutory agency with membership comprising the local authorities within its boundary as well as higher education, employment and health agencies. It was set up to represent and articulate the interests of its members in lobbying government and statutory regional agencies in driving forward the regeneration of the area.

The TGLP has historically been successful in raising the profile of the Gateway and lobbying for investment in housing and employment creation across its area. However, Tower Hamlets is at the very heart of the regeneration of East London and the borough has developed a direct relationship with statutory regeneration agencies such as the London Development Agency and the London Thames Gateway Development Corporation to focus on the particular and specific challenges confronting this borough, which are not necessarily representative of the broader TGLP area. There are immediate, direct and intense pressures for commercial and residential development, which are not experienced in the remainder of the Partnership area, and therefore the borough has developed independent and direct mechanisms to respond to these challenges.

This direct relationship has provided a more relevant and cost effective means to deliver change in the borough and while the TGLP remains an important sub-regional commissioning and lobbying agency it does not always provide the best vehicle for securing real change within Tower Hamlets.

Resignation from the TGLP would reduce the borough's sub-regional presence but the borough will be in partnership with the other statutory agencies to deliver regeneration more focused on the needs of the borough itself to absorb the new growth in housing, jobs and associated social infrastructure such as schools, health care and open space.

Twelve months notice of resignation must be given to the TGLP and so there would be no immediate cost savings but these would accrue in 2012/13 and subsequent years if the savings proposal was to be adopted.

2.	Service implications of saving:
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Five Host Borough Unit

None – the Five Host Borough Unit will end after the Olympic and Paralympic Games have taken place.

Thames Gateway London Partnership

The borough would no longer be part of this non-statutory sub regional agency. However, it is not anticipated that this would impact significantly on the borough's ability to deliver its development and renewal responsibilities. The more direct relationship with the statutory sub-regional agencies provides a more cost effective mechanism to deliver this change.

3.	Actions required to achieve saving:
<p><u>Five Host Borough Unit</u></p> <p>None – the Five Host Borough Unit will end after the Olympic and Paralympic Games have taken place.</p> <p><u>Thames Gateway London Partnership</u></p> <p>A letter of resignation to the TGLP.</p>	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
<p><u>Five Host Borough Unit</u></p> <p>None – the Five Host Borough Unit will end after the Olympic and Paralympic Games have taken place.</p> <p><u>Thames Gateway London Partnership</u></p> <p>The Head of Planning and Building Control and the nominated Lead Member have historically attended the TGLP Board meetings and Board Advisory Group and other officers attend the various task groups set up by the TGL such as the Transport, Employment and Higher Education sub-groups.</p> <p>Resignation from the TGLP would release officers from the time spent in contributing to the TGLP work streams and attending TGLP meetings.</p> <p>The major effect would be on Development & Renewal while other Directorates such as Communities, Localities and Culture would be affected to a lesser degree in terms of transport, leisure and cultural inputs.</p>	
5.	Other risk factors which could prevent this saving being achieved following implementation
<p><u>Five Host Borough Unit</u></p> <p>None.</p> <p><u>Thames Gateway London Partnership</u></p> <p>The other current members of the TGLP may seek to discourage the borough from resigning. The resignation of a key local authority member may be perceived by remaining members as undermining the effectiveness of the Partnership to secure structured regeneration in the Gateway as a whole.</p>	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p><u>Five Host Borough Unit</u></p> <p>The reduction in subscription will be a direct revenue saving.</p>	

Thames Gateway London Partnership

The saving accruing from resignation will become available for developing the more direct relationship with statutory regeneration agencies and free up resources and staff time to address the particular regeneration challenges confronting the borough.

7.	Main issues arising from Equalities Impact Assessment (if any)
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None.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No.	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
D&R/3**

TITLE OF SAVING OPTION:		Review of Employment and Enterprise and 2012 Legacy Arrangements			
DIRECTORATE:		Development and Renewal			
SERVICE AREA:		Olympic and Paralympic Games 2012	LEAD OFFICER:		Nick Smales
FINANCE CONTACT		Paul Leeson			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	6	3			3
Employee Costs	284	110	0	0	110
Other Costs	80	0	40	40	80
Income (Specify)	0	0	0	0	0
TOTAL	364	110	40	40	190
Capital: Are there any capital set up cost associated with this proposal? Y/N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	-	-	-	-	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The Inward Investment and Business Destination team sits within the 2012 Unit – having been transferred into the Unit to promote the Borough for Inward Investment and Business Tourism on the back of the Olympics. Currently the team also manages the View Marketing suite in Bow under license from the London Thames Gateway Development Corporation. As a result the Council has opportunities to utilise this venue free of charge whereas other users and members are required to pay a subscription fee.</p> <p>Given the Olympic and Paralympic Games take place mid way through 2012/13 a saving can be realised as certain management and marketing activities can cease following the end of the Paralympic Games in September 2012. In addition to its on-going activities, in the lead up to the Games the team are supporting smaller venues within the Borough to maximise revenues from 2012</p>					

demand. This will provide opportunities for these organisations to obtain benefits from the Games which they would not otherwise be able to access.

It is likely that management of the View facility will cease post 2012/13 (subject to arrangements for the London Thames Gateway Development Corporation which may be wound up or incorporated into a Mayoral Development Corporation for the Lower Lea Valley) and thus a staff saving can be realised in 2012/13 plus additional overhead costs.

2. Service implications of saving:

Mainstreaming levels of provision post 2012 Olympic Games.

3. Actions required to achieve saving:

Staffing reduction in line with the Councils handling organisational change.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Reducing posts by 3 FTE.

The service is well regarded by external partners (working closely to market the Borough with organisations such as a Canary Wharf Group, Visit London, Gateway to London etc.) This proposal mainstreams employment and enterprise activities.

5. Other risk factors which could prevent this saving being achieved following implementation

The Visitor Economy is seen to be a significant growth area for Tower Hamlets (indeed Hotels and Restaurants employment has more than doubled in the Borough in the past decade and accounts for around 10,000 jobs in Tower Hamlets).

With reduction in staffing we will need to ensure that we continue to maximise all opportunities in the area.

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

Building on the opportunities of Olympic games to mainstream the additional exposure Tower Hamlets has enjoyed in to the future.

7. Main issues arising from Equalities Impact Assessment (if any)

An EQIA screening has been undertaken and the equalities impact of the staffing change will be picked up through the application of the Council's Handling Organisational change procedures.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	N/A	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	Yes	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 –2013/14**

Item Ref. No:

ALL/1

TITLE OF SAVING OPTION:		Directorate Supplies and Services Efficiency			
DIRECTORATE:		Chief Executive's, Children's, Development & Renewal and Communities Localities and Culture			
SERVICE AREA:		All	LEAD OFFICER:		Kevan Collins, Isobel Cattermole, Aman Dalvi Stephen Halsey
FINANCE CONTACT		Martin McGrath, David Tully, Paul Leeson, Luke Cully			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	-	-	-	-	-
Employee Costs	-	-	-	-	-
Other Costs		1,205	776	639	2,620
Income (Specify)		-	-	-	-
TOTAL			-	-	-
		1,205	776	639	2,620
Capital: Are there any capital set up cost associated with this proposal? No					
1 Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:					
<p>The saving will be delivered by reducing budgets for supplies and services and other non-staff costs and requiring budget managers to examine influencable spend and manage within reduced budgets. This will particularly bear down on discretionary expenditure managed within Services, such as stationery, printing, advertising, conference attendance and subscriptions and will be assisted by actions taken to deliver other budget savings; for example the freeze on unnecessary recruitment will reduce the need for staff recruitment advertising. Other non-pay budgets are also likely to be affected, but managers will be asked to</p>					

ensure that the impact is minimised.

Two Directorates; Adults, Health and Wellbeing and Resources are delivering these savings in other ways, by bearing down directly on commissioning and procurement spend through specific projects, which are set out elsewhere in these papers.

In addition, the Chief Executive proposes to undertake a cross-Directorate review of spending on publications, marketing, design and print, which will yield £200,000 across all Directorates.

2 Service implications of saving:

These savings will be delivered through more efficient use of resources and are not expected to impact on quality of service delivered within the Directorate.

3 Actions required to achieve saving:

Non pay budgets will be top-sliced. Budget managers will need critically to review their spending on non-pay items and ensure that all expenditure is justified. Service managers may also be required to negotiate with suppliers to ensure services can be delivered within the smaller cost envelope. They will be assisted in this by the activities of the central Procurement Team, which is undertaking a continuous review of Council spending on a category by category basis and ensuring that Council services have access to quality corporate contracts.

4 Potential implications for staff, contractors, partners, assets and other Directorates:

The impact will principally be on suppliers to the Council.

5 Other risk factors which could prevent this saving being achieved following implementation

Risks include failure to manage supplies and services spend properly within the reduced budget, leading to budget over-spends. Regular financial monitoring will be undertaken and reported to Directorate Management Teams and, if necessary, to the Corporate Management Team to track and control supplies and services spend.

6 Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

This proposal will enable the same quality of service will be delivered for a lower overall cost and therefore will clearly contribute towards improved value for money.

7

Main issues arising from Equalities Impact Assessment (if any)

Budget managers will be responsible for ensuring that an Equalities Impact Assessment is carried out for any actions taken where this is appropriate.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	NO	
Does the change alter access to the service?	NO	
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	
Does the change involve a reduction in staff?	NO	
Does the change	NO	

involve a redesign of the roles of staff?		
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**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
BAM/1**

TITLE OF SAVING OPTION:		Better Asset Management			
DIRECTORATE:		Development & Renewal			
SERVICE AREA:		Asset Management	LEAD OFFICER:		Aman Dalvi
FINANCE CONTACT		Paul Leeson			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs			438	220	658
Income (Specify)		80	43	48	171
TOTAL		80	481	268	829
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

The Better Asset Management Programme has developed significantly since the Service Options Review, and now presents a range of savings opportunities within the themes of:

Asset Disposals
 Maximising Income from Assets
 Asset Rationalisation / co-location
 New maintenance contracts

There are also 3 savings opportunities that are being developed as part of the wider Transformation programme, but have not been fully scoped or tested to date. It is proposed that these transfer to the Better Asset Management Programme. The savings opportunities include consolidation of security services across the council; consolidation of FM, PM & Repairs and Maintenance across Asset Portfolio; and implementation of a Repairs and Maintenance framework agreement.

Savings opportunities 80 and 85 (in appendix attached) are not asset management related and are likely to transfer to other programmes.

Sale of surplus property

The revenue savings targets set out above require the following properties to be sold (e.g. in the case of Southern Grove for education use).

Address	2011/12 £000's	2012/13 £000's	2013/14 £000's	
Underwood Road				No budget – existing Cabinet decision
Woodstock Terrace				No budget – existing Cabinet decision
2 Jubilee Street				No budget – site to be re-used by AHWB or sold
LEB Building		31		Cabinet decision required on whether to retain or sell – to be sought Jan-11
Cheviot House			95	Sale is dependent on OSS being relocated to proposed new Watney Market Ideas Store. Cabinet decision to be sought Jan-11
Limehouse Library		67		Cabinet decision to dispose to be sought Jan-11
Southern Grove		215		Site to be reused for Education or sold. Cabinet decision required
Totals	0	313	95	

Officers have undertaken some preparatory work (e.g. beginning to procure consultants to market and sell the properties), It typically takes 12 months from the take of a Cabinet decision to completion of sale (due to the need to obtain planning to maximise values) and

decisions taken in Jan-11 should produce full year savings in 2012/13. Jan-11 Cabinet report will recommend that further opportunities for sales are rigorously explored.

Income generation

Most of these income targets are straightforward and are a mix of commercial rents and CLC managed community buildings (see appendix for details). **Total for income generation £171,000 (£50,000 D&R, £121,000 CLC)**

Asset rationalisation/co-location

There is a large scale pilot in LAPs 1 & 2 that is gathering data on running costs and exploring the scope for co-location of services and rationalisation of assets. Initial outcomes from this study will be known in early December and will provide an indication of challenges and savings. **NB this relates to all operational properties, not just offices. An initial target of £250,000 has been set.**

Item	Area	2011/12	2012/13	2013/14
Co-location of operational Buildings	All	0	125	125

2. Service implications of saving:

Operational buildings will need to close and services relocate to achieve the savings target – the savings sit within all directorates not just D&R. If the target can't be met through this route then the pressure will fall back to service department

3. Actions required to achieve saving:

The aim is that the more rigorous approach to disposals, income generation and use of property will become "business as usual" by 2013/14.

This programme will managed through the councils transformation programme.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Limited impact on staff, contractors and other Directorates at this stage.

The assumed reduction in buildings may result in building closure and services will need to ensure that alternative shared premises and suitable and can be delivered within the timeframe required.

5. Other risk factors which could prevent this saving being achieved following implementation

Covered in 3 above.

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
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- In cash terms – savings achieved/income generated
- In space terms – amount of property held reduced

7.	Main issues arising from Equalities Impact Assessment (if any)
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An EQIA screening has been undertaken and full EQIA will be undertaken.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	Yes	For commercial tenants for commercial properties, and not for residents, housing tenants or third sector organisations.
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
IO/1**

TITLE OF SAVING OPTION:		Recharge Schools for Support Services			
DIRECTORATE:		Children, Schools and Families			
SERVICE AREA:		CSF	LEAD OFFICER:		Anthony Walters
FINANCE CONTACT		Kate Bingham			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	42	0	0	0	
Employee Costs	£2162	0	0	0	
Other Costs	0	0	0	0	
Income (Specify)	0	£1,873	£189	£100	£2,162
TOTAL	£2162	£1,873	£189	£100	£2,162
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	-	-	-	-	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>Children, schools and families currently lever in £5m through schools for traded and other services in addition to delivering a broad range of services without charge.</p> <p>The Schools' White Paper means that the role of the Council in terms of its relationship with schools will be greatly reduced. We will also see a significant reduction in the funding we</p>					

receive to support them. £3.8m of grants previously used to fund the Council's support services will from 2011/12 be redirected to schools through the dedicated schools grant.

Schools will be expected to take on additional service delivery responsibilities and we are consulting with them to establish the likely demand for the continuation of local authority provided services to support this. To date the indication is that there would be a demand for a number of services.

We therefore aim to increase the range of services available to schools that will be delivered on a buy back or traded service basis. These services are currently provided free of charge. This will allow us to build on our successful partnership with schools so that they continue to benefit from the excellent school improvement and other support services they currently receive which have assisted with delivering our best ever GCSE results. It will also enable us to maximize the income we receive from schools and ensure that systems of accountability are maintained.

We have undertaken a comprehensive benchmarking exercise against other providers and are confident we can compete with the wider market and are working directly with schools so that we have a clear understanding of the demand for individual services early in the new year.

2. Service implications of saving:

The proposal will provide income that will help us maintain our relationship with schools and support them in their drive to further improve standards and continue to deliver services to the most vulnerable children and young people.

It will also allow us to redirect funding to protect front-line services and ensure that services continue to have sustainable funding in the more challenging financial context.

3. Actions required to achieve saving:

December 2010	Consultation with schools closes.
February 2011	Final portfolio of services published.
April 2011	Services fully operational.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

This proposal will allow us to safeguard a number of posts across the directorate and limit early retirement/redundancy costs.

5. Other risk factors which could prevent this saving being achieved following implementation

None.

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p>As described above our benchmarking with other providers suggests that our charging policy is competitive and will offer value for money to schools. Guidance to support a Council Charging Policy is being developed and covers related issues including costing methodology.</p>	
7.	Main issues arising from Equalities Impact Assessment (if any)
<p>An initial test of relevance has been undertaken. There is no significant impact identified at this stage: many of the services are primarily 'back office' support to schools. However the impact will be assessed once the outcomes of the consultation are known.</p>	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	Schools will determine access through their own decision making processes.
Does the change involve revenue raising?	Yes	Schools will be recharged for services that we were previously funded for directly from Government.
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
	No	

<p>Does the change involve a reduction in staff?</p>		<p>Not at this stage – recharging supports the sustainability of these services and staff involved.</p>
<p>Does the change involve a redesign of the roles of staff?</p>	<p>No</p>	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
IO/2**

TITLE OF SAVING OPTION:		Review of Planning Fee Income			
DIRECTORATE:		Development and Renewal			
SERVICE AREA:		Planning	LEAD OFFICER:		Owen Whalley
FINANCE CONTACT: Chris Holme					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs					
Income (Specify)	1,678	250			250
TOTAL	1,678	250			250
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	-	-	-	-	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>This proposal projects an increase in Planning Application fees and charges which would enable a net saving to be generated against the cost of providing the planning application service.</p> <p>Planning application fee income is dependent on the state of the development market and</p>					

has recently come under pressure in a tough economic climate.

Most planning fees and charges have been set nationally by Government since 1980 and the Council is bound to operate under these fees. The fees are based on a national assessment of overall cost of handling, administering and deciding applications including related overheads.

The Government is now consulting local authorities on a new proposal to decentralise the responsibility for setting planning application fees, including fee categories in England. "Proposals for changes to planning application fees (November 2010)".

In effect it proposes to let local authorities determine their own charges on a non-profit making basis. This will allow local authorities to charge for some applications which do not require a fee and to set fees which should be based more closely on costs.

In addition, Development and Renewal has taken the opportunity to review its current approach to planning charges which are not set nationally. These include pre-application fees, charging for impact assessment work and other charges for contact with Planning and Building Control.

The figure of £250,000 per annum represents a best estimate at this time of the impact of a localised fee setting regime. It considers the likelihood of the economy operating at its current level and builds in an increase in those fees and the charges which the authority can already set. In year 1, 2011/12, this includes both a part year effect of the national changes to planning fees, as well as full year effect for those charges where there is already local discretion. In exploring whether additional income may be achieved in future years, consideration has to be given to: the likelihood of whether business volume will remain stable, increase or decrease; an understanding of what impact localism will have on a local communities response to development pressures; identification of other creative approaches to local fee setting and assessing the impact of fee changes in 11-12.

2.	Service implications of saving:
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The objective of the Government's proposal is to enable local authorities to better set fees to the costs of providing the service.

The authority will need to set up regular cost monitoring and evaluation processes to ensure that the fees are regularly reviewed and reflect an up-to-date assessment of cost. This could, over time, mean fees go up or down.

3.	Actions required to achieve saving:
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Over the next six months Planning and Building Control will prepare for the introduction of decentralised fee setting and put into place its own review of charges that are locally set by reviewing costs of providing a planning application service.

Between April and Oct 2011 there are transitional arrangements in place which will mean that a set of locally established fees and charges is unlikely to be in full operation until October 2011.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
<ul style="list-style-type: none"> - Fees will likely increase for local authority and partnership initiatives that require planning applications; - Fees will likely increase for borough residents and groups submitting planning applications; - This could delay the progress of more marginal proposals depending on the fee levels finally set; - Staff will be operating a new charging regime and will need to familiarise themselves with new fees, operate new and detailed monitoring arrangements for time spent on applications. 	
5.	Other risk factors which could prevent this saving being achieved following implementation
<p>The decentralisation of – currently national - fee setting is still at Consultation stage and is only a proposal. It maybe that following Consultation the implementation of this change is delayed and any increase in some fees will be delayed. In any event there is a “Transitional Period” which allows for both regimes to remain in operation.</p> <p>The receipt of Planning fees is market led with larger applications inevitably delivering larger fees. If there is a reduction in development activity, there will be fewer fees. It is prudent to remain cautious and be aware that in difficult economic times, although still in excess of the budget, total fees have fallen year-on-year over the last two years.</p>	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p>Projecting an increase in fee income partly based on a Consultation Proposal shows that the Planning and Building Control Service are already assessing opportunities to increase income and affect value for money. The additional income will mean that the tax payer is reducing its subsidy of planning applications.</p> <p>Once fees have been set locally based on an accurate assessment of the full costs involved the costs will be monitored year on year. This transparency and understanding should act to drive down costs over time and increase the value for money for service users.</p>	
7.	Main issues arising from Equalities Impact Assessment (if any)
<p>An EQIA screening has been undertaken and full EQIA will be undertaken.</p>	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	Yes	The nature of the proposal is intended to raise revenue. All applicants may have to pay more and a charge may be introduced to currently free services. The increase in or application of fees will represent an insignificant proportion of total development costs.
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	No	

Does the change involve a redesign of the roles of staff?	No	
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**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
IO/3**

TITLE OF SAVING OPTION:						Shared Legal Services
S						
DIRECTORATE:		Legal Services				
SERVICE AREA:		Legal Services		LEAD OFFICER: Jill Bell		
FINANCE CONTACT: Martin McGrath						
	Current Budget	Saving £000s				
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect	
Employee FTEs						
Employee Costs						
Other Costs						
Income (Specify)		50	50	50	150	
TOTAL		50	50	50	150	
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference						
	2011/12	2012/13	2013/14	2014/15+		
	£'000	£'000	£'000	£'000		
Capital Expenditure	-	-	-	-		
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:					

The proposal is to set an additional income target for LBTH's Legal services of £50,000 per year. This will be achieved by approaching other public sector bodies such as Registered Social Landlords (RSLs) and offering to provide cost effective legal services. Currently comprehensive legal services are provided to Tower Hamlets Homes, schools and limited services are provided to some of the RSLs on our common housing register. Legal Services already generates substantial income largely through providing a legal service to these clients and generates £1 million per annum which it uses to subsidise the service it provides to the Council. This proposal represents a 5% increase on that target. It is believed there is limited capacity to increase business with these existing clients.

2. Service implications of saving:

The delivery of services to more external clients will need to be done in a measured way as Legal Services is already working at capacity and there is a risk that the service to internal clients may suffer. Over the last two years workloads have significantly increased but this work has been contained within the base budget plus project lawyer costs.

3. Actions required to achieve saving:

As at Jan 2011	Contact will be made with potential partners who have been identified with a view to getting them to sign up to Service Level Agreements or to commission particular pieces of work.
As at April 2011	Commencement of a number of Service Level Agreements or individual contracts for specific pieces of work
As at July 2011	Review of amount of work commissioned and income received and resources required
As at Sept 2011	Review of work carried out and income received and further review of workloads
As at Jan 2012	Second round of approaches to potential partners.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Potentially this could reduce the service to internal clients. However careful management of workloads will ensure this is minimised.

5. Other risk factors which could prevent this saving being achieved following implementation

These savings will be managed as part of the income optimisation programme, one of the key programmes in the council's overall transformation programme.

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

The income generated will increase the subsidy currently delivered by LBTH Legal Services to the legal advice required by the Council

7.

Main issues arising from Equalities Impact Assessment (if any)

An initial test of relevance has been undertaken – no significant issues have been identified.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	Yes	The proposal aims for Legal services to achieve an £50,000 per year through offering additional legal services to local public sector bodies, such as RSLs
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
IO/4**

TITLE OF SAVING OPTION:		Improved Income Collection, Debt Management and Fraud prevention			
DIRECTORATE: Resources					
SERVICE AREA:		Revenue Services	LEAD OFFICER:		Roger Jones
FINANCE CONTACT: Martin McGrath					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs					
Income (Specify)		1,560	948	632	3140
TOTAL	*	1,560	948	632	3140
*these savings will come from a range of budgets across the council					
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	-	-	-	-	
1.	Outline/ details of saving proposal, including indications of stage of development, and work and timescales needed to finalise proposal:				
	The project aims to raise £3.24 million of additional income through improved debt management, anti-fraud work and changes to policy.				
	<u>Better debt management</u> The project aims to improve systems and use functional consolidation to support better debt				

management. As part of this, a new online portal for sundry debts is already being implemented. In addition, the project is supporting the functional consolidation of some currently separate debt functions into the central service – most significantly, from parking. These improvements will make better use of existing information through improved systems and support greater collection and recovery, minimise write-offs and produce some efficiency savings. This element of the project aims to deliver at least £750k per annum additional income from higher debt recovery rates.

Anti-fraud work – a dedicated review to minimise misuse of the single person discount

The Council aims to reduce the proportion of people who are incorrectly claiming single person discount to 30%, by undertaking additional work to identify potential fraudulent applications. Reducing the single person discount to 30% will deliver the Council £1,547k additional income over 3 years.

Policy review: reducing void property exemptions

Tower Hamlets is 1 of only 4 Councils in London offering 50% discount on the payment of Council Tax for properties that are considered to be Long Term Voids. When a property becomes void, and is unfurnished, it is exempt from Council Tax for a period of 6 months and then is considered to be long term void and will attract a 50% charge.

Reducing the discount allowed to zero would deliver approximately £385k additional income and as a consequence of charging full council tax in void properties, this will encourage landlords, where possible, to relet their properties as quickly as possible.

Policy review: NNDR Charitable Relief

The Council currently gives NNDR charitable relief to registered charities. Mandatory Relief is funded at 80% of NNDR by central government, with no cost to the Council. Discretionary Relief is an optional benefit, where the council subsidises 75% of the remaining cost (15% total NNDR) with central government meeting the remaining 5% of NNDR. During 2010/11 the Council awarded £719,558 in charitable discretionary relief, costing the Council £539,669. The more expensive cases include the Tower of London and the Toy Museum and it may be worth considering changes to the policy to take this into account. The options available are to not offer discretionary relief or to cap it at 90% of the rates payable, both of which would produce significant savings.

Policy review: Discretionary NNDR Relief for Non-Profit Making Bodies:

The Council has discretion to fund NNDR relief for other non-profit making organisations, which are not registered charities. The Government reimburses the Council with 75% of the discretionary rate relief granted to organisations not established or conducted for profit, so 25% of the cost falls directly on the Council. This year the Council awarded £242,434 non-profit discretionary relief, costing the Council £60,608.

The review and reduction of discretionary NNDR relief could potentially produce savings of up to £600,000 per annum. One year's notice must be provided to organisations in relation to changes to discretionary relief.

2. Service implications of saving:

The debt management workstream will support a more co-ordinated approach to debt management with an improved service to customers. The consolidation will reduce the potential for multiple Council services to contact debtors independently and support the better use of customer information. The programme will help the Council align its collection and enforcement processes and help achieve the overall objectives of the Community Plan, not only in terms of vulnerability, but also ensuring residents have the support, skills, and encouragement to help them manage their debts appropriately. It will also promote the 10 areas of good practice outlined in the Corporate Debt Recovery Policy helping achieve good collection rates and realise the objectives of equality and personal responsibility inherent in the One Tower Hamlets theme.

The policy changes in relation NNDR charitable relief will impact on local charitable and non profit making organisations, although Tower Hamlets does currently award more relief than all its neighbouring boroughs. The policy review could seek to minimise the potential impact on certain types of group or offer discretionary relief to some organisations only, but this will reduce the savings that can be achieved.

3.	Actions required to achieve saving:
<ul style="list-style-type: none"> • Work to support better debt management, including functional consolidation and improved systems is already underway. • Anti-fraud work will begin in April in 2011 in order to inform billing from October 2011. • Discretionary relief policy review will be completed prior to April 2011 for implementation from 2012/13: one year's notice must be provided to organisations in relation to changes to discretionary NNDR relief. • If approved, payment card users to be notified in February prior to implementation in April 2011 	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
<p>There is limited impact on staff, contractors, assets and other services.</p>	
5.	Other risk factors which could prevent this saving being achieved following implementation
<p>The Comprehensive Spending Review and the economic climate may impact on future employment and levels of spending which in turn will mean more effort will need to be made to maintain current collection levels. Changes to the benefits system may also result in a significant rises in debt for those who are less well off, which will have to be carefully monitored and managed.</p>	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

The functional consolidation of debt management, including better use of customer information and increased use of on-line technology, will support efficiency. The efficiency improvement may be measured by monitoring the levels of income collected and reduced levels of write offs.

7.	Main issues arising from Equalities Impact Assessment (if any)
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A test of relevance has been undertaken. The Policy Review element of the proposal will potentially alter which organisations are eligible for NNDR Relief. The equalities issues will be considered as part of the review process. A full EQIA will be undertaken.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	The policy review element of the proposal will potentially alter which organisations are eligible for NNDR relief. The equalities issues will be considered as part of the EQIA process and reported to cabinet along with the decision to proceed.
Does the change involve revenue raising?	Yes	The proposal has a number of revenue raising elements, including from better debt recovery, anti-fraud work, policy review and seeking cost recovery from payment cards. The proposal will help the Council align its collection and enforcement processes and promote the 10 areas of good practice outlined in the Corporate Debt Recovery Policy.
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	Yes	The Policy Review element will potentially mean some local organisations will no longer be eligible for discretionary relief. The equalities issues will be considered as part of the review process.
Does the change involve a contracting out of a service currently provided in house?	No	

CHANGES TO STAFFING		
Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS – A Lean Organisation Programme
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
LEAN/1**

TITLE OF SAVING OPTION:		Management Streamlining & Agency Management Reduction			
DIRECTORATE:		All Directorates			
SERVICE AREA:		Management	LEAD OFFICER:		Helen Taylor
FINANCE CONTACT		Alan Finch			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs/Posts	-	112	40	33	185
Employee Costs	-	£5916	£1965	£1310	£9191
Other Costs (One-off VR)	-				
Income (Specify)	-				
TOTAL		£5916	£1965	£1310	£9191
<p>Note – This Savings Option focuses upon the Council's management structure at all tiers, all agency and vacancy posts and back-office and strategic core staffing that do not impact on the front line. Consequently any current budget line above is less clear, but the presumption is for a 23% reduction in staffing in these areas.</p>					
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	NA	NA	Na	NA	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>Management Streamlining This saving focuses upon the Council reviewing and redesigning directorate management structures. By comparison to other similar organisations the Council has a relatively large management structure in terms of management tiers and spans of control. By streamlining its management structures and reducing agency spending (see below) and therefore deleting vacant posts the Council can save 185 posts and secure savings of £9.191m</p>					

without impacting upon the front line.

Agency Management Reduction

In recent years the Council has worked hard to improve its workforce management arrangements with the intention of improving productivity. For example, during 2009/10 the Council delivered a significant reduction in the volume of Agency staff that it employed. This is continuing to be managed downwards to safeguard and minimise staff reductions.

The Council has also focused on improving its core Human Resource processes through its HR Improvement Programme. This programme is focused, amongst other things, on helping the Council to become more agile in its staff management arrangements.

These developments enable the Council to adopt a much more challenging and sophisticated approach to the management of agency staff, its temporary workforce and its permanent workforce, with the intention of delivering significant financial savings. This proposal has a number of elements:

- **Better vacancy management:** in particular ensuring all opportunities for redeployment are exhausted before the Council incurs the cost of redundancy
- **Reduced agency expenditure:** ensuring that agency and temporary staff are only engaged to cover vacant posts when it is absolutely necessary
- **Sickness management** ensuring that backfilling, acting up and the engagement of agency cover for staff sickness only occurs when it is absolutely necessary
- **Improved performance management:** including the management of poor performers to improve the productivity of the service as a whole
- **Travel allowances** ensuring these are only paid to staff that routinely travel as a part of their duties.

Various service redesigns that directorates will deliver enable management costs to be streamlined and vacancies to be deleted alongside a reduction in agency spend.

2. Service implications of saving:

The management structure will be simplified and may put more workload on managers to prioritise their work however the overall impact of the streamlining exercise on the frontline is expected to be very minimal. Directorates will be considering their management structures and impact upon front-line as the highest priority in their redesigns and final proposals.

- Numerous tiers of management and narrow spans of control dilute management accountability and decision-making, encourage micromanagement and a meeting culture bureaucracy, waste and duplication.
- The Council's current overall spans of control vary between 2 and 12 and are broadly in line with other public sector organisations., though the aim will be to create minimum spans of control that are better balanced and streamline management
- The management structure substantially goes down to 7 tiers and in some directorates to 8. Other councils have moved or are moving towards a management structure with 5 or less tiers of management and less narrow spans of control
- This approach reduces complexity and can improve decision making and prioritisation. Thus a reduction may improve how the Council manages its services.

3.	Actions required to achieve saving:
<p>Through the Lean programme, directorates are examining how they can reduce their spans of control and reduce tiers of management. This is being done through combining services and functions and reducing unnecessary roles.</p> <p>Savings will be achieved through 3 approaches:</p> <ul style="list-style-type: none"> - Deletion of all management vacancies that are no longer needed - VR/ER process to quickly reduce headcount - Organisational redesign that simplifies spans of control and reduces tiers which will require a consultation process for areas affected. <p>The actions required in order to achieve the agency and productivity savings are:</p> <p>Improving the management of sickness and other absences Significantly reduced agency cover for sickness or maternity related absence Significantly reduced acting or honoraria payments for sickness or maternity cover Resolving long-term absence cases and persistent short-term absences</p> <p>Improving vacancy management Moratorium equal to notice periods plus 30 days before commissioning new agency assignments 60 day period of consideration before commencing 'replacement' recruitment All agency assignments of 3 months or more due to increased workload to be subject to 30 day moratorium before assignments begin Cost effective resourcing of entry level posts Increase in rate of redeployment</p> <p>Improved Performance Management DMTs must ensure that managers in their Directorate are managing individual performance in line with Council procedures. This includes holding regular 1-1 and PDR meetings. DMTs should take action to verify that their managers have completed PDRs but also quality controls the accuracy of any comments about performance. The purpose of this is to make sure managers are raising any concerns about poor performance and providing employees with the support to achieve the standards required.</p> <p>Travel and Car Allowances Discussions have begun with Trade Unions on a review of these allowances in order to realise cashable savings that would mean Directorates having to find fewer savings from deleting vacant posts in the current year and putting less pressure on staff costs going forward. These will include reviewing the criteria for both payments and reducing the value of the lump sum allowances. DMTs should advise their Head of HR what posts currently in receipt of either allowance who no longer meets the current criteria. DMTs should also give their Head of HR recommendations for other issues that should be considered in the review.</p>	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:

Reduction in management structure of 185 posts. However up to 50% of these posts are targeted at vacant posts or posts occupied by agency staff so the impact on people is significantly reduced.

Impact on partners and others expected to be minimal though managers will be expected to prioritise their workload.

As these actions are focused on vacant posts and driving greater efficiency from current staff there is no immediate redundancy implication as a result. There will obviously be an impact on agency staff and suppliers as the overall number of agency staff is reduced as a result of the actions above. There will also be a knock on impact as teams are required to work more efficiently i.e. with fewer staff as vacancies are left unfilled and/or agency staff are let go.

5. Other risk factors which could prevent this saving being achieved following implementation

Fastest approach to reducing management costs will be through vacancy deletion and early exits through VR and ER. Risks in delivering the savings may be incurred if there is a delay to the consultation and implementation process.

On the basis that, following implementation, posts are deleted from the establishment and not back-filled or the cost redirected to support new post creation, the savings will be achieved.

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

185 posts reduced from staff establishment over the 3 years.
£9.191m of savings over the 3 years.

7. Main issues arising from Equalities Impact Assessment (if any)

An EQIA screening has been undertaken and the equalities impact of the staffing change will be picked up through the application of the Council's Handling Organisational change procedures.

The whole purpose of this programme is to reduce headcount at management levels without impacting on the delivery of front line service outcomes.

**Lean Programme
Equality Impact Assessment: Test of Relevance**

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	NO	
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	YES	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.
	YES	Whilst the organisational changes

Does the change involve a redesign of the roles of staff?	within directorates will result in the redesign of roles in order to restructure service delivery, there is no evidence that this will have an impact on equal pay or flexible working. Given that all directorate changes will be managed within the context of current Council wide grading structures and employment policies, which have been tested as being fully compliant with regard to single status arrangements and flexible working, there is no evidence to suggest that outcomes will have a negative impact on equal pay or flexible working.
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**SAVING PROPOSALS – A Lean Organisation Programme
MAYOR'S ADVISORY BUDGET GROUP**

**Item Ref.
No:
LEAN/2**

TITLE OF SAVING OPTION:		Communications, Publications, Participation and engagement functions			
DIRECTORATE:		Chief Executives			
SERVICE AREA:		Communications	LEAD OFFICER:		Takki Sulaiman
FINANCE CONTACT		Martin McGrath			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	45	12	3		15
Employee Costs	£2.0m	£400	£100		£500
Other Costs (procurement)	£4.5m	£800			£800
Income (Specify)					
TOTAL	£6.5	£1200	£100		£1300
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
This project has two specific aims:-					
<ul style="list-style-type: none"> • To modernise the communications function of the council by delivering an integrated communications and consultation service • To reduce spend on communications at the corporate centre to within budget and to 					

reduce total communications spend, both staffing and procurement/agency related across the council by £1.3m in total.

The project is designed to deliver the following outcomes:-

- An interim structure that facilitates the delivery of a consolidated communications function by firstly deleting 10 posts from the current corporate structure then absorbing 14.2 communications posts delivering a net reduction of 12 posts
- Create a consolidated account team structure that meets the wider needs of the council in the following areas: internal communications, marketing, publications, consultation, campaigns and external communications.
- A second phase of this project will take a detailed look at more job roles across the council and will look to save in total £1.3million from salary budgets and print, marketing and design budgets, a staff reduction in total of up to 15 posts across the Council as a whole.

2. Service implications of saving:

- The interim Communication structure is expected to enhance and improve the consistency and quality of communications across the Council
- It will operate with less staff as a whole across the Council but by centralising the service its creates greater critical mass and flexibility
- Reductions are also expected on print and design budgets and more control and compliance in procurement is put in place
- No impact on front-lie service

3. Actions required to achieve saving:

Consultation is already underway with the first phase of this project.

The first phase involved the analysis of current communications practice and spends both within the corporate communications function and directorates. Project deliverables include rationalisation of the current corporate communications function (phase 1a) and consolidation of 14.2 directorate based communications posts into an interim structure (phase 1b).

The second phase will identify in detail further opportunities for consolidating the communications function. The final report will include the following:-

- An analysis of whether there are further opportunities for consolidation.
- A treatment of which additional roles have been analysed and which posts are in scope (saving up to 3 additional posts).
- The total savings and business benefits to be gained.
- An implementation plan for delivering the above.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Reduction in staff overall of up to 15 staff
 Reductions in 3rd party and contract spending

5.	Other risk factors which could prevent this saving being achieved following implementation
Delay in consultation will slow the speed that the new communications function can be fully operational. Unable to fully identify and agree procurement spend on communications	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
Target £1.3m saving Better, lower cost, more consistent central communications service Single message for the Council	
7.	Main issues arising from Equalities Impact Assessment (if any)
An EQIA screening has been undertaken and the equalities impact of the staffing change will be picked up through the application of the Council's Handling Organisational change procedures.	

**Lean Programme
Equality Impact Assessment: Test of Relevance**

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	NO	
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	YES	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.
	YES	

Does the change involve a redesign of the roles of staff?

Whilst the organisational change does result in the redesign of roles in order to restructure service delivery, there is no evidence that this will have an impact on equal pay or flexible working. The change will be managed within the context of current grades and policies, which have been tested as being fully compliant with regard to single status arrangements and flexible working.

**SAVING PROPOSALS – A Lean Organisation Programme
MAYOR'S ADVISORY BUDGET GROUP**

**Item Ref.
No:
LEAN/3**

TITLE OF SAVING OPTION:		Strategy Policy and Performance (SPP)			
DIRECTORATE:		Cross Directorate			
SERVICE AREA:		SPP	LEAD OFFICER:		Louise Russell
FINANCE CONTACT		All Directorate Finance Managers			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	108	18	6		24
Employee Costs	£6.0m	£1,010	£340		£1,350
Other Costs					
Income (Specify)					
TOTAL	£6.0m	£1,010	£340		£1,350
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
In recent years the Council has consistently invested in its core corporate strategy, policy, and performance arrangements and also in a management infrastructure to support partnership working.					
This investment has been particularly important as public sector investment in Tower					

Hamlets has risen. The strength of our strategic function has enabled the right judgements to be made about investment, performance and the delivery of improved outcomes. As a consequence Tower Hamlets has been nationally recognised as a leading light in terms of local government performance management and for providing Value for Money. The Council is also lauded for its partnership working arrangements.

As public sector resources in Tower Hamlets begin to fall, however, consideration has been given to how this function can be rationalised not only so that it can make it's own contribution to the Council's savings effort but more importantly so that its attention can be focused on the core priorities of the Council.

As a first step, during 2010/11, key elements of the Council's partnership team were brought under the single line management of the corporate strategy, policy and performance function. Building on this, during 2011/12 it is proposed to rationalise these teams to deliver both one off savings and an on-going saving to the Council's revenue budget.

In total this project will deliver on-going savings of £1.5m (including £150k already achieved in 2011/11) with a headcount reduction of 25 FTEs (1 saved in 10/11)

2. Service implications of saving:

Reduced but more 'fit for purpose' structure to meet the new national and local agenda with reduced management costs.

More generic workforce to create greater flexibility and broaden staff career development opportunities.

More emphasis on performance management through managers rather than through support staff

Prioritised strategy and policy workload to reflect available resource and what is most important to Tower Hamlets.

3. Actions required to achieve saving:

These savings will arise from:

- Prioritising the national and local workload for strategy, policy and performance related activity
- Consolidating where possible within corporate and directorate structures
- Creating more generic and flexible staffing structures to manage the new priorities
- Reducing overall workload of the corporate team as a result of the Government's announced abolition of Comprehensive Area Assessment and other aspect of the national performance management regime;
- Re-profiling work across the wider team so that there is less reliance on external third parties to deliver specific projects.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Reduction in staff of a total of 25 posts (1 saved in 10/11)	
5.	Other risk factors which could prevent this saving being achieved following implementation
Fastest approach to reducing management costs will be through vacancy deletion and early exits through VR and ER. Risks in delivering the savings may be incurred if there is a delay to the consultation and implementation process.	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
Total Reduction in 25 FTEs (24 from 2011/12) Total Budget savings of £1.5m from the review as a whole (£1.35m from 11/12)	
7.	Main issues arising from Equalities Impact Assessment (if any)
An EQIA screening has been undertaken and the equalities impact of the staffing change will be picked up through the application of the Council's Handling Organisational change procedures.	

**Lean Programme
Equality Impact Assessment: Test of Relevance**

TRIGGER QUESTIONS	YES / NO	IF YES...
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	NO	
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	YES	All staff affected will be subject to the councils Handling Organisational change procedure. Tower Hamlets aims to provide best value services to the community, and regards its staff as its most important asset to do this. Changes to service delivery and within the organisation inevitably take place, and the Borough will accommodate these changes in a positive way, wherever possible providing development for employees' careers and without threat to job security.
	YES	Whilst the organisational change

Does the change involve a redesign of the roles of staff?		does result in the redesign of roles in order to restructure service delivery, there is no evidence that this will have an impact on equal pay or flexible working. The change will be managed within the context of current grades and policies, which have been tested as being fully compliant with regard to single status arrangements and flexible working.
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**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
MOI/1**

TITLE OF SAVING OPTION:		Managing Our Information			
DIRECTORATE:		All Directorates			
SERVICE AREA:		All Services	LEAD OFFICER:		Chris Naylor (Claire Symonds)
FINANCE CONTACT		Alan Finch			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	300	38*	13	TBD	51*
Employee Costs	10,667	750	650	200	1,600
Other Costs	3357				
Income (Specify)					
TOTAL	14,024	750	650	200	1,600
*This 11/12 figure includes posts already delivered in 10/11 which enable savings to be delivered in 11/12.					
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					

1.	Outline/ details of saving proposal, including indications of stage of development, and work and timescales needed to finalise proposal:																
<p>This programme builds on our current arrangements to exploit further opportunities to enhance customer services including improving processes and migrating services to cheaper channels. It focuses on a number of strands:-</p> <ul style="list-style-type: none"> • Reduction in avoidable calls / development of the Council's corporate contact centre removal of switchboard; • BackOffice/Front Office mergers to enhance business processes; • Channel Migration efficiencies, moving transactions to the Council's website and so reducing the number of face to face visits and telephone calls; and • Integrating Benefits and Revenues services. <p>The majority of savings will come from staffing reductions in the services above and the closure of OSS.</p>																	
2.	Service implications of saving:																
<p>The use of cheaper ways of transacting with the Council will be encouraged and will mean less face to face visits and telephone calls. Customer transactions will be streamlined as much as possible.</p>																	
3.	Actions required to achieve saving:																
<p>Rough implementation timetable. Indicate in a sentence the stage of development you would anticipate for the proposal at six monthly intervals.</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 30%;">As at Oct 2010</td> <td>Plans being finalised for Revs and Bens as well as an Web Optimisation Road Map</td> </tr> <tr> <td>As at Mar 2011</td> <td>Plans for both agreed and being implemented</td> </tr> <tr> <td>As at Oct 2011</td> <td></td> </tr> <tr> <td>As at Mar 2012</td> <td></td> </tr> <tr> <td>As at Oct 2012</td> <td></td> </tr> <tr> <td>As at Mar 2013</td> <td></td> </tr> <tr> <td>As at Oct 2013</td> <td></td> </tr> <tr> <td>As at Mar 2014</td> <td></td> </tr> </table> <p>Anticipated date for full implementation: March 2013</p> <p>Implementation Risks/ Issues including management/ mitigation issues</p> <ul style="list-style-type: none"> - Implementation of Parking system which will support the web site transactions - Lack of take up by the public to new transactions, will mean poorer service at OSS and Contact Centre - Reduction in customer satisfaction 		As at Oct 2010	Plans being finalised for Revs and Bens as well as an Web Optimisation Road Map	As at Mar 2011	Plans for both agreed and being implemented	As at Oct 2011		As at Mar 2012		As at Oct 2012		As at Mar 2013		As at Oct 2013		As at Mar 2014	
As at Oct 2010	Plans being finalised for Revs and Bens as well as an Web Optimisation Road Map																
As at Mar 2011	Plans for both agreed and being implemented																
As at Oct 2011																	
As at Mar 2012																	
As at Oct 2012																	
As at Mar 2013																	
As at Oct 2013																	
As at Mar 2014																	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:																

The majority of savings will come from staffing reductions in the services above and the closure of OSS at Jack Dash House by April 2011

5. Other risk factors which could prevent this saving being achieved following implementation

Closure of OSS not being agreed

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

The programme aims to build upon work undertaken to assess customer preferences in how they would like to deal with the Council, in meeting these preferences and so meeting the estimated demand for online services will reduce costs.

7. Main issues arising from Equalities Impact Assessment (if any)

An EQIA screening has been undertaken and full EQIA will be undertaken.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	YES	For many customers this will open up more convenient channels of access – particularly for those who have a preference to use the web. The majority of our customers will continue to have convenient access to our remaining network of OSS and Contact Centre
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	

CHANGES TO STAFFING		
Does the change involve a reduction in staff?	YES	The reduction in staff associated with this proposal will be managed through the Council's Managing Organisational Change procedure and will be subject to a specific impact assessment. It is not envisaged this proposal will disproportionately impact on a particular staff group.
Does the change involve a redesign of the roles of staff?	NO	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

Item Ref. No:
SSP/1

TITLE OF SAVING OPTION:		Improve contract pricing through contract renegotiation			
DIRECTORATE:	CSF				
SERVICE AREA:	All	LEAD OFFICER:		Karen Badgery	
FINANCE CONTACT		David Tully			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full 3 Year Effect
Employee FTEs					
Employee Costs					
Other Costs	13,000	273	273	358	904
Income (Specify)					
TOTAL	13,000	273	273	358	904
Capital: Are there any capital set up cost associated with this proposal? No – Please state capital proposal reference No.					
1. Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:					
<p>This proposal involves renegotiating with current suppliers in a number of key contracts.</p> <p>Children’s Schools & Families has a number of contracts to support vulnerable and other young people, some of which support statutory duties. The value of those contracts is in the region of £3.5m. (excluding spend on placements, youth services and early years provision - which are being dealt with separately). The overall approach to achieving these savings will be to reduce the level of spend on contracted services. This will provide savings of £233,000 a year from 2011/12, a further £233,000 in 2012/13 and a further £278,000 in 2013/14.</p> <p>The level of commissioning activity will be reduced across the service whilst ensuring strategic priorities will continue to be met and statutory duties to children in need are delivered. All decisions will be based on an analysis of need which will include reviewing services to assess impact and consultation with families to identify their service priorities. This will provide the evidence required to deliver services that best support needs and improve outcomes for children, young people and families.</p> <p>All contracts are currently under review and decisions will be made on whether to:</p>					

- extend contracts
- re-tender the service
- discontinue services where there is no evidence of impact and signpost users to other services

Work is well underway to prioritise services and reduce the number of contracts in CSF.

All providers have been notified that there is a possibility that contracts will not be extended beyond the end date. (There is provision to extend the majority of contracts for a further two years). An understanding response has been received from a number of voluntary sector providers with regard to the transparency of our process and for providing early notification of the possible changes.

In addition, CSF spends approximately £13m per annum on placing children and young people in care (including foster and residential care). The Directorate works in the main with providers that have signed up to the pan-London agreement, which puts a ceiling on the placement rate.

Benchmarking work with other Boroughs has shown that a different approach to commissioning external placements has enabled them to drive down costs with external providers. It is planned to replicate this approach in Tower Hamlets with the aim that 5% savings will be realised, by rationalising the number of external foster placement providers and developing a discount scheme based on the annual number of placements with individual agencies. Officers are already working to increase the number of in-house placements (those placed with Tower Hamlets foster carers) which is more cost effective and more beneficial for children and young people and where possible reduce the number of children and young people entering the care system through our entry to care panel.

Rationalising the number of placement providers is taking place from December 2010 after which the authority will operate an informal preferred provider list which will enable it to implement the discount scheme. This will provide savings of £40,000 from 2011/12, £40,000 in 2012/13 and a further £80,000 in 2013/14.

All children in need will continue to be supported, including those entering the care system, but these new arrangements will enable this to be done more cost effectively.

Similar savings in Communities, Localities and Culture, Adults, Health & Wellbeing, Chief Executive's Directorate and Development & Renewal are being met from specific projects set out elsewhere in these papers.

2.	Service implications of saving:
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These savings will be delivered through more efficient and cost-effective ways of working and as such will not impact on quality of service delivered.

The council has a duty to safeguard all children and young people from harm and neglect and will continue to meet statutory obligations to children in need.

Although the number of contracts will reduce the authority will ensure that all families continue to receive support through the remaining contracted services or through mainstream provision

such as early years and youth services. Officers are in the process of building capacity within mainstream services so that they can work with children, young people and families across all levels of need (universal, targeted and specialist).

The evidence based approach will ensure the authority commissions only those services that will have the most impact on improving outcomes for children, young people and families.

Officers will regularly monitor which families are receiving services so that the authority can ensure that all those with a need benefit from the services available.

The above proposals will allow improved value for money to be secured without impacting on the quality of foster placements available.

3.	Actions required to achieve saving:
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In relation to CSF,

- Contracts are scheduled to end in either March 2011 or 2012.
- Reviews will be undertaken each year to determine our commissioning intentions.
- Contract extensions, re-negotiations, re-tendering or de-commissioning activities will also need to take place each year.
- Capacity building programme in mainstream settings will commence from December 2010.
- In relation to foster care, contracts have been issued to all existing providers based on the pan-London agreement.
- The preferred provider list is in process of being agreed and will be implemented during December 2010.
- Details of the discount scheme are currently being drafted and will be negotiated with providers between January-March 2011.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
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Services provided by local and national suppliers may be affected. All services in question are run by 3rd parties.

The implications for those placement providers the authority ceases to use will be minimal as there are only a small number of placements with these providers. They will also continue to receive business from other boroughs. There is unlikely to be any impact on local providers as our priority is to place children and young people in borough where possible.

There is a possible impact upon relationships with suppliers, leading to reduction in service quality and possible reputational risk with suppliers, which however also has a positive aspect if it enhances the Council's reputation as a commercial player.

5.	Other risk factors which could prevent this saving being achieved following implementation
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- Pressure not to reduce the number of commissioned services
- Delays to decision making process will impact on level of saving achieved
- Providers are not supportive of renegotiation of contracts

The risks associated with delays to the decision making process will be mitigated by reducing further spend on commissioning activity and those associated with public pressure by engaging parents/carers in the decision making process.

Officers will also ensure there is a smooth transition into all replacement services.

There is a limit to the number of contracts it is intended to re-negotiate so this will not pose a significant risk.

The entry to care panel will reduce the risk of there being an increase in the numbers of children and young people coming into care.

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
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The evidence based commissioning approach will ensure the most effective services are developed and procured. This in turn will ensure the Council receives the best possible value for money. This will be measured through regular contract monitoring and service evaluations.

Savings can be identified through direct price comparison and market testing.

7.	Main issues arising from Equalities Impact Assessment (if any)
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The needs analysis will ensure the authority continues to commission services to meet the needs of all children, young people and families.

All existing users of services will also continue to benefit from a range of services through mainstream provision and targeted support.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	NO	
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	NO	
Does the change involve a	NO	

redesign of the roles of staff?		
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**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
SSP/2**

TITLE OF SAVING OPTION:		Better targeting of street cleansing and refuse collection contracts			
DIRECTORATE:		Communities Localities and Culture			
SERVICE AREA:		Public Realm	LEAD OFFICER:		Jamie Blake
FINANCE CONTACT					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs	12,771	325	375	825	1525
Income (Specify)					
TOTAL	12,771	325	375	825	1,525
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The street cleansing service is operated by Veolia as part of the Waste Management Services Contract and is valued at approximately £7 million per annum. The service has improved substantially over the past two years and in the recent residents survey both improved in satisfaction, whilst litter has dropped to 5th in terms of “things that residents are most concerned about”. LAA targets have been met for detritus and were last year 1% over target for litter.</p>					

The service across the borough is based on multiple single beat sweepers with a minimum frequency of three sweeps per week on Borough roads and multiple sweeping on main shopping areas and areas of the Borough with high footfall.

The refuse collection service is operated under contract by Veolia and collects in excess of 80,000 tonnes of household and commercial waste per annum. The service forms part of the Waste management Service contract and the refuse collection service element is valued at approx £5 million per annum.

The service operates from watts Grove depot, with waste being deposited at Northumberland Wharf for onward transfer to disposal. The service collects waste on a weekly basis from all low rise properties and empties bulk containers on a regular basis from high rise / multi occupancy properties.

The increase in recycling over the past two years has resulted in the diversion of over 15,000 tonnes of material away from the refuse collection service. Whilst this has been replaced by some element of growth due mainly to new properties across the Borough, there is scope for a reduction in refuse collection crews and a rescheduling of rounds, Whilst this will cause some short term disturbance in rounds, the majority of waste is containerised so many residents will not notice a change in collection day. All services will, wherever possible, be coordinated with recycling services and so any savings will require a comprehensive review of collection schedules and suitable public information programme.

Phase 1 (2011/12)

The savings for 2011/12 will be made from an initial review of the refuse rounds and piloting the reduction of sweeping beats and night sweeping staff, with a greater emphasis on litter picking / dog foul removal.

Phase 2 (2012/13)

Savings will be achieved through a systematic roll out of re-engineered sweeping beats following evaluation of the pilot work undertaken in phase 1. This can be negotiated with the current provider and can in part be mitigated by investing capital (s106) in litter bins and increased public awareness campaigns.

Phase 3 (2013/14)

The savings for 2013/14 will form part of a more comprehensive review as part of the Integrated Public Realm contract which will deliver even greater value for money and reflect the further predicted progress in recycling and subsequent diversion from waste disposal. This will include a major reassessment of sweeping standards as part of the development of specifications for the proposed Integrated Public Realm Contract. The specification will be based on output standards, increase cooperation between landowners, strict enforcement standards and greater monitoring / involvement from residents. The procurement process has been timetabled for a contract start date of 1 April 2013. the drafting of specifications will take place during the summer and could be structured to take account of future decisions relating to the frequency of cleaning, standards for both litter and detritus and emphasis on graffiti and fly posting removal.

2.	Service implications of saving:
a.	<p>Service delivery implications</p> <p>The number of residents who view litter as a problem in the Borough has steadily declined over the past two years and there is a link between the cleanliness of the Borough and satisfaction with the Council overall. Every effort will be made to maintain these high standards.</p>
3.	Actions required to achieve saving:
	<p>Anticipated date for full implementation and delivery of savings; The whole of the street cleaning service will need to be reviewed to minimise the impact of potential service reductions. This will take place during early 2011 with services fully implemented for 2012/13 to ensure the full year effect of the reduction is realised.</p> <p>Implementation Risks/ Issues including management/ mitigation issues</p> <ul style="list-style-type: none"> • Reduction in NI 195 standards <p>Mitigation – The localisation of contract monitoring officers will ensure a more consistent and regular monitoring of service standards combined with more involvement by local residents and community groups in measuring contractor performance.</p> <p>Estimated cost of implementation and proposed source of funding Costs will be absorbed within the current contract sum</p>
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
	A reduction of between 20 – 25 staff from Veolia’s workforce.
5.	Other risk factors which could prevent this saving being achieved following implementation
	None
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
	This proposal reduces the cost of the service through generating efficiencies in contractor working practices and staffing requirements. Greater value for money will also be provided through increased partnership delivery via the Muslim Women’s Collective to complete the quarterly NI 195 surveys.
7.	Main issues arising from Equalities Impact Assessment (if any)
	None

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	Yes	As the service becomes more targeted provision will be targeted to the areas of greatest need.
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		

Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
SSP/3**

TITLE OF SAVING OPTION:		Events In Parks (overall reduction in summer usage of Victoria Park)			
DIRECTORATE:		CLC			
SERVICE AREA:		Arts and Events	LEAD OFFICER:		Steve Murray Head of Arts and Events
FINANCE CONTACT					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs		200			200
Income (Specify)	525				
TOTAL	525	200			200
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The Council has for a number of years been developing Victoria Park as a venue for commercial Music festivals.</p> <p>This development of the Park as a venue has required careful planning and building the reputation of the borough as a reliable Landlord who understands the requirements of</p>					

commercial operators. External expertise has been brought in to produce guidelines on sound levels that balance the needs of the promoters along with minimising the impact on local residents and contractual arrangements have also been developed to minimise impact of crowds in the locality. This proposal relates to developing more effective use of our major parks to increase income generation.

The Council also seeks to increase the level of corporate events and weddings taking place in its parks generally. A marketing plan for specified parks and open spaces will be in place by early 2011 and the expectation is that this additional stream of income would build over the next three years and beyond.

2. Service implications of saving:

Income currently generated through commercial activity has been utilised to support free community events in our parks. These include Paradise Gardens, the boroughs main element of the Five Borough Festival, Create, and the annual fireworks display. If the number of commercial event days were to be reduced then a reduction in the number of free to access events may be required to realise the income target.

3. Actions required to achieve saving:

A detailed report outlining proposed events is currently in preparation and will be presented to Cabinet early in 2011.

Implementation Risks/ Issues including management/ mitigation issues

Considerable work has gone into limiting the impact of events in parks locally and they will continue to be closely monitored and managed. The risk of the commercial music festival market failing is not within our control but current indicators are positive and there has been a steady growth over the last four years.

Estimated cost of implementation and proposed source of funding

Costs of negotiations, contracting, etc will be covered within existing resources. Additional costs incurred through managing the events, i.e. employment of freelancers, will be covered from additional income generated. Ongoing marketing costs should also be possible to draw down from the income generated.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

The Heritage Lottery works in Victoria Park cover the period of these events up to early 2012 and officers are working to map and mitigate the impact. In 2012 it is intended to have a temporary Live Site in Victoria Park covering the Games period but any model will have the savings target built into it.

The activity also has implications for other services within the council including Licencing, Environmental Protection. This is particularly pertinent to the projected work loads related to the Olympics in 2012. We will be scoping the implications of this and building the necessary costs into projected income generation.

5. Other risk factors which could prevent this saving being achieved following implementation

- All the music events are dependant on successful granting of licences.
- Many Local Authorities are now looking to use their parks for income generation and competition for commercial events will increase in future years.
- Promoters need a lead-in time to their events and invest significant resource in marketing and booking artists. If for any reason there were delays in agreeing contractual arrangements or agreed dates were cancelled this would result in a damaging effect on future potential income generation.

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
This proposal will deliver greater value for money by generating additional income from existing assets. Efficiency will be measured by an increase in annual income within the parks budget.	
7.	Main issues arising from Equalities Impact Assessment (if any)
An EQIA screening has been undertaken and the equalities impact of the staffing change will be picked up through the application of the Council's Handling Organisational change procedures.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	Yes	Revenue will be generated by ensuring greater value for money within the contractual arrangements with the event organisers and developing new venues for small corporate events. There will be an increase in access to Victoria Park.
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
Does the	No	

change involve a reduction in staff?		
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
SSP/4**

TITLE OF SAVING OPTION:		Integrated Public Realm Contract – service efficiencies			
DIRECTORATE:		Communities Localities and Culture			
SERVICE AREA:		Public Realm	LEAD OFFICER:		Jamie Blake
FINANCE CONTACT					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs	21,700		1,200	1,300	2,500
Income (Specify)					
TOTAL	21,700		1,200	1,300	2,500
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal, including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>Within Public Realm there are a number of service and works contracts that have historically been procured and managed separately. To date there has been little opportunity to review the contracting approach and seek an opportunity to re-package the services because of disparate expiry dates.</p> <p>The review of the short term contracting approach for waste services has highlighted an opportunity to review Public Realm contracts on a wider basis. An assessment has been</p>					

undertaken and reported to both the Waste Disposal Board and Competition Boards. The report highlighted those Public Realm Services which achieve best fit in terms of operational and economies of scale. These are listed below:

- Municipal Waste Management (Cleansing)
- Integrated Recycling Contract, Lots 1, 3 and 4 (excluding food waste processing)
- Landscape Maintenance Services - Parks & Open Spaces
- Landscape Maintenance Operations – Water areas and Wapping
- Parks Security Services
- Arboriculture Works
- Weed Control
- Gully Cleansing
- Street Lighting Maintenance

The estimated value of savings for this option ranges from £428k to £1,424k per annum which represents a saving range of 2.1% to 7.1% against the estimated spend for 09/10. The reduction estimate has been based on a mid point of these assessments.

The potential for cost savings also needs to be set in a strategic commissioning context as it would offer opportunities to work with RSLs in the Borough to assist them to deliver improved services at the right level.

The review has identified that packaging a number of Public Realm Services together can offer the Council the opportunity to drive efficiency savings on future service delivery.

Predominantly the opportunities for savings can be made by packaging the biggest service contracts together, for example the refuse collection and street cleansing services, recycling and landscape maintenance. However, in relation to the main landscape maintenance contract the review has built in the risk that re-tendering this service will increase the tendered prices as it is known that the current contractor offers excellent value for money.

A detailed procurement timescale and resource plan has been developed and a soft market testing exercise is underway to gauge private sector views of contract packaging and potential efficiency savings.

This proposal is subject to sensitive negotiations and, as such, it is appropriate to have a contingency plan in place should the option outlined above be unachievable. Savings may be delivered in a number of other ways depending on the configuration of the package of integrated contracts. It may be possible for example, as part of existing contract negotiations, to alter existing arrangements for the disposal of waste. Agreeing a guaranteed gate fee, fixed for the period of the contract, would generate additional savings and provide a level of sustainability in service budget reductions.

The options available in relation to the package of contracts and the waste disposal arrangements are flexible and will interchange according to the progression of the negotiations. Therefore, the savings profile identified on page 1 is not linked to a single specific option, Rather it represents a realistic assessment of achievable savings to be delivered via a combination of the opportunities available, to be determined early in the new year.

2.	Service implications of saving:
	<p>a. Service delivery implications</p> <p>The integration of public realm contracts should result in a more joined up set of services, with reduced potential for parts of the service to fail due to assumptions as to responsibility for delivery.</p>

3.	Actions required to achieve saving:
	<p>Anticipated date for full implementation and delivery of savings;</p> <p>A detailed project timescale programme has been developed based on a contract implementation date of 1st April 2013</p> <p>Implementation Risks/ Issues including management/ mitigation issues</p> <ul style="list-style-type: none"> • Decision is taken not to proceed with the integrated contract • Procurement exercise does not deliver savings • Ground maintenance contract rates are substantially higher than the current contract and reduce efficiency savings
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
	<p>Contract negotiations are under way with the main service provider. They are fully engaged in the process ensuring that implications of this proposal remain at a minimum.</p>
5.	Other risk factors which could prevent this saving being achieved following implementation
	<p>None</p>
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
	<p>Value for money is delivered through reductions in annual contract value, generated through efficiencies in contract delivery and the renegotiation of charges for services provided by the contractor.</p>
7.	Main issues arising from Equalities Impact Assessment (if any)

None

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
	No	

Does the change involve a reduction in staff?		
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
SSP/5**

TITLE OF SAVING OPTION:		Telephone Contract Renewal			
DIRECTORATE:		Resources			
SERVICE AREA:		Procurement and Corporate Programmes	LEAD OFFICER:		Claire Symonds
FINANCE CONTACT		Alan Finch			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs	1013	413			413
Income (Specify)					
TOTAL	1013	413			413
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

Savings arise from renegotiation of the current telephone contract and its reassignment to a new supplier. The total ICT telephony combined savings will be £413K from 2012-13 assuming the proposed volume of Council telephony traffic remains constant for the duration of the contract.

2. Service implications of saving:

Savings arise from the new current telephone contract that is in place. The contract savings are based on a number of assumptions:- that number of handsets, call traffic ("volumetrics", profile to fixed lines, mobiles etc), call centre seating remain constant over the next 5 years at the baseline level at the time of contract . However, a massive out-going call campaign could impact call volumes.

3. Actions required to achieve saving:

Resource requirement for implementation	Nature of costs including whether revenue or capital	Cost of implementation £000s	Of which, from within existing resources £000s
In 2011/12	New telephone contract in place.	-	-
In 2012/13	-	-	-
In 2013/14	-	-	-
Total	-	-	-

Provide further detail on nature and any costs of implementation

Additional costs can be absorbed within the current net budget of the service.

Rough implementation timetable. Indicate in a sentence the stage of development you would anticipate for the proposal at six monthly intervals.

As at March 2011	Implemented in Nov 2009.
As at September 2011	-
As at March 2012	-
As at September 2012	-
As at April 2013	-

Anticipated date for full implementation:

Nov 2009

Implementation Risks/Issues including management/mitigation issues

New contract in place.

Payback calculation:

Contract expected to make savings over the duration of the contract – 5 years.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
Contract in place and implications have been minimised as a result.	
5.	Other risk factors which could prevent this saving being achieved following implementation
The risks are considered low and containable with the contract now in place.	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
Savings have been identified through direct price comparison and market testing of the new contract.	
7.	Main issues arising from Equalities Impact Assessment (if any)

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	NO	
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	
CHANGES TO STAFFING		
Does the	NO	

change involve a reduction in staff?		
Does the change involve a redesign of the roles of staff?	NO	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
SSP/7**

TITLE OF SAVING OPTION:					
Domiciliary Care Re-commissioning					
DIRECTORATE:					
Adults Health and Wellbeing					
SERVICE AREA:					
Commissioning and Strategy			LEAD OFFICER:		Deborah Cohen (Keith Burns)
FINANCE CONTACT					
Paul Thorogood					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	-	-	-	-	-
Employee Costs	-	-	-	-	-
Other Costs	11,760	1,045	345	0	1,390
Income (Specify)	-	-	-	-	-
TOTAL	11,760	1,045	345	0	1,390
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	-	-	-	-	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

Re-commissioning of domiciliary care contracts with a proposed start date for new contracts of June 2011. Procurement strategy signed off by Competition Board and OJEU advert to be placed by 30 November 2010.

Based on 2008/09 costs, our average unit cost for domiciliary care is £17.80 per hour, compared with an Inner London average of £15.20 per hour. The proposed saving is based on an intention that in re-commissioning these services in a more efficient way we will bring the average hourly cost down to the Inner London average. (So the saving is calculated by multiplying the difference between our hourly rate and the Inner London average by a proportion of the number of commissioned hours in 2008/09 – see 6 below).

The procurement strategy involves reducing domiciliary care contracts, from 16 currently, to 4 geographically based contracts (one for each paired LAP). The smaller number of larger contracts, combined with an increased proportion of the total contracted hours let on a 'block' basis is the mechanism by which lower unit prices will be secured.

2. Service implications of saving:

The efficiencies proposed here are based on achieving a reduction on average unit costs by increasing the proportion of service which is delivered under block contract arrangements. There is no proposal to reduce the number of hours commissioned, or to negatively impact on quality.

The contracts for the new services will be drawn in such a way that they support and help to deliver the broader programme for Transforming Social Care. The Expressions of Interest advert and subsequent Invitation to Tender will provide detailed information about the characteristics of the population of each paired LAP, and a critical element of the evaluation of tenders will be how potential suppliers propose delivering services which are sensitive and appropriate to the particular population of each paired LAP (including how they will deliver a workforce to reflect the community).

The proposed new model has implications for the way in which the in-house domiciliary care service operates, and this is being addressed via a separate proposed strategic reconfiguration of the in-house service.

3. Actions required to achieve saving:

Rough implementation timetable. Indicate in a sentence the stage of development you would anticipate for the proposal at six monthly intervals.

As at December 2010	Procurement process in progress.
As at June 2011	Procurement process complete and contract award report submitted for Cabinet approval.
As at December 2011	6-month review of new contractual arrangements underway.
As at June 2012	First annual review of supplier performance underway.

Anticipated date for full implementation:

Planned contract let date is June 2011, with all existing service users transferred to new arrangements by July 2011.

Implementation Risks/Issues including management/mitigation issues

The proposed saving is calculated using 2008/09 cost and activity information for us and for Inner London (comparator data for 2009/10 is not yet available), so is contingent on the gap between our average rate per hour and the Inner London average remaining the same through to 2011.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
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As already noted, the proposed model has implications for the way in which the in-house service operates. Mitigation strategies to minimise this impact are being taken forward through a proposed strategic reconfiguration of the in-house service (the subject of a separate efficiency submission).

A number of current providers are local organisations and these organisations could be affected by the reduction in contracts available. In order to mitigate this consortium bids led by, or involving, local suppliers will be positively encouraged.

5.	Other risk factors which could prevent this saving being achieved following implementation
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The introduction of Personal Budgets will increasingly enable individual service users to purchase services to meet their own care and support needs from sources outside of the Council's contracted services. This may mean a reducing demand for commissioned domiciliary care services over time. However, this shift in demand is likely to be relatively gradual, and is mitigated by not seeking to block contract for more than 50% of current demand. This means that up to 50% of current demand could be "lost" to commissioned services without an impact on the block contracted price (which is where the efficiencies will be generated).

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
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As noted, the intention is to bring our average unit cost for commissioned domiciliary care services down to the Inner London average. This will be achieved by re-commissioning services in a way that enables suppliers to offer a better price (by increasing the size of block contracts.)

However, it is not considered prudent to assume that the saving can be delivered across the full range of commissioned service, as, for example, it may not be possible to reduce the cost of more specialist community support by the same factor as can be achieved for more generic domiciliary care activity. Accordingly the saving identified here is based on achieving the cost reduction on two-thirds of currently commissioned hours (so 535,831 hours per annum as opposed to the full year 2009/10 activity of 802,747 hours). The calculation is

therefore $\text{£}2.60 \times 535,831 = \text{£}1,393,160$ per annum (FYE).

Efficiency improvements will be measured by the average hourly rate at which services are commissioned, using 2009/10 costs as the baseline.

7.	Main issues arising from Equalities Impact Assessment (if any)
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An EQIA screening has been undertaken and full EQIA will be undertaken.

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	There is no change to the Council's FACS eligibility criteria and thresholds
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	Yes	<p>Long term domiciliary care support will be provided in future by independent providers following a tendering procedure. Existing service users of the inhouse service will continue to have their service provided by the inhouse service.</p> <p>The delivery of culturally sensitive services will be a requirement in the new contract arrangements.</p>

		A full EQIA is being carried out on this project
CHANGES TO STAFFING		
Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
SSP/8**

TITLE OF SAVING OPTION:		Applying the national care calculator in order to reduce supplier margins			
DIRECTORATE:		Adults Health and Wellbeing			
SERVICE AREA:		Commissioning and Strategy	LEAD OFFICER:		Deborah Cohen
FINANCE CONTACT		Paul Thorogood			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	-	-	-	-	-
Employee Costs	-	-	-	-	-
Other Costs	15,178	750 (2010/11 savings of 350k included here)	0	0	750
Income (Specify)					
TOTAL	15,178	750 (2010/11 savings of 350k included here)	0	0	750
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	

Capital Expenditure	-	-	-	-
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1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:
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The Care Funding Calculator (CFC) is a tool designed by the Regional Improvement and Efficiency Partnerships (RIEP's) to support commissioners in ensuring improved outcomes for service users and the best of resources.

The CFC is used to:

Assess the level of staff support required to meet an individuals needs. This is achieved through a needs based assessment.

Agree a price based on relevant market knowledge, which is appropriate to the needs of the person and represents best value for that care; Confirm any specific outcomes which have been agreed with the service user where they want to develop their skills, and record how this is to be achieved; By breaking down the needs of an individual into detail the tool works out accurately, based on benchmarked guide prices, how much it might cost to meet those needs. It ensures that care services are linked directly to the needs of the individual and that the price reflects this.

Extensive market research has been undertaken when developing the tool to enable a number of assumptions about costs and staffing structures to be used. The CFC has also been piloted with Councils around the country.

Earlier versions of the tool have already proven to be a success with Councils saving an average of 12% on their costs. Only high cost placements over the value of £750 per week will be targeted in this piece of work and the tool will be used to renegotiate fees with providers to arrive at a fair price. There are currently c240 nursing and residential placements for adults of working age, costing over £750 per week. The gross weekly spend on these placements equates to £291,887. The total cost of these amounts to £15.178million (full year cost based on 52 weeks). The proposed saving amount is based on delivering this 12% average saving over the life of the project.

2.	Service implications of saving:
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The negotiations with residential homes centre on a number of variables, which require expert knowledge around:

- The use of the Care Funding Calculator;
- The market and the providers who make up the market, including key national organisations;
- Organisational staffing structures and acceptable levels of staffing for different care groups;
- Local wages; and
- Acceptable profit margins, Return on Capital Employed (ROCE) and how an

organisations finances are structured.

These variables all contribute to the cost of an individual placement. In addition the role of engaging and negotiating with a range of providers, some of which are reluctant to engage with local authorities who are using the CFC will require specific skills, knowledge and expertise.

There will also be a need to train key directorate staff, such as social workers and brokers, in the use of the CFC in order that the assessments required to review the high cost placements are undertaken.

3. Actions required to achieve saving:

Rough implementation timetable. Indicate in a sentence the stage of development you would anticipate for the proposal at six monthly intervals.

As at March 2010	Individual with required expertise employed to undertake negotiations with providers.
As at September 2010	Individual reviews and renegotiations of existing placements underway. CFC in full use as the basis for negotiating price for all new residential placements for younger adults.
As at March 2011	Individual reviews and renegotiations of existing placements continuing and responsibility for these transferred to new Access to Resources function.
As at September 2011	Individual reviews and renegotiations of existing placements continuing.
As at 1 st April 2012	Process of reviewing and renegotiating all existing placements complete.

Anticipated date for full implementation:

CFC in use for all new placements for younger adults aged under 65 from July 2010. All reviews of existing placements complete by 31st March 2012.

Implementation Risks/ Issues including management/ mitigation issues

There is a risk that we may not be able to negotiate a reduction of costs in all cases. Where homes provide a very specialist service and/or there is limited supply, our ability to negotiate may be constrained.

An individual with relevant specialist expertise has been commissioned to undertake this work. This contract ends in March 2011, and from that point the tool and remaining reviews will be embedded in the new Access to Resource Function. There is some risk that the loss of expertise will lead to a loss of momentum, but this will be mitigated by careful handover / training planning.

4. Potential implications for staff, contractors, partners, assets and other Directorates:

The proposed efficiencies to the Council as a result of the transparency of costs will translate to reduced income for suppliers, The Council will need to ensure that suppliers remain viable and that quality of care is not compromised.

5. Other risk factors which could prevent this saving being achieved following implementation

None.

6. Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?

This will reduce costs, which in turn will contribute to the reduction of the unit cost of delivering the service whilst maintaining the level of quality of care.

7. Main issues arising from Equalities Impact Assessment (if any)

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	No residential services are provided by the Council
CHANGES TO STAFFING		

Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
SSP/9**

TITLE OF SAVING OPTION:		Shared Re-Commissioning Supporting People Services			
DIRECTORATE:		Adults Health and Wellbeing			
SERVICE AREA:		Commissioning and Strategy	LEAD OFFICER:		Deborah Cohen (Carrie Kilpatrick)
FINANCE CONTACT Paul Thorogood					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs	-	-	-	-	-
Employee Costs	-	-	-	-	-
Other Costs	15,200	760			760
Income (Specify)	-	-	-	-	-
TOTAL	15,200	760			760
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure	-	-	-	-	
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

Savings are to be made by re-tendering the portfolio of supporting people contracts.

The proposed saving is based on achieving an average 5% reduction in prices. This will be achieved by setting up Joint Framework Agreement, in partnership with LB Newham, from which contracts will be “called off” and awarded to the most economically advantageous supplier for that particular service. The Framework Agreement is due to be in place in Autumn 2011 with a “Call Off” timetable to begin immediately from the point at which the Framework Agreement is formalised. The ‘call offs’ for service will be at a reduced cost to deliver an average 5% saving across the framework as a whole, with a part year effect in 2011/12 and full year effect from 2012/13. Short term contract renegotiations will be undertaken to mitigate the 2011/12 part year effect and deliver a full year equivalent saving.

The original SP contracts programme was negotiated based on national guidance in 2003. Many of these contracts are now due for renewal. Officers believe that there are opportunities to achieve efficiencies and increased value for money. The current SP programme involves 30 providers and 102 services.

The Joint Framework Agreement is being developed in partnership with LB Newham to maximise opportunities for suppliers, achieve greater efficiencies and share implementation costs.

2. Service implications of saving:

A detailed Supporting People Commissioning Strategy is currently in development that will clearly identify commissioning intentions for all client group areas over the next 5 years and services which will be called off from the Framework. This Strategy also maps overlap/interfaces with Domiciliary Care and Accommodation Strategies for Mental Health and Learning Disability Client Groups where the provision of supporting people funded services can reduce the use of more expensive residential care.

The aim of this tendering exercise is to reduce the cost of services while maintaining and improving, where possible, the level of service, without reducing capacity in the system.

3. Actions required to achieve saving:

Anticipated date for full implementation and delivery of savings

November 2010	Tendering processes underway
November 2011	Completion of Framework Agreement and start of “Call-Off” timetable
May 2012	6 monthly review of implementation and efficiencies achieved to date.

Implementation Risks/Issues including management/mitigation issues

It is assumed that funding for the Supporting People programme will continue to be calculated according to the SPDF (Supporting People Distribution Formula) which is expected to reduce over the next three years, although the exact figures are not yet known.

This means that the 5% savings put forward above will be on top of a programme which is already reducing. The Supporting People Strategy factors in different scenarios to allow for this. It may be possible to revisit the 5% target once the scale of the reduction in funding from Central Government is known.

There are a few third sector and RSL providers who have not had to tender before and who are not familiar with the operation of framework contracts. There are providers who have a very long historical association with Tower Hamlets. There are also some providers who both own the buildings where current support services are provided and who are also the support provider. If these providers are not successful in the tenders then they would face a position of another support provider operating out of their managed residential units.

A first workshop with providers was facilitated in April 2010 to announce the start of this process and consult with current suppliers.

An experienced independent organisation "Sitra" have been contracted to provide independent support to current and potential suppliers throughout the Framework Agreement process. This support includes specific training and support in submitting collaborative bids, with the intention of maximising the opportunity for small and/or local suppliers to participate competitively in the tender process either by leading or participating in a consortium bid.

There are the usual issues of TUPE that may arise if the tendering results in changes of provider.

Estimated cost of implementation and proposed source of funding

- Project Management costs (LBTH): £41k
- Support to providers via SITRA (shared with LB Newham so 50% of total cost): £12.5k
- Framework management software (shared with LB Newham so 50% of total cost): £10k
- Venue hire / Advert costs etc (shared with LB Newham so 50% of total cost): £7.25k

All of the above costs have been budgeted for from within the Supporting People budget for 2010/11.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
Impact on partners covered above and below.	
5.	Other risk factors which could prevent this saving being achieved following implementation
There are the usual issues of TUPE that may arise if the tendering results in changes of provider. However the SP Unit is experienced in dealing with this, having had to implement a change of contract last year involving TUPE of staff. The possibility of TUPE will be incorporated in the implementation plan from the earliest possible time.	

6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
7.	Main issues arising from Equalities Impact Assessment (if any)
An EQIA screening has been undertaken and full EQIA will be undertaken.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	Yes	A full EQIA is being carried out on the Supporting People Strategy that will drive use of the framework contracts.
Does the change involve revenue raising?	No	
Does the change alter who is eligible for the service?	No	There is no change in the Council's eligibility thresholds
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	Supporting People services are already provided by independent suppliers of housing related support.
CHANGES TO STAFFING		

Does the change involve a reduction in staff?	No	
Does the change involve a redesign of the roles of staff?	No	

**SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
SSP/10**

TITLE OF SAVING OPTION:		Leisure Service Efficiencies			
DIRECTORATE:		Communities, Localities & Culture			
SERVICE AREA:		Cultural Services, Sport & Physical Activity	LEAD OFFICER:		Heather Bonfield
FINANCE CONTACT					
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs	2,000	70	308	470	848
Income (Specify)		25	25	25	75
TOTAL	2,000	95	333	495	923
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
A number of opportunities are available to deliver savings as part of this proposal. These opportunities include, but are not limited to, the following:					
<ul style="list-style-type: none"> • Potential negotiated reduction of the existing management fee (c£2m in total) • Renegotiation of the surplus share arrangements 					

- Review of fees and charges

As part of the renegotiation aspects of the contract would be improved; in particular performance management arrangements and "open book" arrangements.

The annual increase of charges is set in accordance with a price index, but charges are low in comparison with other Leisure providers. Any increases would need to reflect the sensitivity of the market and arrangements would be made for residents in receipt of benefits to have reduced charges.

This proposal is subject to sensitive negotiations. As each of the opportunities are linked within the contract the implementation of any of the opportunities mentioned above will have an impact on the viability of achieving savings from the others. Therefore, the savings profile identified on page 1 is not linked to a single specific option. Rather it represents a realistic assessment of achievable savings to be delivered via a combination of the opportunities available, to be determined early in the new year as negotiations progress.

2.	Service implications of saving:
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This proposal will have no impact on service delivery.

3.	Actions required to achieve saving:
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Anticipated date for full implementation and delivery of savings;

Assuming that negotiations begin during 2010, the revisions and new contract arrangements could be in place for 2012/13, whilst fees and charges will be ammended from April 2011.

Implementation Risks/ Issues including management/ mitigation issues

The level of reduction in the management fee is dependant on negotiations. Work has been undertaken to benchmark current levels of fees and charges with neighbouring boroughs. Options to increase fees will be identified from this analysis to ensure that all charges are in line with market rates and do not disadvantage the most vulnerable residents.

Estimated cost of implementation and proposed source of funding

Unknown at this time, however the cost of a leisure management specialist to implement contract improvements with associated financial benefits is strongly recommended.

4.	Potential implications for staff, contractors, partners, assets and other Directorates:
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The renegotiation could affect contract profitability, however would provide them longer term stability through the potential of an extended contract.	
5.	Other risk factors which could prevent this saving being achieved following implementation
There are no risk factors to prevent achievement of the savings following implementation	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
This proposal will reduce the overall management costs and providing better value for money by ensuring that a quality service to the customer is maintained. This will be measured by performance indicators agreed with GLL.	
7.	Main issues arising from Equalities Impact Assessment (if any)
A full impact assessment will take place in January to identify the affect of each proposal on service users.	

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	No	
CHANGES TO A SERVICE		
Does the change alter access to the service?	No	
Does the change involve revenue raising?	Yes	Refer to Section 1 of the Proforma.
Does the change alter who is eligible for the service?	No	
Does the change involve a reduction or removal of income transfers to service users?	No	
Does the change involve a contracting out of a service currently provided in house?	No	
CHANGES TO STAFFING		
	No	

Does the change involve a reduction in staff?		
Does the change involve a redesign of the roles of staff?	No	

**6SAVING PROPOSALS
BUDGET 2011/12 – 2013/14**

**Item Ref. No:
SW/1**

TITLE OF SAVING OPTION:		Smarter Working			
DIRECTORATE:		All Directorates			
SERVICE AREA:		All Services	LEAD OFFICER:		Chris Naylor (Paul Bullock)
FINANCE CONTACT:		Alan Finch			
	Current Budget	Saving £000s			
	2010/11 £000	2011/12	2012/13	2013/14	Full Year Effect
Employee FTEs					
Employee Costs					
Other Costs			TBD	2,340	2,340
Income (Specify)					
TOTAL			TBD	2,340	2,340
Capital: Are there any capital set up cost associated with this proposal? N – Please state capital proposal reference					
	2011/12	2012/13	2013/14	2014/15+	
	£'000	£'000	£'000	£'000	
Capital Expenditure					
1.	Outline/ details of saving proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				

Virtual Desktop (thin client) computer solution - £TBD

Refreshing the existing PC desktop provision using a thin client / virtual desktop approach will yield savings over the lifetime of the refresh as well as facilitating the smarter working programme. The actual savings are still to be determined.

Relinquishing Anchorage House lease - £2.34m

Implementation of smarter working will improve the utilisation of LBTH assets, increasing workforce flexibility and reducing demand for property space. The result of new ways of working will enable the exit and release of the Anchorage House building.

2. Service implications of saving:

This programme is primarily aimed at changing how and where staff work reducing demand for property space. This greater flexibility will allow staff to be more mobile and therefore responsive to service requests. The more flexible the workforce the more efficient it should be although a potential risk exists in the quality of other working environments e.g. home office impacting service which will need to be closely monitored.

3. Actions required to achieve saving:

Rough implementation timetable. Indicate in a sentence the stage of development you would anticipate for the proposal at six monthly intervals.

As at Oct 2010	Workstream leads appointed. Planning underway and governance established.
As at Mar 2011	Detailed analysis of staff numbers and working styles complete. IT design established and Property feasibility study of Mulberry Place concluded.
As at Oct 2011	Plan in place to roll out revised HR policies and staff terms and conditions along with appropriate training. IT solution piloted and signed off for implementation. Property works commenced.
As at Mar 2012	Phased rollout of IT and HR solutions nearing completion. Build works for Mulberry Place complete with stacking plans and move underway.
As at Oct 2012	Anchorage House emptied, all staff relocated and notice given on lease to landlord
As at Mar 2013	Dilapidation work on Anchorage House underway (target completion no later than June 2013)
As at Oct 2013	Anchorage House returned to landlord ownership. Project complete (lease expiry at Anchorage House June 2013)
As at Mar 2014	

Anticipated date for full implementation:
June 2013

4. Potential implications for staff, contractors, partners, assets and other Directorates:

Any implications for FM staff as a result of building moves will be covered by a separate property led review of overall staffing requirements.

5. Other risk factors which could prevent this saving being achieved following implementation

Increase in council headcount.	
6.	Efficiency/ value for money. How will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
The ICT Components will deliver improved performance, resilience and business continuity at a reduced cost per seat. These improvements will enable Council staff and partners to work in more flexible ways whilst using less energy and thus providing a reduction in the Council's carbon emissions.	
7.	Main issues arising from Equalities Impact Assessment (if any)

Equality Impact Assessment: Test of Relevance

TRIGGER QUESTIONS	YES / NO	IF YES PLEASE BRIEFLY EXPLAIN.....
Does the change reduce resources available to address inequality?	NO	
CHANGES TO A SERVICE		
Does the change alter access to the service?	NO	
Does the change involve revenue raising?	NO	
Does the change alter who is eligible for the service?	NO	
Does the change involve a reduction or removal of income transfers to service users?	NO	
Does the change involve a contracting out of a service currently provided in house?	NO	
CHANGES TO STAFFING		
Does the	NO	

change involve a reduction in staff?		
Does the change involve a redesign of the roles of staff?	Yes	<p>The decant of anchorage house is predicated on the Council employing fewer staff and on those continuing to work for the Council working in new ways. This will mean some staff hot desking, some working more frequently in the field and some working permanently from home. As the programme develops we will need to undertake impact assessments on affected staff groups before decisions about their future working practices are finalised.</p>

STRATEGIC & CORPORATE RISKS 2011-14

Risk	Principal Risk Financing Mechanisms			
	General Reserves	Earmarked Reserves/Provisions	Insured	Service Budgets/Budget Process
OPERATIONAL RISK				
Decent Homes Standard/ALMO	*	*		*
Delivery of the customer promise				*
Development of ICT/eGovernment				*
Disruption to business continuity	*		*	
Facilities Management	*			*
Harm to vulnerable people	*		*	
Maintenance of assets and premises	*		*	*
Procurement of waste disposal contract	*			*
Sickness Absence	*			*

STRATEGIC & CORPORATE RISKS 2011-14

Risk	Principal Risk Financing Mechanisms			
	General Reserves	Earmarked Reserves/Provisions	Insured	Service Budgets/Budget Process
ECONOMIC and SYSTEMIC RISK				
External uncertainty	*			*
External funding uncertainty	*			*
INFRASTRUCTURE RISK				
Building Schools for the Future		*		*
Health & Safety		*		*
Disruption to revenue collection systems	*			
Procurement of waste disposal contract	*			*
Major capital schemes		*		*
Failure of business critical IT application	*			*

DIRECTORATE RISKS 2011-14

Risk Area & Nature of Risk	Directorate	Value of Risk £000s	Budget Treatment/Measures to Mitigate Risk
<p>Debt Collection Rates</p> <p>An economic downturn could have an impact on the collection rates of debts.</p> <p>An impact on the collection rate for Council tax in particular has an impact on the level of tax set in future years, as any deficit on the Collection Fund must be recovered in the year after it is incurred. On all debts, provisions for bad debts are regularly reviewed and any increase required in provision is a charge to the accounts.</p> <p>Even where final collection rates are not impacted, the risk of slow payment and any additional cost of debt chasing must be considered.</p>	<p>Corporate</p>	<p>1% reduction in collection rates on invoiced debt = approx £800,000</p>	<p>Strong debt management and maintenance of high collection rates.</p> <p>Adequate reserves to cover risk of overspend.</p>
<p>Efficiency programmes</p> <p>Many change programmes and projects will be running in tandem on a corporate and directorate basis to narrow the funding gap identified. Examples creation of back office shared service centres, channel management and thin client. The scope and breadth of the organisational changes may threaten effectiveness of business operations. Since allocating sufficient management capacity to the many change projects in addition to managing the regular business is considered critical, priority setting is monitored closely.</p>	<p>Corporate</p>	<p>£30,000 of annual efficiency savings</p>	<p>Clear target setting and project management in place on achieving the main change objectives.</p> <p>Risk management structures are overall well embedded,</p> <p>Sufficient programme and project management skills need to be ensured.</p>

DIRECTORATE RISKS 2011-14

Risk Area & Nature of Risk	Directorate	Value of Risk £000s	Budget Treatment/Measures to Mitigate Risk
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DIRECTORATE RISKS 2011-14

<p>Inflation Inflation is above the Government's long term target. Some costs remain susceptible to geo-political pressures on markets, and pay awards are subject to annual agreement.</p>	<p>Corporate</p>	<p>£2,000 for each 1% variation from estimated inflation.</p>	<p>Central Purchasing is tasked with securing the best possible prices for bought in items. Adequate level of reserves and contingencies to cover temporary risk of higher inflation than anticipated.</p>
<p>Economic Outlook There remains a risk of double-dip recession. Economic turbulence creates less stability and predictability which makes financial forecasting more difficult. An economic downturn could increase demand for some local authority services while impacting upon income from activities which are susceptible to economic pressures, such as planning, building control and capital receipts.</p>	<p>Corporate</p>	<p>£3,100 for each 1% variation in budget requirement</p>	<p>Government may stimulate growth through an injection of funds while the central bank fights inflation through interest rate increases. Adequate level of reserves and contingencies to cover risk of these effects.</p>
<p>Investment Income The Council generates an income from the investment of reserves and balances on the money markets. Interest rates have reduced sharply and suddenly in recent months and are no longer following the historic pattern. Predictions of future rates are therefore extremely hazardous. Rates are not expected to fall further, but the rate of recovery will depend upon such unknown factors as the depth and duration of the recession and Government's response to any further impact of interest rate reductions on the value of the pound.</p>	<p>Corporate</p>	<p>£1,300 for each 1% reduction in interest rates</p>	<p>The budget takes what is hoped to be a realistic, but not a very optimistic or pessimistic view of rates, Adequate level of reserves to cover risk of these effects. Treasury Management Strategy used to limit the risk of loss from investment and to optimise returns relative to risk.</p>

DIRECTORATE RISKS 2011-14

Risk Area & Nature of Risk	Directorate	Value of Risk £000s	Budget Treatment/Measures to Mitigate Risk
<p>Demand Led Budgets</p> <p>Given the range of National and Local service pressures in Adult Services, the demand led commissioning budgets remain potentially volatile and the level of continuing risk needs to be noted. There is a particular pressure in the projected number of older people with dementia.</p>	<p>Adults, Health & Wellbeing</p>	<p>Up to £2,200</p>	<p>There is an inherent, but managed risk that anticipated volume growth could be exceeded. Tight monitoring of commissioning budgets is a high priority.</p>
<p>Change in Government Policy</p> <p>Tower Hamlets, (and all other local authorities) is at the mid -way stage of implementing Government Policy to transform Adults social care. This will include, amongst other things, offering personal budgets to service users. Clearly a transformation programme of such significance carries with it financial risks. It is intended that from April 2011 all service users will be offered personal budgets, and before this date new robust financial systems will need to be in place.</p>	<p>Adults, Health & Wellbeing</p>	<p>Unknown</p>	<p>An AHWB Transformation Programme Board, chaired by the Director of Adults Health and Wellbeing, is well established. Robust project management processes are in place and will continue throughout the Transformation Programme.</p>
<p>The Directorate is implementing a new social care (client database and purchasing) computerised system in 2010/11. The implementation of such a major IT system carries with it risks.</p>	<p>Adults, Health & Wellbeing</p>	<p>Unknown</p>	<p>There is a well established Project Board, chaired by a Head of Service to implement this project. This project is under the purview of the AHWB Transformation Board, which is chaired by the Director of AHWB.</p>

DIRECTORATE RISKS 2011-14

Risk Area & Nature of Risk	Directorate	Value of Risk £000s	Budget Treatment/Measures to Mitigate Risk
<p>Third party Funding</p> <p>There is an ongoing risk that third party funding may reduce. This is particularly the case for grant funded activities which may be allocated on new distribution mechanisms, where LB Tower Hamlets may not benefit.</p>	<p>Children, Schools and Families</p>	<p>Not quantified</p>	<p>Maintain links with external funding providers and continue to embed and where possible 'mainstream' effective practice to secure on-going activity for the long term. Maintain links with external funding providers. Anticipate reductions and plan to keep service activity aligned with available external funding.</p>
<p>Children's Social Care</p> <p>The service environment, following the Baby Peter case in Haringey and the consequent Laming review, is putting financial strain on the department. Demand led services, concern about pay and conditions for front-line social workers, demographics and case law are all creating budget pressures within the Children's Social Care service.</p>	<p>Children, Schools and Families</p>	<p>£1,740</p>	<p>Children Schools and Families directorate are absorbing anticipated pressures, through the identification of compensating savings or grant maximization for the 2011/12 budget. The nature of the pressures, however, means that risks will continue to exist.</p> <p>The risk of additional ongoing costs provided for in budget contingencies.</p>

DIRECTORATE RISKS 2011-14

Risk Area & Nature of Risk	Directorate	Value of Risk £000s	Budget Treatment/Measures to Mitigate Risk
<p>Access to Employment External Funding</p> <p>Potential loss of funding due to the expiry of various external sources of income including the DWP's Action for Jobs programme.</p> <p>At the same time there are increasing demands on the Skillsmatch service arising from local and Government employment targets, together with additional pressures resulting from the need to ensure that local people benefit from the job opportunities that will arise from the new Royal London Hospital development and from the staging of the Olympics and Paralympics in East London.</p>	<p>Development and Renewal</p>	<p>£400</p>	<p>Some budgetary provision but alternative sources of external funding are actively being sought.</p>
<p>Planning and Building Control Fee Income</p> <p>Planning Fees and Building Control Fee income is affected by many macro-economic factors. A reduction in income from planning fees, particularly the high earning major applications that the projected income is heavily dependent upon, will result in resourcing problems for the Directorate. Similarly, the downturn in the economy has meant a fall in the level of development being undertaken and therefore a fall in building control fee income within both the General Fund and the Trading Account. These are significant on-going risks in light of the current economic climate.</p>	<p>Development and Renewal</p>	<p>£500</p>	<p>The budget estimate for planning and building control fees within the General Fund is in excess of £1.6 million, with a further £1.5 million within the Building Control Trading Account activities. Planning fee income levels fluctuate greatly. Income is demand led and dependent upon external economic factors. Although fee income levels are in line with budget in 2009-10 the Directorate is closely monitoring all receipts and investigating alternative income sources. Updates will be provided to Members as part of the quarterly budget monitoring reports to Cabinet.</p>

DIRECTORATE RISKS 2011-14

Risk Area & Nature of Risk	Directorate	Value of Risk £000s	Budget Treatment/Measures to Mitigate Risk
<p>Housing and Planning Delivery Grant</p> <p>Planning Authorities receive an annual grant allocation based upon, amongst other indicators,</p> <ul style="list-style-type: none"> - the provision of suitable land for development - the provision of local plans necessary to deliver needed homes; - carrying out a strategic assessment of their housing market - processing planning applications quickly <p>The Government announced a three year national funding profile in the 2007 comprehensive spending review. 2010-11 is the final year of this programme, however in the current economic climate with alternative calls on available public sector funding, it is anticipated that the grant will not be available in 2010-11 or beyond.</p> <p>Although the grant is generally utilised to finance particular initiatives, its loss will mean that either these projects are not undertaken, or financing will need to be sought from alternative, limited sources.</p>	<p>Development and Renewal</p>	<p>£1,500 Revenue</p> <p>£800 Capital</p> <p>(based on provisional 2009-10 allocations which will not be confirmed until January 2010)</p> <p>* The Authority's annual allocation is dependent upon its performance in relation to all Authorities nationwide.</p>	<p>The grant is generally utilised to finance particular initiatives, so the dependency upon it of day to day functions is limited. However its loss will mean that either these specific projects are not undertaken, or financing will need to be sought from alternative, limited sources.</p>

DIRECTORATE RISKS 2011-14

Risk Area & Nature of Risk	Directorate	Value of Risk £000s	Budget Treatment/Measures to Mitigate Risk
<p>Homelessness - Demand Led Budgets</p> <p>The current economic climate could lead to an increase in demand for Homelessness services.</p>	<p>Development and Renewal</p>	<p>£500</p>	<p>This is a statutory demand led service so to some extent is outside the Authority's control. However the Authority will continue to endeavour to reduce the costs of temporary accommodation and other associated expenditure.</p>
<p>Land Charge Fees</p> <p>The Authority's Land Charges function is accounted for as a break even trading account. The overall fall in search numbers arising from the economic climate, together with the increased popularity of personal searches rather than the higher fee earning full searches has put financial pressure on the trading account.</p>	<p>Development and Renewal</p>	<p>£200</p>	<p>The Directorate is closely monitoring all receipts and costs incurred in providing the service. Updates will be provided to Members as part of the quarterly budget monitoring reports to Cabinet.</p>

DIRECTORATE RISKS 2011-14

<p>Building Schools for the Future</p> <p>The commitment to Building Schools for the Future is substantial. Resources have been allocated to support the procurement phase of BSF but, will remain under review. The funding mechanism allows for this as we enter the procurement stage but it is likely that the Council will need to look at ways of supporting the front end of the programme, particularly in making links across the various regeneration programmes..</p>	<p>Development and Renewal</p>	<p>Not quantified- BSF program totals c. £300</p>	<p>A formal risk register is maintained for this project and reviewed at each meeting of the Project Board. BSF is monitored by Partnerships for Schools, a Government sponsored body. A compulsory Gateway Review process is a requirement of PFS. Gateway reviews assess readiness to proceed based on an evaluation of progress and programme management. Initial funding to manage the programme has been allocated.</p>
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<p>Risk Area & Nature of Risk</p>	<p>Directorate</p>	<p>Value of Risk £000s</p>	<p>Budget Treatment/Measures to Mitigate Risk</p>
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DIRECTORATE RISKS 2011-14

<p>Benefit Funding</p> <p>Legislation from 2013 will require councils to impose welfare benefits limit of £500 payable per week. In addition council tax benefit will be administered locally by Councils who will determine the policy and level of payments.</p> <p>The proposed changes in legislation in the future is likely to affect the level and amounts of benefits payments fully reimbursed, some payments are likely to attract different rates of subsidy, depending on the type of benefit involved. Overpayments of benefits, in particular, attract subsidy at a much reduced amount and result in a net cost to the Authority.</p>	<p>Resources</p>	<p>Benefits paid total c. £200</p>	<p>The Directorate closely monitors benefit expenditure and the corresponding subsidy entitlement. Updates will be provided to Members as part of the quarterly budget monitoring reports to Cabinet.</p> <p>The current economic downturn is being reflected by increased Benefits caseloads. This additional demand coupled with the complexity of the Benefits system and associated Subsidy rules may require additional resources.</p> <p>Proposed future changes in legislation will be reviewed in terms of the impact on level of subsidy received and estimated net cost to the Council.</p>
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DIRECTORATE RISKS 2011-14

Risk Area & Nature of Risk	Directorate	Value of Risk £000s	Budget Treatment/Measures to Mitigate Risk
<p>Council Tax Benefits Volatile area with costs of council tax benefits and the uncertainty around prior year adjustments after an audit.</p>	<p>Resources</p>	<p>£1,000</p>	<p>The monitoring of base data has assisted in ensuring that actual performance remains consistent with source data output. Due to the large volumes, there will always be a level of uncertainty difficult to mitigate</p>
<p>Recharges to Tower Hamlets Homes Services provided under SLA's are subject to negotiation so that costs are reduced to the ALMO.</p>	<p>Chief Executives / Resources</p>	<p>£653</p>	<p>Service managers will need to review their budgets in order to contain expenditure within the revised targets</p>

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RESERVES & 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.

RESERVES & BALANCES

§ 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 thumb, therefore, reserves need to be higher as financial risk increases, and may be allowed to become lower if risk reduces.
- 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 General reserves are projected to stand at £20.6m as at 31st March 2011.
- 1.8 The authority is currently projecting an over spend of approximately £1.1m on service budgets in 2010/11. These overspends can probably be attributed in part to the general tightening of the Council's resources and this in turn increases the risk that unforeseen pressures may cause more temporary over spends in future years.
- 1.9 The Council continues to face a range of uncertainties which carry attendant financial risks.
- 1.10 The Council is undertaking a substantial change programme to deliver the savings required over the forthcoming period and described in more detail below. This will involve major remodelling of services, which will have up-front costs that the Council 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 to underpin the risks involved.
- 1.11 The first Local Government financial settlement since public austerity measures were introduced earlier in the year has now been announced. This confirms that for each of the years 2011/12 and 2012/13, Tower Hamlets will face having to make General Fund revenue savings in excess of £30m each year. This is around five times the level of any single year's savings delivered over recent years. 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. A healthy level of reserves would enable the Council to plan for these savings and increase the chances that they can be met from efficiencies, avoiding sudden cuts in spending.

RESERVES & BALANCES

- 1.12 Grant figures have only been announced for the two years 2011/12 -2012/13, and the Government has said it will review the local government finance system before grant figures for 2013/14 onwards are announced. This introduces considerable uncertainty, and the concern that the weighting of grant settlements towards the areas of greatest need will be reduced, with detrimental effects to Tower Hamlets. The Spending Review confirms that while 2013/14 may be a more benign year, further substantial local government cuts will be required in 2014/15. Beyond that no further figures have been announced. The Medium Term Plan and the level of reserves needs to set so as to avoid over-dependence on income streams that could be temporary.
- 1.13 Economic risk continues, manifesting itself primarily in low interest rates (which restrict the Council income from investments) and high inflation. However, the UK economy remains at risk of a 'double-dip' recession and the public finances are already 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 last recession. This has a number of potential effects for the Council;
- The Local Government Finance Settlement confirms that the squeeze on public spending which feed directly through to grant cuts for Tower Hamlets from 2011/12 at least up to and including 2014/15.
 - A general economic downturn may place extra demands on some services putting upward pressure on costs, and a reduction in income from charges that are linked to economic activity, such as planning and building control fees. Poorer general economic conditions could also make other debts harder to collect.
 - In a bid to stimulate credit, the Bank of England has drastically reduced interest rates. The Council has around £100m invested at any one time and reductions in interest rates impact directly upon income to the Council.

All of these factors tend to increase risk to the authority and should be taken into account in setting the level of reserves for 2011/12 and the medium term.

- 1.14 Against this background, the chief financial officer has considered whether to change the current advice to the Council that reserves need to be maintained at between 5- 7.5% of budget requirement and in view of the risks and uncertainties facing the authority it would seem prudent to maintain reserves at the upper end of the range for the time being. For this reason, the main report recommends an allocation to general reserves of £3.0m as part of the budget setting for 2011/12.

RESERVES & BALANCES

Insurance Reserve

- 1.15 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.
- 1.16 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'.
- 1.17. The value of the Council's insurance reserves and provisions was £31.2m at the end of 2009/10. A contribution of £500,000 to the Insurance Reserve is recommended for 2011/12.

Opportunity Costs

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

Improvement & 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 from which funding to deliver the necessary changes can come, although the total cost at this stage has not been determined.
- 1.20 Costs may include, for example;
- Cost of programme and project management
 - Investment in new technologies
 - Costs of buying the Council out of existing contracts with suppliers and with staff.

RESERVES & BALANCES

- 1.21 In the current year's budget (2010/11) the Council is setting aside £2.9m to establish an Improvement Reserve and in addition annual contributions of £0.689m to the Efficiency Reserve will substantially cover the costs of the Programme Management Office.
- 1.22. The costs of delivering savings arising from reducing budgets in the HRA and Schools also potentially fall to be met by the Council. Both the HRA and schools are supported corporately by the Council's central support services. There are also a number of front line services, especially environmental services, which provide support to Council tenants and therefore charge costs to the HRA, and a number of services within Children, Schools and Families which rely on contributions from school budgets. The majority of the costs of these services would need to be saved, although any costs associated with downsizing these services would need to be borne by the General Fund. Any ongoing costs which could not be saved would need to be met on an ongoing basis by the Council.

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.

Schools' Reserves

- 1.24 Schools' reserves represent unapplied revenue resources accumulated by schools with delegated spending authority. These totalled £19.1m at 31st March 2010. 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.

Service Specific Earmarked Reserves

- 1.26 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. The principal ones provide for:-

RESERVES & BALANCES

- § 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 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 kind of risks which need to be allowed for in considering the level of reserves or contingencies made available as part of this exercise.

Scenario	Estimated annual financial impact	
	(% age of estimated balances) £000s (£19.5m)	
Inflation – cost of an additional 0.5% pay rise for all staff	750	(3.8%)
Inflation – price inflation 0.5% higher than forecast.	800	(4.0%)
Committed growth 10% higher than forecast	500	(3.2%)
Interest rates – average investment rate in 2010/11 is 1% less than estimate.	Rates currently at 0.5%- risk negligible	
10% Of projected savings not delivered	3,000	(15.4%)
Budget requirement overspent by 1%	3,147	(16.1%)
For each £1m that the cost of implementation of improvement and efficiency programme exceeds expectation.	1,000	(5.1%)

GENERAL FUND BALANCES

	£ million	£ million
Audited balance as at 31st March 2010		27.1
Budgeted contribution to Reserves 2010/11	NIL	
Building Schools for the Future As agreed by Cabinet in September, a sum of £2.5m has been earmarked to cover the costs of concluding a variation to the Grouped Schools PFI contract.	-2.5	
Implementation of Savings As agreed by Cabinet in December, a sum of £4.0m has been set aside to cover the costs of implementing savings for 2011/12	-4.0	
Projected Balance as at 31st March 2011		20.6

(*) Note: As explained in the quarterly performance reports to Cabinet, officers are working to contain the over spend. If there are budget contingencies available at the end of the year, the first call on them will be to fund any overspend that does arise in 2010/11.

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COMMITTEE: Cabinet Overview & Scrutiny Committee	DATE: 09 February 2011 08 February 2011	CLASSIFICATION: Unrestricted	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director of Resources ORIGINATING OFFICER(S): Alan Finch, Service Head, Corporate Finance; Oladapo Shonola, Chief Financial Strategy Officer		TITLE: 2011/12 – 20113/14 Capital Programme Report Ward(s) affected: All		

Lead Member	Alibor Choudhury - Resources
Community Plan Theme	All
Strategic Priority	One Tower Hamlets

1. SUMMARY

- 1.1 This report invites the Cabinet to set its proposals for a capital programme for the next three financial years and to refer the final proposed programme to Full Council. It is important that this report is considered in conjunction with the reports on the General Fund Revenue Budget and Medium Term Financial Plan and the Housing Revenue Account budget.
- 1.2 The report indicates that the Council’s capital programme will be much curtailed in the medium term from 2011/12 due to the tightening of central government funding and a significant reduction in funds available locally. This will necessitate a prioritisation of projects undertaken to ensure they meet local strategic need and make effective use of limited resources.
- 1.3 An evaluation process has been undertaken to ensure that the Directorate proposals which are recommended for inclusion in the programme are for projects which are most urgent and most effectively contribute towards the Council’s corporate objectives.
- 1.4 The Council’s Capital Strategy was agreed at your meeting in February 2010. The Capital Strategy informs the development of capital plans and resource allocations in the context of spending pressures, such as the growth in the Borough’s population, and the likely constraints on funding. The Capital Strategy indicates pressure on capital investment on schools and housing in particular, and cuts in Government funding may mean that the Council needs to turn increasingly to local funding to absorb the impact of population growth.

2. DECISIONS REQUIRED

Overview and Scrutiny Committee is recommended to:

- 2.1. Consider the draft capital programme as referred by Cabinet under the Budget and Policy Framework and advise Cabinet of any comments it wishes to make.

Cabinet is recommended to:

- 2.2 Agree a proposed mainstream capital programme as attached at Appendix 1 and note that this is fully funded from available resources.
- 2.3. Note the mainstream and locally generated resources currently available for new schemes.
- 2.4. Agree the locally funded projects as set out in Appendix 2.
- 2.5 Refer the draft Capital Programme to the Full Council for approval.

3 REASONS FOR DECISIONS

- 3.1 In order for capital works or investment in Council assets and infrastructure to be undertaken, funding needs to be set aside and estimates included in an approved capital programme. This report gives Cabinet an opportunity to consider the proposed capital budget prior to submission to Full Council.

4 ALTERNATIVE OPTIONS

- 4.1 Subject to the resources available, the fulfilment of statutory duties and any ring-fencing arrangements applying to grants, Members can determine their own local priorities for capital investment.

5 BACKGROUND

- 5.1 The report forms part of a comprehensive Strategic and Resource Planning framework that ensures resources are deployed effectively to meet the objectives of the Tower Hamlets Strategic Plan, Tower Hamlets Community Plan 2020 and secure value for money. Further details of this framework are set out in the companion report on this agenda on the General Fund Revenue Budget and Medium Term Financial Plan for 2011-12-2013/14
- 5.2 The Council's Capital Strategy agreed in February 2010 sets out the Council's priorities and objectives for the deployment of capital resources. It indicates that the Borough's population is expected to continue to grow at a rapid rate over the next few years, while the introduction of austerity measures by the Coalition Government and more limited opportunities for raising funding locally will result in capital resources being more constrained than in the past.
- 5.3 This underlines the need for careful prioritisation of resources to meet local and national priorities. This report invites Cabinet to consider a Capital Programme for 2011/12 and allocations to 2012/13 and 2013/14 arising from these schemes.
- 5.4 The Capital Programme comprises two elements, corresponding to the main sources of funding used to finance them.

- The 'Mainstream' programme comprises schemes funded from Government grants and other allocations which are channelled by the Government Department allocating them to particular types of schemes. The size of the mainstream programme is determined primarily by these allocations.
- The 'Local Priorities' programme is funded largely through locally generated resources, primarily capital receipts. This element of the programme is determined by the extent to which the authority can raise resources locally to fund it, and is allocated entirely at the authority's discretion.

There is now less distinction between the mainstream programme and local priorities because the majority of Government grants for capital expenditure (with the exception of those relating to schools) have now be de-ringfenced by the Government and may be allocated to local priorities if Members so choose. However the allocation of mainstream funding by Government (for example, in relation to schools) often coincides with statutory duties the authority is under an obligation to fulfil (e.g. the provision of a sufficient number of school places) and this limits the extent to which mainstream funding can be redirected in practice.

- 5.5 As part of the implementation of this strategy, this report recommends allocating resources provided by Central Government to support the Council's mainstream programme and identifies bids for projects to be considered for inclusion in the 2011/12 – 2013/14 Local Priorities Capital Programme.
- 5.6 Proposals for capital resources have been considered by the Corporate Management Team and lead members as part of the Strategic & Resource Planning process, which links revenue and capital budgeting with the development of Directorate and team plans in the context of the Strategic Plan and Community Plan.
- 5.7 Reports on the Council's revenue budgets, for the General Fund and Housing Revenue Account, are set out elsewhere on this agenda. Revenue expenditure is normally concerned with the day to day running of services, while capital is concerned with investment in the assets required to deliver services successfully. Both aspects of service delivery are important and decisions concerning one clearly impact upon the other in relation to:
- The ongoing running costs and upkeep of new buildings;
 - Any revenue costs of financing capital expenditure, including prudential borrowing;
 - Decisions whether to invest in assets as a Council, or seek partnership arrangements for alternative delivery options;
 - Decisions on the capital programme therefore need to be seen in relation to decisions on revenue budgets.
- 5.8. The Council's currently approved capital programme totals £435.343m as follows, and is fully funded from available resources.

Table 1

DIRECTORATE	Revised Budget 2010/11	Budget 2011/12	Budget 2012/13	Total Budget 2010/11-2012/13
MAINSTREAM PROGRAMME	£'000	£'000	£'000	£'000
Adults, Health and Wellbeing	0.735	0.060	0.000	0.795
Children , Schools and Families	31.719	10.462	1.074	43.255
Building Schools for the Future	73.584	94.469	36.768	204.821
Communities, Localities and Culture	14.304	8.199	4.792	27.295
Development & Renewal (Excluding HRA)	10.105	2.630	0.980	13.715
Chief Executive & Resources	0.000	0.000	0.000	0.000
HRA	47.587	31.636	36.911	116.134
Total (Mainstream) Budget	178.034	147.456	80.525	406.015
LPP PROGRAMME				
Adults, Health and Wellbeing	0.432	0.000	0.000	0.432
Children , Schools and Families	2.631	1.332	0.000	3.963
Building Schools for the Future	1.100	1.100	1.100	3.300
Communities, Localities and Culture	1.562	3.138	1.745	6.445
Development & Renewal (Excluding HRA)	9.137	0.635	0.000	9.772
Chief Executive & Resources	5.416	0.000	0.000	5.416
HRA	0.000	0.000	0.000	0.000
Total Budget	20.278	6.205	2.845	29.328
Total Programme	198.312	153.661	83.370	435.343

6. OUTCOME OF THE SPENDING REVIEW (SR)

- 6.1 The Chancellor announced that capital grants to local authorities will be reduced by 45% over the spending period (2011/12 – 2014/15) and overall capital expenditure by local authorities is expected to fall by 30% during the same period.
- 6.2 Any reduction in capital grants inevitably puts additional pressure on council resources as it will likely result in less funding being available for the delivery of local capital priorities.
- 6.3 In addition to the announcement that capital grants are to be reduced, the Coalition Government also announced that the cost of borrowing from the Public Works Loans Board (PWLB), the main body responsible for lending to local authorities for capital investment, will be increased by approximately 20%. This will impact on the revenue cost of funding capital priorities and making borrowing from the PWLB a lot less attractive.
- 6.4 Taken together, the above measures coupled with revenue funding reductions announced by the Chancellor as part of the SR will significantly limit the scope for capital investment over the next four years. But the full impact of these announcements will not be known until further announcements later in the year.
- 6.5 Any further funding announcements made by Government will be reported to the Cabinet in due course.

7. BUDGET AND POLICY FRAMEWORK

7.1 Proposals agreed by Cabinet in January were considered by Overview and Scrutiny Committee last night. The outcome of the Overview & Scrutiny Committee's considerations will be reported at the Cabinet meeting, and the Cabinet is asked to approve a final recommended Capital Programme for consideration by full Budget Council.

8. THE MAINSTREAM PROGRAMME

8.1 The resources for the mainstream programme are principally provided by Central Government, or other external funding providers, and are directed at specific projects or programme areas. The main areas are housing and children's services (schools). Funding is often allocated on the basis of bids by the Council but, once announced, there is in practice limited discretion as to how they are applied.

8.2 The Council's projected mainstream funding for 2010-11 to 2013-14 and how this is allocated to schemes is set out in **Appendix 1**.

8.3 The Government's and other contributions to the funding of this investment are derived from four main sources:

8.3.1 Supported Capital Expenditure (Revenue)

- This represents the Government's assessment of how much individual councils should spend on individual services to enable national targets and priorities to be met, based on bids by individual councils and formula allocations. The funds are supplied in the form of credit approvals which sanction the Council to access borrowing.
- The Government supports the expenditure by partially reimbursing councils for the annual debt charges associated with this borrowing through the Formula Grant settlement.
- It should be noted that because the authority is at the Formula Grant floor the Council does not receive any additional support to fund the debt charges it incurs in relation to its allocation of Supported Capital Expenditure (SCE). In any case, the coalition government has not approved any new SCE (Revenue) for this spending period.

8.3.2 Supported Capital Expenditure (Capital Grants)

- This represents cash payments made by the Government to finance expenditure incurred in each financial year on specific projects. Capital grants are also received from other funding bodies, notably Transport for London. Therefore, all SCE projects are usually approved subject to confirmation and receipt of grant funding.

8.3.3 Building Schools for the Future (BSF)

- Tower Hamlets' BSF programme plans to invest up to £300 million (including ICT investment) in secondary schools to provide world class facilities that will transform the educational outcomes of young people, bring schools closer to the community and provide local people with increased opportunities for learning and development.
- Although, the coalition government revisited funding allocation to BSF programmes, the planned programme for Tower Hamlets appears to have

survived the scale back announced earlier in the year by the Secretary of State for Education.

- There have been revisions to the original BSF programme. The funding requirement for a number of BSF projects, including Bow Boys Secondary School, Beatrice Tate have been revised – new figures are stated in the additions summary in table 5.
- All BSF projects are approved subject to allocated BSF grant funding from central government materialising.

8.3.4. Developer Contributions

Another major source of mainstream funds is developer contributions to capital schemes which are agreed as part of the planning process. The use to which these can be put is restricted by the agreement, so they are normally treated as mainstream rather than local priority funding.

- 8.4. The Capital Strategy adopted by Cabinet recognises that external funds obtained by services are used to support their capital programmes. Council policy priorities with respect to capital expenditure are reflected in the allocation of other resources, including capital receipts and prudential (i.e. unsupported) borrowing. It is therefore recommended that, when available, services be allocated resources at a level that corresponds to their respective Supported Capital Expenditure (Revenue) and capital grant allocations. Although, Members may want to review this approach given that resources are much tighter now than they have been for some years.
- 8.5. Some government departments are yet to announce their capital allocations, so further capital funding may be made available to the Council when these announcements are made. Any new projects arising as a result of additional funding allocation to the Council will be reported to Cabinet for formal inclusion in the Capital Programme and proper authorisation sought in line with Financial Regulations. Where necessary, directorates will report individually during the year to seek approval for the allocation of funds to individual schemes within their overall allocations.
- 8.6. The revised mainstream capital programme is summarised in the table 2 below and detailed programme is attached at **Appendix 1**. The figures for 2011/12 are fully funded from mainstream allocations available but figures for later years are indicative at this stage.

Table 2

DIRECTORATE	Revised Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Total Budget 2010/11-2013/14
MAINSTREAM PROGRAMME	£'000	£'000	£'000	£'000	£'000
Adults, Health and Wellbeing	0.735	0.060	0.000	0.000	0.795
Children , Schools and Families	31.860	23.491	14.102	13.028	82.481

Building Schools for the Future	73.584	90.501	56.581	32.100	252.766
Communities, Localities and Culture	14.304	7.821	4.307	2.157	28.589
Development & Renewal (Excl HRA)	9.089	4.673	4.010	3.930	21.702
HRA	35.906	13.000	2.619	0.000	51.525
Total (Mainstream) Budget	165.477	139.546	81.619	51.215	437.858

9. LOCAL PRIORITIES CAPITAL PROGRAMME

- 9.1. The Local Priorities Capital Programme refers to those schemes that are wholly or partially funded from resources generated locally. It includes, for example, match funded schemes where part of the funding is provided by grants or developer contributions supplemented by local resources.
- 9.2. Locally generated resources potentially come from three sources;

9.2.1 Capital Receipts

The sale of surplus assets is an important source of funding for local capital investment. In recent years, and during the recession, capital receipts have substantially reduced. At the time of writing this report a sum of £0.561m in capital receipts is in hand for allocation to the local priorities programme, after allowing for the proposals set out in this report.

In addition £2.34m in Right to Buy receipts is also available. This funding is subject to a 75% top slice by the Government unless it is reinvested in housing and regeneration schemes, so in view of the Council's priorities, officers recommend that this sum should be redirected so as to maximise the benefit to the local area.

9.2.2 Prudential Borrowing and Direct Revenue Contributions

Revenue funding can be used to finance capital schemes. However, as set out in detail on the General Fund and HRA reports elsewhere on this agenda, revenue resources are under extreme pressure in the light of Government cuts and until the position is clear moving forward, officers advice is that revenue funding is not available to support the capital programme except where it can be justified in terms of an Invest to Save proposal.

9.2.3 Contributions from Reserves

The Chief Finance Officer's general advice on reserves is set out in the General Fund revenue report elsewhere on this agenda, and confirms that much of the balance of reserves currently available is required to fund projects to reduce Council expenditure or to manage risks arising from the need to manage Government spending cuts.

- 9.3. There are two additional unavoidable pressures on LPP capital spending in 2011/12 as follows;

Table 3

Scheme Description	2011/12 £'000	2012/13 £'000	2013/14 £'000
Priority Service Remediation Capacity/Backup Expansion	0.220	0.000	0.000
Mandatory Disabled Facilities Grants	0.270	0.000	0.000

Total	0.490	0.000	0.000
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9.4. Since the January report to Cabinet, two further issues have arisen which affect the amount of funding available to the Council:

- The Capital Ambition programme, which was an improvement and efficiency initiative run by London Councils, has come to an end and £0.100m in capital funding has been allocated to the Council from funding unallocated by the programme.
- It has emerged that £0.768m in capital receipts which it was thought would be available to the authority from the sale of the Bishop Challoner school site will not after all be available.

After allowing for these two amounts, £0.561m in addition to £2.340m right to buy receipts, means a total of £2.901m will be available to fund additional capital schemes later in the year. This may be supplemented in due course by other capital receipts, and the Cabinet agreed at its last meeting to dispose of a number of properties which should generate additional income. It is important, however, that this funding is not anticipated.

9.5. **Appendix 2** sets out the revised Local Priorities Capital Programme which includes schemes approved and funded in previous years and the unavoidable schemes listed at 9.3. The Local Priorities Programme can be summarised as follows;

Table 4

DIRECTORATE	Revised Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Total Budget 2010/11-2013/14
LPP PROGRAMME	£'000	£'000	£'000	£'000	£'000
Adults, Health and Wellbeing	0.432	0.000	0.000	0.000	0.432
Children , Schools and Families	2.631	1.332	0.000	0.000	3.963
Building Schools for the Future	1.100	1.100	1.100	0.000	3.300
Communities, Localities and Culture	1.562	3.138	1.745	0.000	6.445
Chief Executive & Resources	5.416	0.220	0.000	0.000	5.636
Development & Renewal (Excl HRA)	9.787	0.920	0.000	0.000	10.707
HRA	7.506	3.500	3.000	3.000	17.006
Total LPP Budget	28.435	10.210	5.845	3.000	47.490

9.6. The Mayor has a number of priorities for capital spending, including further investment in Bancroft Library, Poplar Baths and Haileybury Centre, which the Cabinet will wish to ensure are among the first items to be considered for funding as resources become available.

10 TOTAL CAPITAL PROGRAMME

10.1 The total proposed capital programme (Mainstream & Local Priorities), which includes proposed additions to the Programme totals £485.348m as set out in the following table

Table 5

DIRECTORATE	Revised Budget 2010/11	Budget 2011/12	Budget 2012/13	Budget 2013/14	Total Budget 2010/11-2013/14
MAINSTREAM PROGRAMME	£'000	£'000	£'000	£'000	£'000
Adults, Health and Wellbeing	0.735	0.060	0.000	0.000	0.795
Children , Schools and Families	31.860	23.491	14.102	13.028	82.481
Building Schools for the Future	73.584	90.501	56.581	32.100	252.766
Communities, Localities and Culture	14.304	7.821	4.307	2.157	28.589
Development & Renewal (Excl HRA)	9.089	4.673	4.010	3.930	21.702
HRA	35.906	13.000	2.619	0.000	51.525
Total (Mainstream) Budget	165.477	139.546	81.619	51.215	437.858
LPP PROGRAMME					
Adults, Health and Wellbeing	0.432	0.000	0.000	0.000	0.432
Children , Schools and Families	2.631	1.332	0.000	0.000	3.963
Building Schools for the Future	1.100	1.100	1.100	0.000	3.300
Communities, Localities and Culture	1.562	3.138	1.745	0.000	6.445
Chief Executive & Resources	5.416	0.220	0.000	0.000	5.636
Development & Renewal (Excl HRA)	9.787	0.920	0.000	0.000	10.707
HRA	7.506	3.500	3.000	3.000	17.006
Total LPP Budget	28.435	10.210	5.845	3.000	47.490
Total Capital Programme	193.912	149.756	87.464	54.215	485.348

10.2 The following changes have been made to the proposed programme from the report that was submitted to Cabinet in January:

- TfL have confirmed reduced funding for the Local Implementation Plan of £11.2m
- Additional grant funding of £4.3m have been confirmed for various D&R projects
- Reduction in grant funding of approximately £42m previously anticipated for delivering decent homes standard is now reflected in the proposed programme.
- Other grants increases net of other HRA capital grants that are now no longer expected – approximately £5.1m.

All changes relate to the mainstream element of the proposed programme.

11. COMMENTS OF THE CHIEF FINANCIAL OFFICER

11.1 The comments of the Corporate Director Resources have been incorporated into the report.

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

12.1 The proposed capital program set out in the report is expected to be presented to Full Council for approval as part of the overall budget setting process. 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 it to be put forward by Cabinet as proposed.

- 12.2 There is no legal impediment to approval of the program, as the proposed projects are capable of being carried out within the Council's statutory functions. It will be for officers to ensure that individual commitments are carried out in accordance with legal requirements, including those contained in any grant funding agreement. Any capital finance connected with the capital program will need to be carried out in accordance with the requirements of Part 1 of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.
- 12.3 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 which Cabinet approval is required for a capital estimate. The Financial Procedures supplement this requirement. In accordance with Financial Procedure FP 3.3, senior managers are required to proceed with projects only when there is a capital estimate adopted and adequate capital resources have been identified. Where the estimate is over £250,000 the approval of the adoption of that capital estimate must be sought from the Cabinet.
- 12.4 Officers will have to ensure that the Council complies with its duty as a best value authority within the meaning of the Local Government Act 1999 to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 12.5 Procurement for the various projects will need to be carried out in accordance with the Council's Procurement Procedures and, where relevant, the Public Contract Regulations 2006.

13. ONE TOWER HAMLETS CONSIDERATIONS

- 13.1 The preparation of the capital programme is in line with the Council's approved capital strategy which has embedded into the document that for each project to be considered it has to demonstrate its compliance to the Tower Hamlets Community Plan 2020 and the Strategic Plan 2010/11 which detail the themes and priorities of ONE TOWER HAMLETS.
- 13.2 One Tower Hamlets comments in relation to the General Fund report elsewhere on this agenda also apply to this report.

14. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 14.1 The sustainable implications for a greener environment of individual schemes have been taken into account during the selection process.

15. RISK MANAGEMENT IMPLICATIONS

- 15.1 The report recognises that there is a degree of risk inherent in the programming process.
- 15.2 The greatest risk, in view of the constraints now existing, relates to the availability of grant funding from central government. To mitigate this, it is essential that spending commitments are not made until funding has been identified and is available to spend.
- 15.3 The programme has also been managed flexibly in the past by allowing expenditure and funding to slip between years. The more constrained nature of the funding and

the need to show good use of resources means that there will be more emphasis on planning when spending will occur.

- 15.4 Officers will continue to monitor the capital programme closely, both in terms of expenditure and income, to ensure that these risks are minimised.

16 **CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 16.1 There are no crime and disorder reduction implications arising from this report.

17. **EFFICIENCY STATEMENT**

- 17.1 Value for money and efficiency considerations are no less important in relation to capital investment than for other types of expenditure. The Capital Strategy identifies value for money as one of the key criteria on which capital schemes should be considered. The management of assets overall can also deliver important benefits in terms of value for money. The sale of surplus buildings to fund local priority schemes, for example, is one way in which this manifests itself in these proposals.
- 17.2 The Council may use of prudential borrowing for invest to save schemes. This enables the authority to borrow to fund capital schemes which will offer cash savings in subsequent years in order to improve services and deliver strategic priorities.
- 17.3 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 assists Members in these judgments.

18. **APPENDICES**

Appendix 1 – Proposed Mainstream Programme

Appendix 2 – Proposed Local Priorities Programme

LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D

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

Brief description of "background papers"

Name and telephone number of holder

And address where open to inspection

None

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Oladapo Shonola Ext. 4733

Mulberry Place, 4th Floor.

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AHW PROJECTS - Mainstream

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Adults social care IT infrastructure	SC IT Infrastructure Grant	0.283	0.000	0.000	0.000	0.283
Mental health services	MH SCP(C) Grant	0.190	0.060	0.000	0.000	0.250
Safety works	SC SCP(C) Grant	0.123	0.000	0.000	0.000	0.123
Local Improvement Plan	SLIP1 Grant	0.119	0.000	0.000	0.000	0.119
Improving the Care Home Environment for Older People	DoHCG Grant	0.020	0.000	0.000	0.000	0.020
AHW Mainstream Total		0.735	0.060	0.000	0.000	0.795

BSF PROJECTS - MAINSTREAM

Scheme description	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Wessex	Capital Grant (BSF)	0.179	0.000	0.000	0.000	0.179
St Paul's Way	Capital Grant (BSF)	16.983	3.193	0.000	0.000	20.176
Bethnal Green Tech. College	Capital Grant (BSF)	4.260	0.000	0.000	0.000	4.260
Morpeth	Capital Grant (BSF)	8.932	6.281	2.974	0.000	18.187
Oaklands	Capital Grant (BSF)	6.600	4.147	0.000	0.000	10.747
Sir John Cass	Capital Grant (BSF)	8.305	5.675	0.000	0.000	13.980
Ian Mikardo	Capital Grant (BSF)	3.900	1.088	0.000	0.000	4.988
Beatrice Tate	Capital Grant (BSF)	0.000	2.000	4.000	2.000	8.000
Bowden House	Capital Grant (BSF)	1.000	1.951	0.000	0.000	2.951
PRU Harpley	Capital Grant (BSF)	3.000	2.552	0.000	0.000	5.552
Swanlea	Capital Grant (BSF)	4.000	6.538	1.635	0.000	12.173
Raines	Capital Grant (BSF)	3.000	8.138	2.035	0.000	13.173
Central Foundation	Capital Grant (BSF)	1.500	8.977	4.489	0.000	14.966
Langdon Park	Capital Grant (BSF)	1.500	10.607	4.243	0.000	16.350
Phoenix	Capital Grant (BSF)	1.000	3.724	1.490	0.000	6.214
Stepney Green	Capital Grant (BSF)	1.500	7.288	2.915	0.000	11.703
Bow Boys	Capital Grant (BSF)	4.500	4.500	10.000	10.000	34.500

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
New School	Capital Grant (BSF)	0.000	0.822	14.300	13.100	28.222
George Greens	Capital Grant (BSF)	0.000	3.020	8.500	7.000	18.520
ICT	Capital Grant (BSF)	3.172	0.000	0.000	0.000	3.172
ICT	Capital Grant (BSF)	1.901	0.000	0.000	0.000	1.901
ICT	Capital Grant (BSF)	2.852	0.000	0.000	0.000	2.852
BSF Mainstream Total		73.584	90.501	56.581	32.100	252.766

CLC - MAINSTREAM

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
585-593 Commercial Road (Parking Pound)	RCCO	0.049	0.000	0.000	0.000	0.049
Adelina Grove	Capital Grant (DEFRA)	0.000	0.053	0.000	0.000	0.053
Allen Gardens	S106	0.027	0.000	0.000	0.000	0.027
Banglatown Art Trail & Arches	S106	0.184	0.000	0.000	0.000	0.184
Belgrave Street	Residual Grant	0.010	0.000	0.000	0.000	0.010
Bethnal Green - Victoria Park route	TfL	0.100	0.000	0.000	0.000	0.100
Bethnal Green Improvements	S106	0.222	0.000	0.000	0.000	0.222
Brady Centre	S106	0.245	0.000	0.000	0.000	0.245
Braithwaite Park	S106	0.017	0.000	0.000	0.000	0.017
Cable Street	Capital Grant (DEFRA)	0.000	0.000	0.000	0.000	0.000
Cable Street Mural	Residual Grant	0.060	0.000	0.000	0.000	0.060
Cantrell Open Space	Residual Grant	0.000	0.000	0.000	0.000	0.000
CCTV 2009/10	Residual Grant	0.034	0.000	0.000	0.000	0.034
Chicksand Ghat	S106	0.005	0.000	0.000	0.000	0.005
Chicksand street	Capital Grant (DEFRA)	0.014	0.000	0.000	0.000	0.014
Copton Close	Capital Grant (DEFRA)	0.000	0.040	0.000	0.000	0.040
Cotton Street Open Space Landscape Improvements	Residual Grant	0.046	0.000	0.000	0.000	0.046
Creation of Mobile Public Art	S106	0.040	0.030	0.030	0.000	0.100
Developers Contribution	S106	1.903	0.000	0.000	0.000	1.903
Generators @ Mulberry Place & Anchorage Hse	RCCO	0.014	0.000	0.000	0.000	0.014
High Visibility	Residual Grant	0.036	0.000	0.000	0.000	0.036

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Kobi Nazrul	S106	0.054	0.000	0.000	0.000	0.054
LAP2 - Street lighting	Residual Grant	0.002	0.000	0.000	0.000	0.002
Meath Gardens Improvements	S106	0.059	0.000	0.000	0.000	0.059
Mile End Leisure Centre - Security Enhancements	RCCO	0.000	0.018	0.000	0.000	0.018
Millwall Park/Island Gardens	S106	0.088	0.000	0.000	0.000	0.088
Mudchute	Capital Grant (DEFRA)	0.000	0.036	0.000	0.000	0.036
Olympic Delivery Authority	S106	0.730	0.000	0.000	0.000	0.730
OPTEMS Section 106	S106	0.250	0.000	0.000	0.000	0.250
Pennyfields	Residual Grant	0.002	0.000	0.000	0.000	0.002
Poplar Baths	Residual Grant	0.047	0.000	0.000	0.000	0.047
Poplar High St	Capital Grant (DEFRA)	0.000	0.037	0.000	0.000	0.037
Poplar Park	S106	0.144	0.000	0.000	0.000	0.144
Public Realm improvements	Capital Grant (DCLG)	2.581	0.110	0.000	0.000	2.691
Rosebank Gardens	Capital Grant (DEFRA)	0.000	0.023	0.000	0.000	0.023
Schoolhouse Lane Multi Use Ball Games Area	S106	0.032	0.000	0.000	0.000	0.032
St Johns Park	S106	0.085	0.000	0.000	0.000	0.085
Stepney Green Gardens	S106	0.006	0.000	0.000	0.000	0.006
Stores Quay	Capital Grant (DEFRA)	0.045	0.011	0.000	0.000	0.056
TfL Local Implementation Programme	TfL	5.739	2.622	2.515	2.157	13.033
Tredegar Square	Residual Grant	0.000	0.000	0.000	0.000	0.000
Veronica House	Capital Grant (DEFRA)	0.000	0.033	0.000	0.000	0.033
Victoria Park Masterplan	Lottery fund	0.863	2.404	1.633	0.000	4.900
Wapping Gardens	Residual Grant	0.000	0.000	0.000	0.000	0.000
Watney Market Ideas Store	Lottery fund	0.368	1.549	0.083	0.000	2.000
Watney Market Ideas Store	S106	0.202	0.853	0.046	0.000	1.101
York Hall Boiler Demolition	S106	0.000	0.000	0.000	0.000	0.000
CLC Mainstream Total		14.304	7.821	4.307	2.157	28.588
CSF MAINSTREAM						
Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
ICT	Capital Grant	0.025	0.000	0.000	0.000	0.025

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Additional Primary School Places	Capital Grant		11.228	11.228	11.228	33.684
Basic Need/Expansion	Supported Borrowing	0.001	0.000	0.000	0.000	0.001
Basic Need/Expansion	Capital Grant	0.014	0.000	0.000	0.000	0.014
Bishop's Square	S106	0.380	0.000	0.000	0.000	0.380
City Learning Centre	Capital Grant	0.255	0.000	0.000	0.000	0.255
Early Years	Capital Grant	2.567	0.000	0.000	0.000	2.567
Basic Need/Expansion	Supported Borrowing	7.791	8.381	1.074	0.000	17.246
Basic Need/Expansion	Capital Grant	0.392	0.000	0.000	0.000	0.392
Extended Schools	Capital Grant	0.311	0.000	0.000	0.000	0.311
Extended Schools	S106	0.029	0.000	0.000	0.000	0.029
Fairplay Pathfinder	Capital Grant	0.007	0.000	0.000	0.000	0.007
Modernisation	Supported Borrowing	1.316	0.017	0.000	0.000	1.333
Modernisation	Capital Grant	0.830	0.017	0.000	0.000	0.847
Osmani - Redevelopment	S106	0.696	0.000	0.000	0.000	0.696
Osmani - Redevelopment	RCCO	0.400	0.000	0.000	0.000	0.400
Other Children, Schools and Families Premises	Capital Grant		0.300	0.300	0.300	0.900
Other ICT	Supported Borrowing	1.454	0.000	0.000	0.000	1.454
Primary Capital Programme	Supported Borrowing	1.559	0.565	0.000	0.000	2.124
Primary Capital Programme	Capital Grant	9.908	2.891	1.500	1.500	15.799
RCCO	RCCO	0.368	0.020	0.000	0.000	0.388
S106 Bishop's Square	S106	0.049	0.000	0.000	0.000	0.049
Schools Access Initiative	Supported Borrowing	0.072	0.000	0.000	0.000	0.072
Schools Access Initiative	Capital Grant	0.063	0.000	0.000	0.000	0.063
Short Break	Capital Grant	0.320	0.000	0.000	0.000	0.320
Space for Sports and Arts	Supported Borrowing	0.010	0.014	0.000	0.000	0.024
Sure Start	Capital Grant	2.617	0.058	0.000	0.000	2.675
TCF Kitchen & Dining	Capital Grant	0.229	0.000	0.000	0.000	0.229
Youth Capital Fund	Capital Grant	0.097	0.000	0.000	0.000	0.097
Youth Capital Fund	S106	0.100	0.000	0.000	0.000	0.100
CSF Mainstream Total		31.860	23.491	14.102	13.028	82.480
D&R MAINSTREAM						

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
		£m	£m	£m	£m	£m
Millennium Quarter	S106	0.200	0.100	0.100	0.100	0.500
Bishops Square	S106	0.930	0.150	0.000	0.000	1.080
Roman Road Shops	Capital Grant	0.320	0.050	0.200	0.100	0.670
WhiteChapel Centre	Lottery fund	1.105	0.063	0.000	0.000	1.168
Disabled Facilities Grant	Capital Grant	0.500	0.730	0.730	0.730	2.690
High Street 2012	Capital Grant	4.860	2.680	0.780	0.000	8.320
Regional Housing Pot	Capital Grant	1.174	0.900	2.200	3.000	7.274
D&R Mainstream Total		9.089	4.673	4.010	3.930	21.702

HRA PROJECTS - MAINSTREAM

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m

Decent Homes	SCE	10.000	0.000	0.000	0.000	10.000
Decent Homes	MRA	12.007	6.600	0.000	0.000	18.607
Council Housebuilding Initiative - Building Britain's Future	Capital Grant	1.710	0.712	0.000	0.000	2.422
Council Housebuilding Initiative - Building Britain's Future	Prudential Borrowing	0.053	0.788	0.000	0.000	0.841
Council Housebuilding Initiative - Building Britain's Future	S106	0.446	0.000	0.000	0.000	0.446
Ocean New Deal for Communities	SCE	5.000	0.000	0.000	0.000	5.000
Ocean New Deal for Communities	MRA	0.000	4.900	2.619	0.000	7.519
Ocean New Deal for Communities	Capital Grant	5.000	0.000	0.000	0.000	5.000
Social Housing Energy Savings Programme	Capital Grant	1.690	0.000	0.000	0.000	1.690
HRA Total		35.906	13.000	2.619	0.000	51.525
Total Mainstream Programme		165.477	139.545	81.619	51.215	437.856

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AHW PROJECTS - LPP						
Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
PFI LIFT Credits	Capital Receipts	0.012	0.000	0.000	0.000	0.012
Efficiency Project - System/technology	Prudential Borrowing	0.270	0.000	0.000	0.000	0.270
Efficiency Project - Single Assessment	Prudential Borrowing	0.150	0.000	0.000	0.000	0.150
AHW LPP Total		0.432	0.000	0.000	0.000	0.432
BSF PROJECTS - LPP						
Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Wave 5 BSF	Capital Receipts	0.550	0.550	0.550	0.000	1.650
Wave 5 BSF	Capital Grant (DSG)	0.550	0.550	0.550	0.000	1.650
Total		1.100	1.100	1.100	0.000	3.300
CE & R PROJECTS - LPP						
Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Facilities Management	Capital Receipts	2.932	0.000	0.000	0.000	2.932
Facilities Management	Capital Grant	0.045	0.000	0.000	0.000	0.045
Facilities Management	RCCO	1.032	0.000	0.000	0.000	1.032
Facilities Management	Prudential Borrowing	1.187	0.000	0.000	0.000	1.187
ICT	Capital Receipts	0.221	0.000	0.000	0.000	0.221
Priority Service Remediation Capacity/ Backup Expansion	Capital Receipts	0.000	0.220	0.000	0.000	0.220
CE & R LPP Total		5.417	0.220	0.000	0.000	5.637
CLC PROJECTS - LPP						
Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Victoria Park Masterplan	LPP	0.945	2.255	1.600	0.000	4.800
Essential Health & Safety	LPP	0.050	0.104	0.104	0.000	0.258
Whitechapel Ideas Store	LPP	0.166	0.000	0.000	0.000	0.166
Bancroft Library	LPP	0.203	0.000	0.000	0.000	0.203
Watney Market Ideas Store	LPP	0.180	0.779	0.041	0.000	1.000
St Georges in the East gardens	Residual Grant	0.008	0.000	0.000	0.000	0.008

Altab Ali park	Residual Grant	0.002	0.000	0.000	0.000	0.002
Grove Hall Park	Residual Grant	0.003	0.000	0.000	0.000	0.003
Middleton Green lane	Residual Grant	0.004	0.000	0.000	0.000	0.004
Bethnal Green gard	Residual Grant	0.001	0.000	0.000	0.000	0.001
CLC LPP Total		1.562	3.138	1.745	0.000	6.445

CSF PROJECTS - LPP

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Osmani - Redevelopment	LPP	1.911	1.332	0.000	0.000	3.243
Bishop Challoner - Community Facilities	LPP	0.600	0.000	0.000	0.000	0.600
Harry Gosling	LPP	0.012	0.000	0.000	0.000	0.012
Toby Lane	LPP	0.014	0.000	0.000	0.000	0.014
Youth Service (BMX Mile End)	LPP	0.094	0.000	0.000	0.000	0.094
CSF LPP Total		2.631	1.332	0.000	0.000	3.963

D&R PROJECTS - LPP

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Private Sector and Affordable Housing	S106	1.000	0.000	0.000	0.000	1.000
High Street 2012	S106	0.250	0.250	0.000	0.000	0.500
High Street 2012	Capital Grant	0.250	0.000	0.000	0.000	0.250
High Street 2012	LPP	0.400	0.400	0.000	0.000	0.800
Dunbridge Street Health and Welbeing Centre	S106	1.610	0.000	0.000	0.000	1.610
St Andrew's Health and Wellbeing Centre	S106	4.777	0.000	0.000	0.000	4.777
Emergency Property Works Contingency	LPP	1.000	0.000	0.000	0.000	1.000
Disabled Facilities Grant	LPP	0.500	0.270	0.000	0.000	0.770
D&R LPP Total		9.787	0.920	0.000	0.000	10.707

HRA PROJECTS - LPP

Scheme Name	Funding Source	2010/11 Revised Budget	2011/12 Budget	2012/13 Budget	2013/14 Budget	Total Budget 2010/11 to 2013/14
		£m	£m	£m	£m	£m
Overcrowding Strategy	LPP	1.815	0.000	0.000	0.000	1.815
Council Housebuilding Initiative	LPP	1.291	0.000	0.000	0.000	1.291
Blackwall Reach	MRA	1.000	1.000	0.000	0.000	2.000
Blackwall Reach	Capital Grant	0.250	0.000	0.000	0.000	0.250
Blackwall Reach	Receipts	0.950	2.500	3.000	1.500	7.950

Blackwall Reach	S106	0.000	0.000	0.000	1.500	1.500
Delivering Decent Homes	LPP	2.000	0.000	0.000	0.000	2.000
Installation of Automatic Energy Metres	LPP	0.200	0.000	0.000	0.000	0.200
HRA Total		7.506	3.500	3.000	3.000	17.006
Total LPP Programme		28.435	10.210	5.845	3.000	47.490

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COMMITTEE Cabinet	DATE 9th February 2011	CLASSIFICATION Unrestricted	REPORT NO.
REPORT OF: Corporate Director-Resources ORIGINATING OFFICER(S): Alan Finch: Service Head – Corporate Finance Oladapo Shonola – Chief Financial Strategy Officer		TITLE: TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2011/12 Ward(s) affected: All	

Lead Member	Cllr Alibor Choudhury – Resources
Community Plan Theme	All
Strategic Priority	One Tower Hamlets

1. **SUMMARY**

- 1.1 The Council is required by legislation and guidance to produce three strategy statements in relation to its treasury management arrangements. . The three statements are :
- A Treasury Management Strategy which sets out the Council’s proposed borrowing for the financial year and establishes the parameters (prudential and treasury indicators) within which officers under delegated authority may undertake such activities;
 - An annual Investment Strategy sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments; and
 - A policy statement on the basis on which provision is to be made in the revenue accounts for the repayment of borrowing – Minimum Revenue Provision (MRP) Policy Statement.
- 1.2 The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009. A separate report elsewhere on this agenda is concerned with setting the Prudential Indicators for 2011/12, which ensure that the Council’s capital investment decisions remain affordable, sustainable and prudent.
- 1.3 The Council is required to have regard to the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised November 2009) which requires the following:
- A Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities
 - Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives
 - Approval by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy, and prudential indicators - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

- Clear delegated responsibility for overseeing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. For this Council the delegated body is the Audit Committee. The scheme of delegation for treasury management is attached at **Appendix 5**

1.4 In line with the requirement of the Code, the Council should formally adopt the revised Code and the Treasury Management Policy Statement as set out in **Appendices 3 and 4**.

1.5 Officers will report details of the council's treasury management activity to the Audit Committee at each of its meetings during the year. Additionally, a mid year and full year report will be presented to Council. Full reporting arrangement is attached at **Appendix 6**.

2. DECISIONS REQUIRED

Cabinet is requested to:-

2.1 Recommend that Full Council adopt:

2.1.1 The Treasury Management Strategy Statement set out in sections 7-11 of this report.

2.1.2 The Annual Investment Strategy set out in section 12 of this report.

2.1.3 The Minimum Revenue Provision Policy Statement set out in section 13 of this report, which officers involved in treasury management must then follow.

2.2 Delegate to the Corporate Director-Resources after consultation with the Lead Member for Resources authority to vary the figures in this report to reflect decisions made in relation to the Capital Programme prior to submission to Budget Council.

3 REASONS FOR DECISIONS

3.1 It is consistent with the requirements of treasury management specified by CIPFA, to which the Council is required to have regard under the Local Government Act 2003 and regulations made under that Act, for the Council to produce three strategy statements to support the Prudential Indicators which ensure that the Council's capital investment plans are affordable, sustainable and prudent. The three documents that the Council should produce are:

- Treasury Management Strategy, including prudential indicators
- Investment Strategy
- Minimum Revenue Provision Policy Statement; and

4 ALTERNATIVE OPTIONS

4.1 The Council is bound by legislation to have regard to the CIPFA requirements for treasury management. If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that the Council's capital investment plans are affordable, sustainable and prudent.

4.2 The strategies and policy statement put forward in the report are considered the best methods of achieving the CIPFA requirements. Whilst it may be possible to adopt variations of the strategies and policy statement, this would risk failing to achieve the goals of affordability, sustainability and prudence.

5 **BACKGROUND**

- 5.1 The Local Government Act 2003 Act requires the Council to establish a treasury strategy for borrowing, and an investment strategy for each financial year, which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 5.2 The strategy for 2011/12 encompasses elements of the treasury management function and incorporates the economic forecasts provided by the Council's treasury advisor. It specifically covers:
- Treasury limits in force which will limit the treasury risk and activities of the Council;
 - Prudential and Treasury Indicators;
 - The current treasury position;
 - The borrowing requirement;
 - Prospects for interest rates;
 - The borrowing strategy (including policy on borrowing in advance of need);
 - Debt Rescheduling;
 - The Investment Strategy;
 - Credit Worthiness Policy;
 - Policy on use of external service providers; and
 - The Minimum Revenue Provision strategy

6 **TREASURY LIMITS FOR 2011/12 TO 2013/14**

- 6.1 The Council must have regard to the Prudential Code when setting an Authorised Limit for borrowing (the level of borrowing to fund capital investment that is affordable), which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is affordable for taxpayers and tenants.
- 6.2 The Authorised Limit is to be set on a rolling basis, for the forthcoming financial year and two successive financial years. Details of the Authorised Limit and other indicators are attached at **Appendix 1**.
- 6.3 The Prudential Code requires that the Council set a series of indicators on a three year time frame, which are classified in two main categories; prudential and treasury indicators. It should be noted that these indicators are not for comparison with other local authorities, but are a means to support and record local decision-making.
- 6.4 The prudential indicators are there to demonstrate that the Council can afford the proposed capital programme in addition to the borrowing undertaken to fund expenditure in the past and that such expenditure is sustainable and prudent going forward. Also it highlights the impact of capital investment decisions on council tax and housing rents. The Council has set the following prudential indicators, which are detailed at **Appendix 1** of this report as prescribed by the Code:
- **Capital Expenditure** – the amount the Council will spend
 - **Ratio of Financing Costs to Net Revenue Stream** – Financing cost as a percentage of revenue budget, to ensure that borrowing does not overwhelm the capacity for other expenditure.

- **Net Borrowing Requirement** – Amount of external borrowing that will be required in the year.
- **In Year Capital Financing Requirement** – The amount of borrowing required in year
- **Capital Financing Requirement** – Overall capital financing required for all capital expenditure
- **Incremental Impact of Capital Investment Decisions** – Measures the impact of capital investment decisions on council tax and housing rents.

6.5 Treasury indicators are about setting parameters within which officers can take treasury management decisions. The Council has set the following treasury indicators, which are detailed at **Appendix 1** of this report as prescribed by the Code:

- **Authorised Limit for External Debt** – The upper limit on the level of gross external permitted. It must not be breached without Full Council approval.
- **Operational Boundary for External Debt** – Most likely and prudent view on the level of gross external debt requirement.
- **Actual External Debt** – This is the actual gross external debt that the Council currently has, which will not be comparable to the operational boundary or authorised limit, since the actual gross external debt will reflect the actual position at any one point in time.
- **Maturity Structure for Borrowing** – Profile of when loans in the Council’s portfolio of debt are expected to mature

7 **CURRENT PORTFOLIO POSITION**

7.1 The Council’s borrowing and investments as at the 30 November 2010 are as set out in Table 1. The Council’s external borrowing total £354m. Investments currently total £151m.

Table 1

Type of Borrowing	Principal Amount £m	Total Principal Amount £m	Average Rate %	Total Average Rate %
Fixed Rate Borrowing				
PWLB (Public Works Loans Board)	276.173		7.786	
Market	13.000		4.370	
		289.173		7.633
Variable Rate Borrowing				
PWLB and Market	64.500		1.134	
				1.134
Total Debt		353.673		6.448
Investments				
Debt Management Office	0			
UK Banks & Building Societies	143.761			
Overseas banks	0			
Other UK Institutions	7.000			
Total Investments	150.761			

8 PROSPECTS FOR INTEREST RATES

- 8.1 The borrowing and investment strategy is in part determined by the economic environment within which it operates.
- 8.2 The Council has appointed Sector Treasury Services as treasury adviser and part of the service they provide is to assist the Council to formulate a view on interest rates. The following table gives Sector's overall view on interest rates for the next three years.

Table 2

	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
Bank Rate	0.50%	0.50%	0.50%	0.75%	1.00%	1.00%	1.25%	1.50%	1.75%	2.25%	2.75%	3.00%	3.25%
5Yr PWLB Rate	3.41%	3.30%	3.30%	3.40%	3.50%	3.60%	3.80%	3.90%	4.10%	4.30%	4.60%	4.80%	4.90%
10Yr PWLB Rate	4.64%	4.40%	4.40%	4.40%	4.50%	4.70%	4.80%	4.90%	5.00%	5.10%	5.20%	5.30%	5.40%
25Yr PWLB Rate	5.29%	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%
50Yr PWLB Rate	5.21%	5.20%	5.20%	5.20%	5.30%	5.30%	5.40%	5.40%	5.40%	5.50%	5.50%	5.60%	5.70%

- 8.3 Sector's current interest rate projections are based on moderate economic recovery and moderate Bank of England Monetary Policy Committee concerns about the outlook for inflation.
- 8.4 Sector projects that Bank Rate:-
- will hold steady at 0.50% until the end of Q2 2011
 - will start to rise from 0.50% in Q3 2011 reaching 3.25% by the end of Q4 2013; and
 - long term (50 Year) PWLB rates to steadily increase reaching 5.70% by end of Q4 2013
- 8.5 At the time of writing, the Bank of England base rate stands at 0.5%. Inflation has remained above the Bank of England Monetary Policy Committee's (MPC) 2% target, and has recently been increasing. but the MPC is confident that inflation will fall back under the target over the next two years Some commentators are suggesting that interest rate may go up early to help dampen inflation If such a move takes place before the report is considered any implications of this will be reported at your meeting, although small upwards movements in base rate are unlikely to change the strategy in the short term. At present the council's treasury advisor's view is that there is unlikely to be any increase in Bank Rate until the end of 2011.

9 BORROWING STRATEGY

- 9.1 The Council will continue to borrow for the following purposes where it is deemed affordable, sustainable and prudent to do so:
- Supported Capital Expenditure Allocations
 - Repayment of Maturing Debt (net of Minimum Revenue Provision)
 - Unsupported (Prudential) Borrowing Capital Expenditure
 - Short Term Cash Flow Financing

- 9.2 The Corporate Director-Resources under delegated powers will determine the timing, term, type and rate of new borrowing to take into account factors such as:
- Expected movements in interest rates
 - Current maturity profile
 - The impact of borrowing on the council's Medium Term Financial Plan
 - Approved prudential indicators and limits
- 9.3 Officers will continue to monitor interest rate movements closely and adopt a pragmatic approach to changing circumstances. For example, the following potential scenarios would require a reappraisal of strategy:
- A significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap
 - A significant risk of a sharp fall in long and short term rates, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.
- 9.4 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.
- 9.5 In determining whether borrowing will be undertaken in advance of need the Council will;
- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
 - ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
 - evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
 - consider the merits and demerits of alternative forms of funding
 - consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

10 DEBT RESCHEDULING

- 10.1 The Corporate Director-Resources will continue to consider options to reschedule and restructure the Council's debt portfolio, having due regard for the broad impact of such exercises on the following:
- The maturity profile – council will only undertake debt restructuring where it benefits the maturity profile
 - Ongoing revenue savings will be achieved
 - The effect on the HRA
 - The impact of premiums and discounts has been fully considered; and
 - The impact on prudential indicators.

11 ANNUAL INVESTMENT STRATEGY

- 11.1 The Investment Strategy for 2011/12 has been put together in recognition of the recent relative recovery in the financial sector following the banking crisis that led to a global recession. Money markets are becoming more stable although Bank of England base rate is still being held at the historical low rate of 0.50%.
- 11.2 In 2009, the Corporate Director-Resources in response to market uncertainties implemented interim credit criteria which restricted term investments to UK institutions which had support guarantees from the British Government. This policy is however difficult to sustain in the long term because of the limited number of counterparties and the relatively low returns obtainable given historically low interest rates being offered by UK institutions.
- 11.3 In reviewing the investment strategy, officers along with the Council's treasury advisers are looking to balance risk and reward in a way that result in a balanced investment portfolio for the Council. It is proposed that;
- the capacity for overseas investment in counter-parties from high-rated sovereign jurisdictions be included within the strategy,
 - the individual/group limit for investment in an institution or group is increased to £30m (currently £25m).
 - up to £12m of available cash balances may be invested for periods over 364 days and up to 3 years, subject to review if £12m exceeds 10% of the portfolio.

The detailed credit criteria are set out in section 11.4.5 and it is recommended that these criteria be adopted.

11.4 Investment Policy:

11.4.1 The Council will have regard to the Department of Communities and Local Government's (DCLG) Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA Treasury Management Code"). The Council's investment priorities are:

- The security of capital;
- The liquidity of investments to ensure that the Council has cash available to discharge its liabilities as necessary; and that;
- Within these priorities, the Council will also aim to achieve the optimum return on its investments commensurate with appropriate levels of security and liquidity; and
- All investments will be in Sterling.

11.4.2 To achieve these objectives, the Council is required to classify investment products as either "specified" or "non-specified" as defined within the guidance.

11.4.3 Specified investments comprise investment instruments which the Council considers offer high security and liquidity. These instruments can be used with

minimal procedural formalities. The guidance issued by the Government considers that specified investments have the following characteristics: -

- Denominated in Sterling and have a term of less than one year
- Have “high” credit ratings as determined by the Council itself.

11.4.4 All other investments are termed non-specified investments. These involve a relatively higher element of risk, and consequently the Council is required to set a limit on the maximum proportion of their funds which will be invested in these instruments. The Strategy should also specify the guidelines for making decisions and the circumstances in which professional advice is obtained.

11.4.5 Investment instruments identified for use in the financial year are listed below under the ‘Specified’ and ‘Non-Specified’ Investments categories. Counterparty limits will be as set through the Council’s Treasury Management Practices – Schedules.

11.4.5.1 **Specified Investments:**

(All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum ‘high credit’ quality criteria where applicable). The council will continue its policy of lending surplus cash to counterparties that have high credit ratings, defining ‘high credit rating’ as being F1+ Fitch short-term and AA- long-term credit rating.

Table 3

Institution	Minimum High Credit Criteria	Use	Limit
Debt Management Office (DMO) Deposit Facility	Not applicable	In-house	£100m*
Term deposits – Other Local Authorities	Not applicable	In-house	£10m**
Term deposits – banks and building societies	Short-term F1+, Long-term AA-	In-house	£30m
Institutions with Government guarantee on ALL deposits by high credit rated (sovereign rating) countries.	Sovereign rating	In-house	£30m
UK Government Gilts	Long Term AAA	In-house	£20m
Institutions with UK Government support.	Sovereign rating	In-house	£30m
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)			
Money Market Funds	AAA rated	In-house	£10m

Definitions of credit ratings are attached at **Appendix 2.**

* Although limit has been set at £100m for the DMO, in reality there is no restriction on placement with the UK government.

** The group limit for local authorities has been set at £100m.

11.4.5.2 **Non-Specified Investments:**

The Council revised its investment strategy in the wake of the banking crisis in 2007. This led to wide ranging restriction being placed on the counterparty list. As part of the strategy review in 2007, a temporary cessation of investment with overseas institutions and all investment restricted to a term of less than 365 days until stability returned to the banking sector, globally. The situation has now settled enough for clear

decisions to be made on whether the council should return to investing with overseas banks.

Following a market review and detailed discussions around 2011/12 investment strategy with the Council's treasury advisors, it is recommended that the Council should make non-specified investment as outlined in below table.

Table 4

Institution	Minimum High Cred Criteria	Use	Limit
Term deposits – Banks and Building Societies	Sovereign rating AAA Short-term F1+, Long-term AA-	In-house	£12m
UK Government Gilts	Long Term AAA	In-house	£12m

11.5 The Council uses Fitch ratings (or equivalent from other agencies if Fitch does not provide a rating) to derive its counterparty criteria, but will take into consideration ratings from all three main credit ratings providers when compiling its counterparty list. The Council will take an overall view on its counterparties so that an organisation could be removed from the list if the predominant view of the organisation is pessimistic. Where the overall view of the three main ratings agency is pessimistic, the Council is likely to adopt the most pessimistic of the available ratings.

11.6 The minimum credit rating required for an institution to be included in the Council's counterparty list is as follows:

Table 5

Agency	Long-Term	Short-Term	Individual	Support
Fitch	AA-	F1	C	1
Moodys	Aa3	P-1	N/A	C
Standard & Poors	AA-	A-1	N/A	N/A

Sovereign Rating	AAA
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Money Market Fund	AAA
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11.7 The Council will only use approved counterparties from countries with minimum sovereign credit rating of AAA from Fitch as outlined above. The following countries are currently rated AAA:

- Canada
- Denmark
- Finland
- France
- Germany

- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- United Kingdom
- United States of America

11.8 All credit ratings will be monitored on at least a monthly basis and the Council is alerted to changes in ratings through its use of the Sector creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria as outlined in 11.5, its further use as a new investment will be withdrawn immediately.
- If a body is placed on negative rating watch (i.e. there is a reasonable probability of a rating change and the likelihood of that change being negative) and it is currently near the floor of the of the minimum acceptable rating for placing investments with that body as outlined in 11.5, then no further investments will be made with that body.

11.9 The credibility of credit ratings providers has been called into question because they failed to identify the potential problems with Icelandic Banks prior to the Icelandic Banking Crisis. In order to further improve the security of council funds and in line with CIPFA guidance, the Council as well as using credit rating agencies will now also use financial press, market data, information on government support for banks and the credit ratings of that government support when compiling its counterparties list.

11.10 Institutions with which the Council can place funds are as follows:

- Bank of England Debt management Office (DMO).
- The institutions that were included in the UK Government's permanent capital investment and short-term liquidity support programme.
- Other UK institutions meeting our minimum credit rating criteria
- UK AAA rated Money Market Funds
- Other local authorities
- Overseas institutions (falling within the Council's minimum credit criteria) from countries with sovereign ratings of AAA from all rating agencies

11.11 The Council anticipates its fund balances in 2011/12 to average approximately £140m. Although the actual amount available for investment at any one time will fluctuate as a result of timing of significant items such as:

- Expenditure on capital projects
- Council tax, business rates, council house rent income
- Receipt of government grants
- Capital receipts in respect of major asset sales

11.12 It is proposed that the Council adopts a prudential indicator limit of £12m for 2011/12 for term deposits over 365 days (but no more than 3 years) which has been calculated on the

basis that 10% of the average daily investment balance is not likely to exceed £12m through the year.

11.13 Investment Strategy:

11.13.1 **In-house funds:** The Council's in house investments are principally related to cashflow. Investments will accordingly be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates.

11.13.2 **Interest rate outlook:** Bank of England Base Rate has remained at 0.50% since the initial tumble down from a high of 5.75% in November 2007 to the current rate in March 2009. The council's treasury advisors forecast that interest rates will start to rise steadily from Q2 of 2011 and would have risen to 3.25% by Q4 of 2013.

11.13.3 There is slightly more certainty over the projected level of interest rates in 2011/12 than in 2010/11 as the economic recovery gathers pace and inflation starts to come back toward government target. However, there remains a distortion in the inter-relationships between money market rates and bank rate. The 2011/12 budget has been set to take account of low interest rates, but officers will continue to invest to maximise returns in line with the Council's counterparty criteria.

12 MINIMUM REVENUE PROVISION POLICY STATEMENT 2010/11

12.1 The Council is required to provide an annual amount in its revenue budget to provide for the repayment of the debt it has incurred to finance its General Fund capital investment. The calculation of this sum termed the Minimum Revenue Provision (MRP) was previously prescribed by the Government.

12.2 The Department of Communities and Local Government (DCLG) now require Councils to establish a policy statement on the MRP and has published guidance on the four potential methodologies to be adopted.

12.3 The guidance distinguishes between supported borrowing which relates to assumed borrowing which is incorporated into the Governments Formula Grant calculation and consequently has an associated amount of government grant and unsupported borrowing. Unsupported borrowing is essentially prudential borrowing the financing costs of which have to be met by the Council locally.

12.4 The DCLG guidance provides two options for the calculation of the MRP associated with each classes of borrowing.

12.5 The two options for the supported borrowing are variants of the existing statutory calculation which is based on 4% of the aggregate assumed borrowing for general fund capital investment - termed the Capital Financing requirement (CFR). The two options are:

- **Option 1 (Regulatory Method):** To continue the current statutory calculation based on the gross CFR less a dampening factor to mitigate the impact on revenue budgets of the transition from the previous system. This calculation is further adjusted to repay debt transferred to the Council when the Inner London Education Authority (ILEA) was abolished.
- **Option 2 (Capital Financing Requirement Method):** The statutory calculation without the dampener which will increase the annual charge to revenue budget.

- 12.6 The options purely relate to the timing of debt repayment rather than the gross amounts payable over the term of the loans. The higher MRP payable under option 2 will accelerate the repayment of debt.
- 12.7 It is recommended that because of budget constraints in the medium term the existing statutory calculation with the ILEA adjustment be adopted as the basis of the Councils MRP relating to supported borrowing.
- 12.8 The guidance provides two options for the MRP relating to unsupported borrowing. The options are:-
- **Option 3 (Asset Life Method):** To repay the borrowing over the estimated life of the asset with the provision calculated on either an equal instalment or annuity basis. This method has the advantage of simplicity and relating repayments to the period over which the asset is providing benefit.
 - **Option 4 (Depreciation Method):** A calculation based on depreciation. This is extremely complex and there are potential difficulties in changing estimated life and residual values.
- 12.9 It is recommended that option 3 is adopted for unsupported borrowing.
- 12.10 The Council is required regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2003 to determine for each financial year an amount of minimum revenue provision which it considers to be prudent. It is proposed that the Council makes Minimum Revenue Provision using Option 1 (Regulatory Method) for supported borrowing and Option 3 (Asset Life Method) for unsupported borrowing.

13 COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 13.1 The comments of the Chief Finance Officer have been incorporated into the report.

14 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 14.1 The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.
- 14.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") in carrying out capital finance functions under the Local Government Act 2003. If after having regard to the Treasury Management Code the Council wished not to follow it, there would need to be some good reason for such deviation.
- 14.3 It is a key principle of the Treasury Management Code that an authority should put in place "comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities". Treasury management activities cover the management of the Council's investments and cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum performance consistent with those risks. It is consistent with the key principles expressed in the

Treasury Management Code for the Council to adopt the strategies and policies proposed in the report.

- 14.4 The report proposes that the treasury management strategy will incorporate prudential indicators. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the Council to have regard to the CIPFA publication “Prudential Code for Capital Finance in Local Authorities” (“the Prudential Code”) when carrying out its duty under the Act to determine an affordable borrowing limit. The Prudential Code specifies a minimum level of prudential indicators required to ensure affordability, sustainability and prudence. The report properly brings forward these matters for determination by the Council. If after having regard to the Prudential Code the Council wished not to follow it, there would need to be some good reason for such deviation.
- 14.5 The Local Government Act 2000 and regulations made under the Act provide that adoption of a plan or strategy for control of a local authority’s borrowing, investments or capital expenditure, or for determining the authority’s minimum revenue provision, is a matter that should not be the sole responsibility of the authority’s executive and, accordingly, it is appropriate for the Cabinet to agree these matters and for them to then be considered by Full council.

15 ONE TOWER HAMLETS CONSIDERATIONS

- 15.1 Capital investment will contribute to achievement of the corporate objectives, including all those relating to equalities and achieving One Tower Hamlets.. Establishing the statutory policy statements required facilitates the capital investments and ensures that it is prudent.

16 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 16.1 There are no sustainable actions for a greener environment implication.

17 RISK MANAGEMENT IMPLICATIONS

- 17.1 There is inevitably a degree of risk inherent in all treasury activity.
- 17.2 The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.
- 17.3 Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the Council.
- 17.4 The council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls to put in place the Council has obtained independent advice from Sector Treasury Services who specialise in Council treasury issues.

18 CRIME AND DISORDER REDUCTION IMPLICATIONS

- 18.1 There are no any crime and disorder reduction implications arising from this report.

19 EFFICIENCY STATEMENT

- 19.1 The Treasury Management Strategy and Investment Strategy and the arrangements put in place to monitor them should ensure that the Council optimises the use of its monetary

resources within the constraints placed on the Council by statute, appropriate management of risk and operational requirements.

20. APPENDICES

Appendix 1 – Prudential and Treasury Indicators

Appendix 2 – Definition of Credit Ratings

Appendix 3 – Adoption of the revised CIPFA Treasury Management Code of Practice 2009

Appendix 4 – Treasury Management Policy Statement

Appendix 5 – Treasury Management Scheme of Delegation

Appendix 6 – Treasury Management Reporting Arrangement

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
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Sector Guidance

Oladapo Shonola (x4733), Chief Financial Strategy Officer, 4th Floor Mulberry Place

PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS

Prudential indicators	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Probable Outturn	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure					
Non – HRA	88,878	149,876	134,012	83,159	50,656
HRA	50,497	47,587	37,636	36,911	30,000
TOTAL	139,375	197,463	171,648	120,070	80,656
Ratio of financing costs to net revenue stream					
Non – HRA	2.98%	2.62%	2.51%	2.55%	2.43%
HRA	16.91%	18.75%	19.39%	19.9%	20.31%
Net borrowing requirement					
brought forward 1 April	322.198	354.250	303.764	308.079	315.622
carried forward 31 March	354.250	303.764	308.079	315.622	322.424
in year borrowing requirement	32.052	-50.486	4.315	7.543	6.802
In year Capital Financing Requirement					
Non - HRA	1.352	0	0	0	0
HRA	15.500	15.500	6.000	6.000	6.000
TOTAL	16.852	15.500	6.000	6.000	6.000
Capital Financing Requirement as at 31 March					
Non - HRA	161.570	160.784	152.599	146.142	139.944
HRA	276.480	292.480	298.480	304.480	310.480
TOTAL	438.050	453.264	451.079	450.622	450.424
Incremental impact of capital investment decisions	£ p	£ p	£ p	£ p	£ p
Increase in Council Tax (band D) per annum	8.46	4.27	0	0	0
Increase in average housing rent per week	0	0	0	0	0

TABLE 4: Treasury management indicators	2009/10	2010/11	2011/12	2012/13	2013/14
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	Actual	Probable Outturn	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised Limit for external debt -					
borrowing	483,050	498,264	496,079	495,424	495,424
other long term liabilities	0	0	0	0	0
TOTAL	483,050	498,264	496,079	495,424	495,424
Operational Boundary for external debt -					
borrowing	463,050	478,264	476,079	475,424	475,424
Other long term liabilities	0	0	0	0	0
TOTAL	463,050	478,264	476,079	475,424	475,424
Actual external debt					
Upper limit for fixed interest rate exposure					
expressed as either:-					
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	100%
Upper limit for variable rate exposure					
expressed as either:-					
Net principal re variable rate borrowing / investments	20%	20%	20%	20%	20%
Upper limit for total principal sums invested for over 364 days	0	0	12,000	12,000	12,000
(per maturity date)					

TABLE 5: Maturity structure borrowing during 2011/12	Upper Limit	Lower Limit
under 12 months	10%	0%
12 months and within 24 months*	30%	0%
24 months and within 5 years*	40%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%

* This upper limit has been increased to allow for the risk of lenders option being exercised on the Council's debt portfolio in 2012/13. It is not anticipated that this will happen.

Appendix 2: Definition of Credit Ratings

Support Ratings

Rating	
1	A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-term rating floor of 'A-'.
2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-term rating floor of 'BBB-'.
3	A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'BB-'.
4	A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'B'.
5	A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-term rating floor no higher than 'B-' and in many cases no floor at all.

Short-term Ratings

Rating	
F1	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3	Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.

Long-term Ratings

Rating	Current Definition (August 2003)
AAA	Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality. 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	Good credit quality. 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category

Individual Ratings

Rating	
A	A very strong bank. Characteristics may include outstanding profitability and balance sheet integrity, franchise, management, operating environment or prospects.
B	A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects
C	An adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.
D	A bank, which has weaknesses of internal and/or external origin. There are concerns regarding its profitability, substance and resilience, balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with a greater number of potential deficiencies of external origin.
E	A bank with very serious problems, which either requires or is likely to require external support.

Adoption of the revised CIPFA Treasury Management Code of Practice 2009

INTRODUCTION

The CIPFA Code of Practice on Treasury Management in Local Authorities was last updated in 2001 and has been revised in 2009 in the light of the default by Icelandic banks in 2008. The revised Code requires that a report be submitted to the council, board or other appropriate body, setting out four amended clauses which should be formally passed in order to approve adoption of the new version of the Code of Practice and Cross-Sectoral Guidance Notes.

The revised Code also includes an amended version of the treasury management policy statement (TMPS) incorporating just three clauses and a revised definition of treasury management activities. The Code does not require this statement to be approved by the council, board or other appropriate body.

RESOLUTIONS

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.

1. This organisation will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.

2. This organisation (i.e. full council) will receive reports on its treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
3. This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to The Corporate Director-Resources, who will act in accordance with the organisation's policy statement and TMPs and if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
4. This organisation nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Treasury management Policy Statement

The London Borough of Tower Hamlets defines the policies and objectives of its treasury management activities as follows: -

1. This organisation defines its treasury management activities as:
“The management of the authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

Treasury Management Scheme of Delegation

1. Full Council / Cabinet

- receiving and reviewing reports on treasury management policies, practices and activities
- approval of annual strategy.

2. Cabinet /Section 151 Officer

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement
- budget consideration and approval
- approval of the division of responsibilities
- approving the selection of external service providers and agreeing terms of appointment.

3. Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- receiving and reviewing regular monitoring reports and acting on recommendations

Treasury Management Reporting Arrangement

Area of Responsibility	Council/Committee/Officer	Frequency
Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Full Council	Annually before the start of the financial year to which policies relate
Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Full Council	Mid year of financial year to which policies relate
Updates or revisions to the Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Full Council	
Annual Treasury Outturn Report	Audit Committee	Annually by 30 September after the year end to which the report relates
Treasury Management Practices	Corporate Director-Resources	
Scrutiny of Treasury Management Strategy Statement	Overview and Scrutiny Committee	Annually before the start of the financial year to which the report relates
Scrutiny of Treasury Management Performance	Audit Committee	Quarterly