

Meeting of the

OVERVIEW & SCRUTINY COMMITTEE

Tuesday, 1 August 2006 at 7.00 p.m.

A G E N D A

VENUE

Meeting Room M71, Seventh Floor, Town Hall, Mulberry Place, 5
Clove Crescent, London, E14 2BG

Members:	Deputies (if any):
Chair: Councillor Motin Uz-Zaman Vice-Chair : Councilor A.A.Sardar	
Councillor Simon Rouse Councillor Shahed Ali Councillor Clair Hawkins Councillor Shiria Khatun Councillor Mohammed Abdus Salique Councillor Stephanie Eaton Councillor Oliur Rahman	Councillor Ahmed Hussain, (Designated Deputy representing Councillors Shahid Ali and Oliur Rahman)
[Note: The quorum for this body is 4 voting Members].	

Co-opted Members:
Mr H Mueenuddin – Muslim Community Representative Mr D McLaughlin – Roman Catholic Diocese of Westminster Representative

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact: Tim Hogan, Democratic Services, Tel: 020 7364 4850, E-mail: tim.hogan@towerhamlets.gov.uk

LONDON BOROUGH OF TOWER HAMLETS

OVERVIEW & SCRUTINY COMMITTEE

Tuesday, 1 August 2006

7.00 p.m.

SECTION ONE

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992.

Note from the Chief Executive

In accordance with the Council's Code of Conduct, Members must declare any **personal interests** they have in any item on the agenda or as they arise during the course of the meeting. Members must orally indicate to which item their interest relates. If a Member has a personal interest he/she must also consider whether or not that interest is a **prejudicial personal interest** and take the necessary action. When considering whether or not they have a declarable interest, Members should consult pages 181 to 184 of the Council's Constitution. Please note that all Members present at a Committee meeting (in whatever capacity) are required to declare any personal or prejudicial interests.

A **personal interest** is, generally, one that would affect a Member (either directly or through a connection with a relevant person or organisation) more than other people in London, in respect of the item of business under consideration at the meeting. If a member of the public, knowing all the relevant facts, would view a Member's personal interest in the item under consideration as so substantial that it would appear likely to prejudice the Member's judgement of the public interest, then the Member has a **prejudicial personal interest**.

Consequences:

- If a Member has a **personal interest**: he/she must declare the interest but can stay, speak and vote.
- If the Member has **prejudicial personal interest**: he/she must declare the interest, cannot speak or vote on the item and must leave the room.

When declaring an interest, Members are requested to specify the nature of the interest, the particular agenda item to which the interest relates and to also specify whether the interest is of a personal or personal and prejudicial nature. This procedure is designed to assist the public's understanding of the meeting and is also designed to enable a full entry to be made in the Statutory Register of Interests which is kept by the Head of Democratic Renewal and Engagement on behalf of the Monitoring Officer.

3. UNRESTRICTED MINUTES

1 - 14

To confirm as a correct record of the proceedings the unrestricted minutes of the meetings of the Overview and Scrutiny Committee held on 6th June and 4th July 2006 (**Attached**)

4. REQUESTS TO SUBMIT PETITIONS

To be notified at the meeting.

5. REQUESTS FOR DEPUTATIONS

To be notified at the meeting.

6. SECTION ONE REPORTS 'CALLED IN'

The following reports have been called in from the 5th July, 2006 meeting of the Cabinet.

6.1 REPORT CALLED IN - LIFT Development and Outline Business Case for Southern Grove and St.Clements

15 - 62

All Wards

(Time allocated 30 minutes)

6.2 REPORT CALLED IN - DISPOSAL OF HOLLAND ESTATE TO EASTEND HOMES

63 - 80

**Spitalfields
&
Banglatown**

(Time allocated 30 minutes)

7. BUDGET AND POLICY FRAMEWORK

7.1 FINANCIAL OUTLOOK AND REVIEW 2007/08 - 2009/10

81 - 120

All Wards

This report is due to be considered by Cabinet on 2nd August, 2006
(Time allocated 30 minutes)

8. PERFORMANCE MONITORING

8.1 TOWER HAMLETS INDEX MONITORING REPORT

121 - 142

All Wards

(Time allocated 15 minutes)

8.2 OVERVIEW AND SCRUTINY COMMITTEE - WORK PROGRAMME 2006/07

143 - 154

All Wards

(Time allocated 20 minutes)

**9. PRE-DECISION SCRUTINY OF SECTION ONE
(UNRESTRICTED) CABINET PAPERS -
CABINET 2ND AUGUST**

All Wards

**10. ANY OTHER SECTION ONE (UNRESTRICTED)
BUSINESS WHICH THE CHAIR CONSIDERS TO
BE URGENT**

11. EXCLUSION OF THE PRESS AND PUBLIC

In view of the contents of the remaining items on the agenda the Committee is recommended to adopt the following motion:

“That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.”

EXEMPT/CONFIDENTIAL SECTION (Pink Papers)

The exempt committee papers in the agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Committee Officer present.

**12. ANY OTHER SECTION TWO (RESTRICTED)
BUSINESS THAT THE CHAIR CONSIDERS
URGENT**

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE

HELD AT 7.30 P.M. ON TUESDAY, 6 JUNE 2006

**ROOM M71, 7TH FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present:

Councillor Motin Uz-Zaman (Chair)
Councillor A A Sardar
Councillor Shahed Ali
Councillor Stephanie Eaton
Councillor Clair Hawkins
Councillor Shiria Khatun
Councillor Oliur Rahman
Councillor Simon Rouse
Councillor Mohammed Abdus Salique

Co-opted Members Present:

Mr H Mueenuddin – Muslim Community Representative

‘Call In’ Member Present:

Councillor Tim O’Flaherty

OTHER MEMBERS PRESENT

Councillor Denise Jones, Leader of the Council
Councillor Mohammed Shahid Ali
Councillor Lutfu Begum
Councillor Peter Golds
Councillor Louise Alexander
Councillor Abjol Miah

Officers Present:

Sara Williams	-	(Assistant Chief Executive)
Emma Peters	-	(Corporate Director, Development & Renewal)
Michael Keating	-	(Service Head, Research & Scrutiny)
Alan Steward	-	(Policy Scrutiny Manager)
Graham White	-	(Legal Services)
Chris Weavers	-	(Political Adviser to the Majority Group)
Tim Hogan	-	(Democratic Services)
Shahara Matin	-	(Scrutiny Group)

Afazul Hoque - (Scrutiny Group)
Belal Ahmed - (Press Office)

COUNCILLOR MOTIN UZ-ZAMAN IN THE CHAIR

The Chair welcomed everyone to the first meeting of the Overview and Scrutiny Committee in the new Municipal Year. At the invitation of the Chair all present introduced themselves

1. ELECTION OF VICE-CHAIR

MOVED by Councillor Clair Hawkins , **Seconded** by Councillor Shiria Khatun

RESOLVED

That Councillor A.A.Sardar be elected Vice-Chair of the Overview and Scrutiny Committee for the remainder of the current Municipal Year.

2. APOLOGIES FOR ABSENCE

There were no apologies for absence.

3. DECLARATIONS OF INTEREST

There were no declarations of interest .

4. UNRESTRICTED MINUTES

The unrestricted minutes of the meeting of the Committee held on 4th April , 2006 were confirmed as a correct record of the proceedings and the Chair was authorised to sign them.

5. SCRUTINY MANAGEMENT

5.1 Overview and Scrutiny Committee - Terms of Reference

RESOLVED

That the report be noted.

5.2 Overview and Scrutiny Committee - Protocols and Guidance

RESOLVED

- 1 That the contents of the report and appendix 1, together with all the responsibilities delegated to the Committee in the Council's Constitution, be noted; and
- 2 That the payment of allowances to co-opted Members of the Health Scrutiny Panel be approved as detailed in paragraph 15.2 of the report.

5.3 Overview and Scrutiny Committee - Schedule of Dates

RESOLVED

- 1 That the schedule of dates for meetings of the Overview and Scrutiny Committee for the Municipal Year 2006/2007 be noted; and
- 2 That meetings of the Committee commence at 7.00pm and that the Assistant Chief Executive keep under review the timing of meetings which fall within the period of Ramadan, consulting with the Chair as appropriate.

5.4 Membership of the Overview and Scrutiny Committee/Appointment of Six Lead Scrutiny Members/Establishment of Health Scrutiny Panel Co-options to the Committee

Mr Hogan informed the Committee that the following Scrutiny Lead nominations had been received –

Councillor Clair Hawkins – Living Safely
Councillor A.A Sardar Living Well
Councillor Mohammed Abdus Salique – Health
Councillor Shiria Khatun – Creating and Sharing Prosperity
Councillor Simon Rouse – Excellent Public Services
Councillor Stephanie Eaton – Learning Achievement and Leisure

The Chair, **Seconded** by Councillor Sardar **Moved** that the nominations be agreed.

Councillor Oliur Rahman informed the Committee that he did not support the motion because it did not acknowledge the existence of the Respect Group on the Committee. He was of the view that the Scrutiny Lead portfolios should be shared more equitably among committee members so as to better reflect the political balance on the Council. Councillor Rahman, **Seconded** by Councillor Shahed Ali **Moved** an amendment in the following terms -

That Scrutiny Lead portfolios be allocated on the basis of proportionality

The Chair put the amendment to vote and it was declared **Lost**

The Chair put the substantive motion to the voted and declared it **Carried**

RESOLVED

- 1 That the membership of the Committee be noted;
- 2 That the following Scrutiny Leads be appointed –
 - Councillor Clair Hawkins – Living Safely
 - Councillor A.A.Sardar – Living Well
 - Councillor Mohammed Abdus Salique – Health
 - Councillor Shiria Khatun – Creating and Sharing Prosperity
 - Councillor Simon Rouse – Excellent Public Services
 - Councillor Stephanie Eaton – Learning, Achievement and Leisure
- 3 That the establishment by full Council on 24th May 2006 of the Health Scrutiny Panel and the appointment of Members thereto as detailed in paragraph 4.2 of the report be noted;
- 4 That the current details of the nominated/co-opted Members of the Overview and Scrutiny Committee as set out in the report be noted; and
- 5 That the details of the arrangements to co-opt onto the Health Scrutiny Panel as set out in the report be agreed.

6. REQUESTS TO SUBMIT PETITIONS

There were no requests to submit petitions.

7. REQUESTS FOR DEPUTATIONS

There were no deputation requests received.

8. SECTION ONE REPORTS 'CALLED IN'

8.1 REPORT CALLED-IN - DISPOSAL OF CHEVIOT HOUSE

Following a brief introduction by Ms Sara Williams, Assistant Chief Executive, Councillor Tim O'Flaherty addressed the Committee on behalf of the call-in members. He stated that: the process appeared to be driven by the Registered Social Landlord (RSL) rather than the Council; local people had not been consulted. He went on to note that the services provided at Cheviot House were well used and that service users had not been consulted regarding any proposed relocation of services. He then went on to pose a series of detailed questions relating to the call-in, including questions relating to the Council's Accommodation Strategy, the relationship with the Weavers

Field site, together with the proposals to relocate the existing One – Stop from Cheviot House , as well as questions relating to the building's current role.

Councillor O'Flaherty then responded to a series of questions put by Committee Members.

Ms Emma Peters, Corporate Director Development and Renewal, addressed the meeting and explained the reasons for the original decision.

Ms Peters detailed the history of the proposal, outlined the reasons for a restricted disposal, and confirmed that that the Council did not consult on disposals. However, she confirmed that if a planning application were to be submitted then consultation would take place. Ms Peters emphasised the differences between the Council's disposal policies and the statutory planning process.

Ms Peters then went on to respond in detail to a wide range of questions put by Members of the Committee including questions related to the Council's Accommodation Strategy, consultation with the local community, the role of the statutory planning process and other related issues, as well as the Council's disposal policies and together with commercial and financial aspects of the scheme.

The Leader of the Council went on to address the Committee in support of the Foyer Scheme and the Cabinet's provisional decisions.

Following a comprehensive discussion, during which members suggested that Cabinet should be requested to agree that the disposal of Cheviot House should be delayed to enable further consideration to be given to the concerns raised, including community concerns relating in particular to the establishment of a Foyer scheme on the Cheviot House site, the implications for the establishment of another foyer scheme in area with a very high residential density, the potential impact and the appropriateness, of the establishment of a foyer scheme in an area with significant a number of schools, the interrelationship with existing similar schemes in the area, the role of Cheviot House as a community building and the implications of the relocation of services from Cheviot House, the Council's housing and planning policies, the relationship with the Council's Accommodation Strategy and it's Asset Management policies, the reasons for the selection of Cheviot House for proposed disposal, together with the need for more detailed information relating to the commercial and financial aspects of the proposed disposal.

Moved by the Chair, and **Seconded** by Councilor Sardar and it was: –

RESOLVED:

That Cabinet be requested to agree that the disposal of Cheviot House be delayed pending a further report to its 5th July, 2006 meeting in order to give further consideration to available options and to enable the following concerns to be addressed:–

- (a) the need to address local public concerns on the proposal to establish a Foyer scheme on the Cheviot House site;
- (b) the need to determine, in consultation with the local community, what will happen to the current services provided from Cheviot House in order to retain local access to One- Stop Shop and other public services;
- (c) the need to clarify the rationale for the selection of Cheviot House; and
- (d) the need for a more detailed explanation of the commercial and financial aspects involved in the proposed disposal of Cheviot House so as to ensure that it best serves the interest of the Council and the local community.

9. BUDGET AND POLICY FRAMEWORK ISSUES

9.1 The Council's Strategic Plan 2006 to 2011: Year 1 Implementation Plan (2006/07) and Best Value Performance Plan

Following a brief introduction by Ms Sara Williams, Assistant Chief Executive, a discussion ensued which resulted in a number of points being made, which it was agreed should be referred to Cabinet for consideration, as set out below:

RESOLVED

That the Council's Strategic Plan 2006 – 2011: Year1 Implementation Plan (2006/7) And Best Value Performance Plan be noted and endorsed and the Committee's comments be forwarded to Cabinet for consideration as set out below:

To improve the effectiveness of the Strategic Plan and its reporting to Members, Cabinet be asked to make the following amendments:

1. The Strategic Plan should make clear how past challenges in delivering the Plan have informed and influenced the action, targets and milestones proposed for 2006- 2011. This is important in demonstrating how the Council applies lessons learnt from past practice and works to continuously improve its services;
2. Consideration should be given to rationalising the targets in the Strategic Plan or at least better highlighting those that are critical to overall success;
3. Greater emphasis should be given to profiling the targets over the full four years of the Strategic Plan. There was an over emphasis on Year One targets and the Committee felt that often in Years Two to Four did not show rates of progress being sustained; and

4. In the Annual Report, where targets were not met, then fuller explanations should be provided as to the reasons and the action proposed to improve performance.

9.2 Tower Hamlets Community Plan to 2010: Year 6 (2006/2007) - Revision

RESOLVED

That the report be noted.

10. PERFORMANCE MONITORING

10.1 Equalities Action Plan 2005/07: End of Year Monitoring Report

RESOLVED

That the positive progress in implementing the Council's Equalities Action Plan 2005/2006 be noted.

11. PRE-DECISION SCRUTINY OF SECTION ONE (UNRESTRICTED) CABINET PAPERS - CABINET 7TH JUNE 2006

Six questions relating to items to be considered at the 7th June, 2006 Cabinet meeting were tabled for consideration by Councillor Stephanie Eaton. The Committee agreed to forward the questions to Cabinet for consideration.

12. ANY OTHER SECTION ONE (UNRESTRICTED) BUSINESS WHICH THE CHAIR CONSIDERS TO BE URGENT

There was no business raised under this heading.

CLOSE OF MEETING

The Chair thanked everyone for their attendance and contributions and closed the meeting at 9.50 p.m.

**Councillor Motin Uz-Zaman
Chair, Overview and Scrutiny
Committee**

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE

HELD AT 7.00 P.M. ON TUESDAY, 4 JULY 2006

**COMMITTEE ROOM M71, SEVENTH FLOOR, TOWN HALL, MULBERRY PLACE,
5 CLOVE CRESCENT, LONDON, E14 2BG**

Members Present:

Councillor Motin Uz-Zaman (Chair)
Councillor A A Sardar (Vice-Chair)
Councillor Simon Rouse
Councillor Clair Hawkins
Councillor Shiria Khatun
Councillor Mohammed Abdus Salique
Councillor Stephanie Eaton

Other Councillors Present:

(none)

Co-opted Members Present:

Mr H Mueenuddin – Muslim Community Representative

Officers Present:

Suki Binjal – (Interim Head of Non-Contentious Team, Legal Services)
Michael Keating – (Service Head, Research & Scrutiny)
Alan Steward – (Policy Scrutiny Manager)
Sara Williams – (Assistant Chief Executive)

Alan Ingram – (Democratic Services)

At 7.10 p.m. the Chair **Moved** and it was:-

RESOLVED

That the meeting be adjourned for five minutes to allow additional time for Members to arrive.

The meeting reconvened at 7.15 p.m.

1. APOLOGIES FOR ABSENCE

Apologies were submitted on behalf of Councillors Shahed Ali and Oliur Rahman for absence and on behalf of Councillor A.A. Sardar for lateness.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. UNRESTRICTED MINUTES

The Chair indicated that the resolution in respect of agenda item number 5.1 "Overview and Scrutiny Committee – Terms of Reference" should read as follows:

"That the report, together with all responsibilities delegated to the Committee in the Council's Constitution, be noted."

The Chair also indicated that resolution (1) in respect of agenda item 5.2 "Overview and Scrutiny Committee – Protocols and Guidance" should read as follows:

"(1) That the contents of the report and Appendix 1, together with all responsibilities delegated to the Committee in the Council's Constitution, be noted."

The Chair referred to a note he had received from Councillor Shahed Ali, requesting that additional comments on two of the reports considered should be inserted in the minutes of the meeting. Debate ensued on the principle of adding comments retrospectively. However, the Chair felt that some of the comments made might be valid for inclusion in the minutes to illustrate the Committee's decision-making process with regard to the "Call-In" item (agenda item number 8.1 "Disposal of Cheviot House"). Accordingly, it was:-

RESOLVED

That consideration of the minutes be deferred until the next meeting of the Committee so that Officers' detailed notes may be examined with regard to the "Call-In" concerning the disposal of Cheviot House, to determine whether any further commentary is required.

4. REQUESTS TO SUBMIT PETITIONS

There were no requests to submit petitions.

5. REQUESTS FOR DEPUTATIONS

There were no deputation requests received.

6. SECTION ONE REPORTS 'CALLED IN'

There were no Section One reports "Called In".

7. BUDGET AND POLICY FRAMEWORK

There was no business for consideration under this heading.

8. PERFORMANCE MONITORING

There was no business for consideration under this heading.

8.1 TOWER HAMLETS INDEX 2006/07

The report was introduced by Ms Sara Williams, Assistant Chief Executive, who indicated that the first bi-monthly Tower Hamlets Index monitoring report would be submitted to the next meeting of the Committee, and thereafter on a regular basis.

RESOLVED

That the report be noted.

8.2 THE COUNCIL'S STRATEGIC PLAN YEAR 4 (April 2005 - March 2006)

Following a brief introduction by Ms Sara Williams, Assistant Chief Executive, a wide ranging discussion ensued with members raising queries on: the manner and methodology by which targets were established; the need for analysis of red milestone results to be presented by Lead Members and Directors; the position regarding time specific projects with red milestone results; the need for further comments on reasons given for the causes of red or amber milestones.

RESOLVED

That the report be noted.

9. SCRUTINY MANAGEMENT

9.1 Overview and Scrutiny Committee - Work Programme (Verbal Update from Scrutiny Leads)

Scrutiny Leads reported on their initial proposals for areas of investigation across the breadth of their portfolios. The large number of potential topics was

noted and it was agreed that the proposals would be scoped to allow the Committee to prioritise and agree its work programme.

RESOLVED

That the verbal updates provided by Scrutiny Leads be noted.

9.2 Health Scrutiny Panel (Verbal Update by Scrutiny Lead)

Councillor Mohammed Abdus Salique, Scrutiny Lead for Health, reported that the Health Scrutiny Panel had held its first meeting on 27 June, 2006 and had discussed key health issues and the challenges faced in making improvements to health in the Borough.

The next stage in the Health Scrutiny Induction would take place at the Mile End Hospital Diabetes Centre on 13 July, 2006. The Panel's work programme covering up to four years would be agreed at its September meeting.

RESOLVED

That the information be noted.

10. PRE-DECISION SCRUTINY OF SECTION ONE (UNRESTRICTED) CABINET PAPERS

Four questions relating to items to be considered at the 5 July, 2006 Cabinet meeting were tabled by Councillor Stephanie Eaton. The Chair pointed out that item number 7.1 "Decent Homes", to which one of the questions referred, was being withdrawn from the Cabinet agenda. Councillor Eaton responded that she still wanted the question recorded as a matter of concern due to the tight timescale for submission of the Council's response to the Government. Ms Sara Williams, Assistant Chief Executive, indicated that the Council had received permission for an extension of the deadline and the question could be held over to the August Cabinet. It was agreed that Councillor Eaton be informed by e-mail of the new timescale.

The remaining three questions were agreed for referral to the Cabinet.

11. ANY OTHER SECTION ONE (UNRESTRICTED) BUSINESS WHICH THE CHAIR CONSIDERS TO BE URGENT

There was no business raised under this heading.

CLOSE OF MEETING

The Chair thanked everyone for their attendance and contributions and closed the meeting at 8.40 p.m.

Councillor Motin Uz-Zaman
Chair, Overview and Scrutiny Committee

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Agenda Item 6.1

Committee OVERVIEW AND SCRUTINY	Date 1th August, 2006	Classification Unrestricted	Report No.	Agenda Item No.
Report of: ASSISTANT CHIEF EXECUTIVE		Title: REPORT "CALLED IN" – LIFT DEVELOPMENT AND OUTLINE BUSINESS CASE FOR SOUTHERN GROVE AND ST. CLEMENTS		
Originating Officer(s): Tim Hogan		Ward(s) affected: All		

1. SUMMARY

- 1.1 The attached report of the Corporate Director (Social Services) was considered by the Cabinet on the 5th July, 2006 but has been "Called In" for further consideration by Councillors Waiseul Islam, Abjol Miah, Fozol Miah, M. M. Rashid and Dulal Uddin in accordance with the provisions of Part 4 of the Council's Constitution.

2. RECOMMENDATION

- 2.1 That the Committee consider the contents of the attached report, review the Cabinet's provisional decisions arising and decide whether to accept them or refer the matter back to Cabinet with proposals, together with reasons.

LOCAL GOVERNMENT ACT, 2000 (SECTION 97) LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background paper"

**Cabinet report (CAB010/067)
dated 5th July, 2006**

Name and telephone number of holder
and address where open to inspection

**Tim Hogan
020 7364 4850**

3. BACKGROUND

- 3.1 The attached report (Appendix A) of the Corporate Director (Social Services) was initially considered by Cabinet on the 5th July, 2006, but has been “Called In” for further consideration by Councillors Waiseul Islam, Abjol Miah, Fozol Miah, M. M. Rashid and Dulal Uddin in accordance with the provisions of Part 4 of the Council’s Constitution.
- 3.2 The Cabinet after considering the attached report provisionally agreed:-
1. That the submission of a LIFT PFI Outline Business Case to the Department of Health in order to request PFI credits for Physical Disabilities on the St Clements site and Learning Disabilities for the Southern Grove site, be approved;
 2. That the interim planning statement attached at Appendix A to the report (CAB 019/067), with respect to the proposed treatment of Southern Grove, be noted;
 3. That the Authority proceed to contractual negotiations with East London LIFTCo for the provision of Health and Social Care facilities on the Southern Grove and St Clement sites, subject to:
 - (a) a successful final business case submission to the Department of Health.
 - (b) a final report to Cabinet outlining the finalised financial and legal implications of the project and confirmation of available funds from the Department of Health;
 4. That it be noted that the provision of a new Learning Disability Centre on the Southern Grove site will release the William Brinson site for disposal in support of the Authority’s Accommodation Strategy;
 5. That it be noted that detailed proposals regarding the William Brinson site will be the subject of a future report to Cabinet following a marketing exercise; and
 6. That the contents of the addendum (CAB 028/067) to the original report (CAB 019/067) be noted.

4. THE “CALL IN” REQUISITION

- 4.1 The reasons advanced in the “Call In” requisition are set out below:-
- Implications of the non-exclusive Strategic Partnering Agreement with LiftCo concerning procurement of social care and health related facilities are not made clear;
 - Report does not address the longterm future of the facilities beyond 25 years, and the financial implications of buying back facilities at this stage are not included in calculations presented;

- Financial projections and calculations are not detailed, robust or comprehensive enough to allow members to evaluate the proposal thoroughly;
- The target proportion of affordable housing is unacceptably low.

5. ALTERNATIVE COURSE OF ACTION

5.1.1 In accordance with the Committee's procedures, the "Call In" Members have provided an alternative course of action for consideration:-

- Review and rework financial information to give a fuller and more thorough account, including:
- Risk assessment and implications if capital costs are not covered by PFI credits and/or the capital element is not cost neutral to the Council;
- Reworking calculations to include potential receipt from this and William Brinson sites used to support prudential borrowing;
- Reworking calculations to include financial impact at year 26;
- Other alternative configurations for development of the site and use of available receipts; and
- A minimum 50% affordable housing provision on the site to include council housing for rent.

6. CONSIDERATION OF THE "CALL IN"

6.1 The following procedure is to be followed for consideration of the "Call In".

- (a) Presentation of the "Call In" by one of the "Call In" Members followed by questions.
- (b) Response from the Lead Member/officers followed by questions.
- (c) General debate followed by decision.

N.B. – The "Call In" Members are not allowed to participate in the general debate.

6.2 It is open to the Committee to either resolve to take no action which would have the effect of endorsing the original Cabinet decisions, or the Committee could refer the matter back to the Cabinet for further consideration setting out the nature of its concerns and possibly recommending an alternative course of action.

7. RECOMMENDATION

- 7.1 That the Committee consider the contents of the attached report, review the Cabinet's provisional decisions arising and decide whether to accept them or refer the matter back to Cabinet with proposals, together with reasons.

Committee CABINET	Date 5 th July 06	Classification Unrestricted	Report no.	Agenda item no.
Report of Corporate Director (Social Services) Originating Officer John Mitchell – Programme Manager	Title			
	LIFT Development and Outline Business Case for Southern Grove & St Clements Wards affected All			

1.0 INTRODUCTION / SUMMARY

- 1.1 This report seeks approval to proceed with the submission of a LIFT PFI outline business case to the Department of Health for the provision of new facilities for people with Learning Disabilities at Southern Grove and a new Centre for Independent Living to support people with Physical Disabilities on the St Clements site.

2.0 RECOMMENDATIONS

- 2.1 To approve the submission of a LIFT PFI Outline Business Case to the Department of Health in order to request PFI credits for Physical Disabilities on the St Clements site and Learning Disabilities for the Southern Grove site.
- 2.2 To note the interim planning statement (Appendix A) with respect to the proposed treatment of Southern Grove.
- 2.3 To agree to proceed to contractual negotiations with East London LIFTCo for the provision of Health and Social Care facilities on the Southern Grove and St Clement sites, subject to:
- (a) a successful final business case submission to the Department of Health
 - (b) a final report to members outlining the finalised financial and legal implications of the project and confirmation of available funds from the Department of Health
- 2.4 To note that the provision of a new Learning Disability Centre on the Southern Grove site will release the William Brinson site for disposal in support of the Accommodation Strategy.
- 2.5 To note that detailed proposals regarding the William Brinson site will be the subject of a future report following a marketing exercise.

3.0 BACKGROUND

- 3.1 The Council submitted an Expression of Interest to the Department of Health (DoH) in March 2005 to support its request for PFI Credits for two Health and Social Care schemes to be procured via LIFT.

The 2 schemes are:

- Centre for Independent Living at St Clements
- Community Learning Disabilities Service at Southern Grove

- 3.2 Specialist consultants were appointed to assist in the bidding process. These are Robson Rhodes (specialist LIFT PFI Financial Advisors) and Nabarro Nathanson (specialist LIFT Legal Consultants)
- 3.3 In October 2005 the Department of Health approved the Council's Expression of Interest and invited the Council to produce an Outline Business Case (OBC). The value of the requested credits at the time of the Expression of Interest was £14.112m being £9.123m for St Clements and £4.989m for Southern Grove respectively.
- 3.4 The OBC was due to be submitted to the DoH by 31st March 2006. However, the DoH granted an extension to this deadline on the basis that complex technical issues were still to be resolved. The revised deadline for the OBC is now 31st July 06. It is expected that the result of the Council's bid for LIFT PFI Credits will be known by at the earliest late Autumn 06.
- 3.5 In the OBC to be submitted in July, the Council will be requesting £[16.523]m in PFI Credits being £[8.229]m for St Clements and £[8.294]m for Southern Grove respectively. The amount is different from that in the Expression of Interest due to a number of factors including changes in the costs, size and scope as the project has progressed. For example, the Learning Disability Day Opportunities service has now also been included in the bid. This amount may be subject to further minor changes as the financial models are finalised.
- 3.6 The OBC has built on the Expression of Interest so as to enable the DoH to assess the benefits and estimated costs of the proposed schemes and to give the Council approval to launch a formal procurement process through LIFTCo.
- 3.7 On 8th March 2006 a report was presented at Cabinet giving the outcome of complex multi agency negotiations regarding the redevelopment of the St Clements Hospital site. The report described

the community benefits for the provision of a 21st century centre for people with physical disabilities to replace the obsolete Physical Disabilities provision at Southern Grove. The corresponding detail regarding Learning Disabilities is given in Section 6.0 below.

- 3.8 The March Committee resolved that the Corporate Director Social Services be authorised to proceed with negotiations with East London LIFTCo, LIFT Investments Ltd (LIL) and National Health Service (NHS) partners for the provision of a facility on the St Clements site as described below.
- 3.9 This report brings together the previously reported St Clements LIFT development and the proposed Southern Grove LIFT development for the purpose of seeking approval to proceed with both schemes as they are both linked to the PFI application to the Department of Health.
- 3.10 East London LIFTCo has so far successfully completed the Specialist Addictions Unit at the Mile End Hospital, and Church Road and Barking Road One stop primary care centres in Newham. There are a number of other projects currently in various stages of build including the new Barkantine Health Centre. To date, the LIFTCo approach has worked well for these projects and in particular the transfer of risk to the LIFTCo in the design and build phase has proved entirely successful.

4.0 ST CLEMENTS SITE DEVELOPMENT

- 4.1 The Council and the Tower Hamlets Primary Care Trust have been working closely together on the St Clements development to provide:
- A primary care centre for up to 6 GPs and associated services.
 - A Centre for Independent Living for people with disabilities
- 4.2 Full details relating to the new facilities were provided in the March 06 report to cabinet entitled St Clements-Site Redevelopment-Resource Centre (Physical Disabilities). However, for ease of reference a summary of the St Clements scheme is as follows:
- The joint facility will comprise 1300m² for a centre for independent living for people with physical disabilities, 1029m² for a primary care facility for up to 6 GP's, a pharmacy, a dental practice and other primary care services and 992m² of shared space including reception facilities. The Council's share of the facility amounts to 1,796m²
 - Co-location of health, social care and voluntary sector services for people with physical disability will offer opportunities to strengthen joint/partnership working and enhance the profile of disability and sensory impairment services to the benefit of service users on a prime access point within the borough.

- It is anticipated that the sharing of the building with the Primary Care Trust will enable disabled people in particular to gain better access to GPs, dentistry and pharmacy services, who will have a specialist interest in disabilities.
 - The staffing costs for the Councils element of the centre would be covered from the existing day opportunities, social work (physical disability and sensory impairment) and other adult social services revenue funding streams currently utilised to provide services from Southern Grove.
 - LiftCo would build a new 21st century facility and lease this back to the Council under a Lease-Plus agreement for a term of 25 years.
 - The Capital portion of the cost payable to LiftCo for the Lease-Plus rent should be covered by the PFI credits. This capital element should therefore be cost neutral to the Council, if the Department of Health provides the full level of credits sought.
- 4.3 Disabled people have been involved in the development and design of the Centre for Independent Living from the outset: through their representation on the Physical & Sensory Disabilities Partnership Board, through the Service User Forum and through their representative organisations. DAN and Tower Hamlets Coalition of Disabled People have recently confirmed that they “see the proposed Independent Living Centre development at St Clements as a very positive initiative are particularly pleased that this will operate as a partnership between the voluntary and statutory sectors. This is the kind of service model that disabled people have wanted for a long time and fits within the current thinking of the Disability Rights Commission and the government’s key guidance document ‘Improving the Life Chances of Disabled People’, as well as the new Independent Living Bill being introduced in Parliament shortly by Lord Ashley.”

5.0 SOUTHERN GROVE SITE DEVELOPMENT

- 5.1 From the beginning of the Accommodation Strategy, Social Services have indicated the need to retain a small part of the Southern Grove site as a positive solution for the Learning Disability Service and the Elders Day Care Service currently located at Southern Grove.
- 5.2 Whilst Social Services currently occupy a substantial part of the Southern Grove site, the accommodation strategy was originally premised upon the relocation of these services being a net cost to the strategy. However, subject to members’ approval, a solution for the PD element of those services has been developed on the basis that PD can re-locate to the St Clements site under a LIFTCo procurement using PFI credits. This will free up some of the capital resources that would have been needed for a re-provision of these services.

- 5.3 To facilitate a much needed joint Learning Disability Centre, it is proposed that part of the Southern Grove site is retained and transferred to LIFTCo at nil cost in support of an affordable cost model. This will enable a new facility that will provide a base for the Community Learning Disability Service as well as a centre for a community focused day opportunities service.
- 5.4 Through the use of LIFT PFI Credits, LIFTCo would build a new 21st century facility and lease this back to the Council under a Lease-Plus agreement for a term of 25 years.
- 5.5 The capital portion of the annual cost payable to Liftco for the Lease-Plus rent should be covered by the lease-Plus credits. This capital element should be cost neutral to the Council, if the Department of Health provides the full level of credits sought.
- 5.6 The staffing costs of the new centre would be covered from the existing Community Learning Disability Service, the community focused day opportunities service and other adult social services revenue funding streams currently utilised to provide services from three separate premises. These are:
- Mile End Hospital,
 - 62 Roman Road, and
 - 130a Sewardstone Road.
- 5.7 The joint facility will comprise 1815m² internal gross space, and be located at the south end of the site. It will have an external building footprint of approximately 750m². Including access and a small garden area, the Learning Disability Centre will require approximately 1500m² of the total site area, being 10,200m². The remaining 8700m² will be marketed under a development brief drawn up by planners. Interim planning statement attached (Appendix A).
- 5.8 The Southern Grove site is the perfect location for the service due to its excellent transport links. If the Council does not take this particular opportunity, there will be the need to find a similar location for Learning Disability Services elsewhere in the borough.
- 5.9 There has been long-standing consultation with users and carers about the development of a new building for the current users of the William Brinson centre on either the St Clements or Southern Grove sites. Both users and carers have been keen in the past to ensure that the service continues to have access to a base building whilst encouraging greater use of community facilities. More widespread consultation with service users across the borough have commenced and the response has been supportive of a day opportunities building with accommodation for both care management and health staff, that the site was good for public transport access, and that users were keen for the building to include a kitchen which was adapted for wheelchair users and to have

access to a garden. Fuller consultation with the carers and users of current users of the William Brinson Centre has commenced, but the detailed consultation with users will have to be carried out when there are design plans that can be shown, as users would find it difficult to discuss without some more detailed pictures and plans regarding the building's actual appearance. The current provider of services (Redbridge Community Housing Ltd) is in full support of the provision of purpose built facilities in a much more socially appropriate site, and they consider this will enable a substantial improvement in service to be delivered.

6.0 NEW SERVICES FOR PEOPLE WITH LEARNING DISABILITIES

- 6.1 Both "Valuing People" (the national strategic framework for Learning Disability services) and the Tower Hamlets review of Learning Disability Day Services propose a model service that is integrated and focuses outward, on the community, for the provision of day opportunities for People with a Learning Disability. Additionally, as part of promoting good health in People with a Learning Disability the Department of Health is emphasising the importance of enabling them to access appropriate health care for their needs.
- 6.2 Currently approximately 625 adults with a Learning Disability will require support from the proposed single base for the Community Learning Disability Service. This will be increased by the Mayor of London's Plan and the Thames Gateway which proposes a significant increase of 42,000 new homes within the Borough. This is likely to increase the number of people with a moderate to severe Learning Disability in Tower Hamlets by a further 476 at national rates of prevalence.
- 6.3 The Government's agenda to modernise social services for People with a Learning Disability emphasises the need to increase partnership working between health, social services, housing, education and the third sector, whilst promoting independence and ensuring that service users and their carers are central in the planning and development of services. In Tower Hamlets these key themes are being addressed through the multi agency Learning Disabilities partnership board.
- 6.4 There are two linked parts to the suggested scheme. Firstly, a base for the CLDS and secondly a centre for day opportunities.

The community learning disability service.

- 6.5 Currently the Community Learning Disability Service uses three separate premises at Mile End Hospital, 62 Roman Road, and 130a Sewardstone Road. Of these premises only 62 Roman Road is accessible to the public in terms of the Disability Discrimination Act. 130a Sewardstone Road is used to provide therapeutic services, however the building can only be accessed via a staircase.

- 6.6 The Community Learning Disability Service provides a range of assessment and treatment services covering both health and social care services. These include psychology, Social Work, physiotherapy, OT, speech and language therapy, and nursing support. Integration of services will mean that People with a Learning Disability can access a wide range of services from a single point. The integrated service will make it possible for People with a Learning Disability to receive services in a way which ensures that there are correct criteria for eligibility and funding between The London Borough of Tower Hamlets and Tower Hamlets Primary Care Trust. This will enable people with a Learning Disability to receive more targeted services that are appropriate to their needs.
- 6.7 The proposal is to develop a new building to support this. This will provide a service that is fully accessible in terms of the Disability Discrimination Act, and supports the further integration of systems such as single records and electronic storage. The building will provide therapeutic services such as a psychology intervention and treatment, physiotherapy to support and enhance access to mainstream health care, and space for assessments, reviews, person centred plans, and health action plans. The location has good public transport links and is centrally located which will help to promote easy delivery of services.

The day opportunities service centre.

- 6.8 The proposal is to create a new day opportunities service. The new development would offer a base for users to be supported to access community facilities directly or from the new building. This implements Valuing People by increasing the integration of people with learning disabilities into the community and making greater use of community facilities. It would also provide the flexibility to develop services in line with the review of day opportunities (Making Day Services Better) carried out locally by service users. During that consultation with service users and carers a preference has been expressed for maintaining such a base.
- 6.9 The vision is that a range of day opportunities service users would be associated with the Centre supported to use other community facilities either directly from their homes or from the base. A variety of activities and some day care would continue to be provided in the Centre.

7.0 CAPITAL

- 7.1 The capital costs of providing both the Physical Disabilities facility on the St Clements site and the Learning Disabilities Services on the Southern Grove site will be met by LIFTCo.
- 7.2 LIFTCo will recover the capital costs it incurs by the annual rental it charges the Council for using the facility. The Government contributes

part of the cost of the annual rental through the PFI credit arrangement outlined in paragraph 3.5.

- 7.3 The report proposes that the part of the Southern Grove site required to provide the new facility be transferred to LIFTCo at nil cost. The loss of a potential capital receipt as a capital contribution by the Council enables the annual lease rental charged by LIFTCo to be set at a level which is affordable by the Council and the project to be financially viable.
- 7.4 Allocation of part of the Southern Grove site to the LIFTCo project impacts on the sum realised for the residual site. Valuers project that the reduction in the size of the site and the associated change in its shape will reduce the development potential of the site. The new facility at Southern Grove will replace the existing service provided at the William Brinson Centre. It is projected that the sale of the William Brinson site will realise a capital receipt broadly equal to the potential loss on the sale of Southern Grove excluding the area to be allocated to the LIFTCo project.
- 7.5 The project will necessitate the relocation of the Elders Day Care facility currently provided at Southern Grove, which it has not been possible to incorporate within the LIFTCo scheme. It is envisaged that the capital cost of this alternative provision will be met by developers of the Southern Grove site as part of the associated planning obligations.

8 REVENUE COSTS

- 8.1 Sophisticated financial models have been developed to determine the affordability of the project.
- 8.2 The annual revenue costs of the scheme in the first full year of operation, and the projected revenue costs of the full 25-year term of the agreements are as set out in Table 1.

Table: Revenue Costs of Proposed Project	Initial Annual Cost £ million	Projected 25 Year Cost £ million
Lease Plus Charge	1.119	38.223
Other facilities management costs	0.077	2.630
	1.196	40.853

- 8.3. The Lease Plus charge covers the capital cost to the LIFTCo as well as rates, utilities costs and insurance on the buildings.
- 8.4. The agreement provides that charges will increase in line with inflation and these increases have been incorporated into the projected 25-year costs.
- 8.5. The principle funding streams for the project are as follows :-

- 8.5.1. The Government has assessed the capital content of the PFI contract to be £16.523 million (the PFI Credit) and provides a grant equivalent to the annual debt charges on this sum. This annual grant offsets the annual charge the PFI provider makes to recover the capital expenditure they have incurred to provide the facility. It should be noted that this element of the funding package is fixed and does not increase to compensate for the increase in the Lease Plus Charge which increases in line with inflation. The Government's contribution towards the total scheme cost is projected to be £32.375 million.
- 8.5.2. The project will replace an existing facility for which there is a revenue budget of £0.152m. The existing budget uplifted for inflation is projected to be £5.192 million over the term of the contract.
- 8.5.3. The affordability model assumes that the transactions relating to the project are separately identified and that the net cash balance is credited with interest. The "Project Fund" on this basis receives interest of £1.850 million over the term of the agreement.

8.6. The additional budgetary requirement associated with the project is as set out in table 2.

8.7. The table indicates that there is a net additional budgetary requirement of £1.436 million over the term of the agreement.

8.8. This requirement equates to a net increase in the base budget of £0.040 million, which can be met from existing Social Services budgets.

	£M
Resources	
Existing Budget	5.192
PFI Credit	32.375
Interest	1.850
Resources	39.417
Total Costs	40.853
Net Additional Budget Requirement	-1.436

9. ALTERNATIVE ARRANGEMENTS TO FINANCE THE PROJECT

- 9.1 The Government's preferred method of procurement for large capital projects is PFI and it offers a number of financial incentives to public bodies to adopt this method. The Government's endorsement of PFI is based on it avoiding an increase in the public sector borrowing, by transferring the risk of projects to the private sector and the potential saving resulting from the application of commercial practices to the procurement process.
- 9.2 A conventional PFI arrangement involves a company incurring the capital cost to provide a facility and then leasing this facility together with associated premise related running costs to the Council for the duration of the contract.
- 9.3 The Government assesses what they consider the capital content of the PFI contract to be (the PFI Credit) and provides a grant equivalent

to the annual debt charges on this sum. This annual grant offsets the annual charge the PFI provider makes to recover the capital expenditure they have incurred to provide the facility.

9.4 If the Council provides the facility outside of a PFI arrangement for example through Prudential Borrowing no direct support from the Government corresponding to the PFI credit would be available. In the following table the provisional PFI grant is shown at a value discounted over the duration of the contract so that the figures are at a comparable price base.

9.5 The table indicates that whilst the costs of prudential borrowing are considerably lower than the costs of PFI there is no Government support for prudential borrowing and consequently the net cost of the PFI

	PFI £M	Prudential Borrowing £M
Lease Plus Charges/ Loan Charges	38.223	24.285
Less Government Contribution	-32.375	
	<u>£5.848</u>	<u>£24.285</u>

arrangement is considerably lower. In addition, the Council would have to pay for utilities costs, rates and building insurance, which are covered by the Lease Plus charge.

9.6 There are a number of other factors to consider in the appraisal: -

- The PFI arrangement may deliver economies in the provision of the facility, which may not accrue under the prudential borrowing arrangement. This would increase the financing costs of prudential borrowing.
- The St Clements element of the project is provided by the NHS. This may complicate the use of prudential borrowing as a source of finance.

10.0 LEGAL ISSUES AND STATUTORY PROCESS

10.1 The Council is part of the Strategic Partnership with the East London Lift Company (LiftCo) and has entered into the Strategic Partnering Agreement (SPA) with LiftCo pursuant to a Deed of Accession. The Council has signed up to the SPA on a non-exclusive basis, which means that it may (but is not obliged to) procure social care and health-related facilities from LiftCo without the requirement for a separate procurement of a building contractor and “hard” facilities management (FM) provider.

10.2 The standard LIFT documentation provides that tenants of LiftCo or its subsidiaries enter into Lease Plus Agreements whereby LiftCo constructs new facilities and provides “hard” FM services (i.e. maintenance of the building and capital assets) for a long-term period. LiftCo manages its supply chain contracts in respect of building and FM contracts.

- 10.3 For the Centre for Independent Living at the St Clements site, a LiftCo subsidiary will acquire the site from the current owner, the East London & City Mental Health Trust. The subsidiary will then construct a building shell and lease the site to LiftCo on a long lease who will fit-out the building, to the Council's requirements. The Council will then enter into a Lease Plus Agreement as a tenant of LiftCo (or one of its subsidiaries). Similarly, the PCT (with whom the Council is going to share the building) will enter into a separate Lease Plus Agreement as a tenant of LiftCo (or one of its subsidiaries) at the same time as the Council. Both Agreements will be for the same period for "hard" FM services.
- 10.4 For the Centre for Learning Disabilities Services at the Southern Grove site, the Council owns the freehold of the site. The Council will sell part of the site to LiftCo (or a subsidiary) at nil charge for it to construct and fit out the Centre to the Council's requirements. The Council will then enter into a Lease Plus Agreement with LiftCo (or one of its subsidiaries) for the use of the Centre. LiftCo will provide the Centre for the Council and then provide "hard" FM services pursuant to a Lease Plus Agreement.
- 10.5 The sale of part of the Southern Grove site to LiftCo at nil charge will be a sale at an undervalue. The Council will be relying on its powers to dispose of land under Section 123 of the Local Government Act 1972 and the General Disposal Consent 1998 in order to effect the sale. The General Disposal Consent permits a transfer of land at an undervalue without obtaining the Secretary of State's consent where this is expedient or incidental to the Council's wellbeing powers under Section 2 of the Local Government Act 2000 and where the undervalue is less than £2 million. The District Valuer has valued the land at below £2 million so the Council can sell the land without the Secretary of State's consent.
- 10.6 The Council has relied on its well-being powers pursuant to the Local Government Act 2000 to enter into the Deed of Accession to become a party to the SPA (Strategic Partnering Agreement).
- 10.7 As referred to above, the Council is relying on its participation in the SPA to deliver both schemes. A separate procurement is not required as the original procurement to set up the East London Lift Company envisaged the inclusion of local authority-procured projects in respect of health and social care projects.
- 10.8 The Council's Social Services Business Plan 2005/06 includes an objective "to successfully establish LBTH as a participating partner in East London LiftCo". The NHS LIFT Strategic Service Development Plan 2005/06, which forms part of the SPA, refers to the two schemes in that document.

- 10.9 The Planning Brief for the St Clements Hospital site dated May 2005 sets out in detail the intended use of the site, which is listed, and the detailed planning policy framework requirements. Any development of the site will need to be undertaken in compliance with any relevant planning constraints and in accordance with the Borough's Unitary Development Plan. The Planning Brief states that the Council will require the developer of the site to enter into a Section 106 Agreement.
- 10.10 The Council prepared a draft planning brief for the Southern Grove Site in 2003. However, the planning policy context relating to the site has subsequently evolved with the publication of the Mayor's London Plan and the Preferred Options for the Council's Local Development Framework. Officers are currently in the process of preparing a planning statement to confirm the planning requirements which relate to the site. Notwithstanding the completion of the planning statement, a summary of the key planning requirements are as follows:

- Redevelopment of the site for residential led mixed use development
- Re-provision of the elderly care facility within the site
- An appropriate residential density of 400 to 750 habitable rooms per hectare
- 35% affordable housing provision (25% to be provide without grant subsidy) with an 80/20 split ratio between social rented and intermediate housing
- Demolition of the 1980's Office building and Resource Centre but preference to retain and convert into residential use the Workhouse Building
- Maintaining the existing area of publicly accessible open space with a preference to increase it
- Retention of existing mature trees that are subject to TPOs
- Additional S106 contributions are likely to be required in terms of education to mitigate the demand of the additional population, necessary highways works / public transport improvements and public art."

- 10.11 The development of the proposals for the Learning Disability Services Centre and Resource Centre will be carried out in accordance with the two-stage New Project Approval Process which forms part of the Strategic Partnering Agreement. Scheme 1 of the Approval Process is carried out at LiftCo's risk. Once the schemes have achieved Stage 1 approval by the Strategic Partnering Board, LiftCo will draw up detailed project plans, more detailed designs and financial models will be worked up. LiftCo will seek Stage 2 approvals from the Strategic Partnering Board and once this is given the building work will commence. If the Strategic Partnering Board rejects new projects on grounds other than the approval criteria are not met then the participants in the Strategic Partnership (including the Council) would be liable to pay LiftCo's partnering costs incurred in developing the projects to that stage.
- 10.12 The standard Lease Plus Agreements will be reviewed and made project specific to ensure that the Council's and PCT's requirements are included and will be met.

11.0 COMMENTS OF THE CORPORATE DIRECTOR (DEVELOPMENT & RENEWAL)

- 11.1 The scheme which has been developed for the St Clements site is broadly in line with the approved planning scheme, which in turn reflects the provisions of the Council's adopted UDP and the emerging policy framework contained in the Local Development Framework Preferred Options. Key agencies such as English Heritage have been fully engaged in the pre-application negotiations. It is anticipated that a planning application will be forthcoming in the relatively near future. Consideration of any such planning application is a matter for the Strategic Development Committee, and it should be noted that any such application will be referable to the Mayor of London.
- 11.2 The Council is currently in the process of preparing a planning statement for the Southern Grove Site. The statement will clarify the planning requirements for future redevelopment – as set out in the adopted UDP, the Council's emerging Local Development Framework and the London Plan - and will be used to assist the marketing of the site for disposal. Any subsequent planning application will be a matter for the Strategic Development Committee and may be referable to the Mayor of London”

12.0 COMMENTS OF THE HEAD OF SERVICE – CORPORATE PROPERTY AND FACILITIES MANAGEMENT

- 12.1 The report seeks approval to proceed with the provision of new facilities for people with Learning Disabilities, and a new centre for independent living to support people with Physical Disabilities.

- 12.2 The requirements for land on which to site these facilities is as given. Two tests relating to the land need to be undertaken to inform the business case for provision of these facilities (irrespective of PFI, or any other funding vehicle), namely the cost of the land for the (in planning terms) use category intended, and whether this is reasonable, and, the optimum site size within which the service can be effectively and efficiently provided.
- 12.3 In this case the relative valuation has been established by the District Valuer acting on the instructions of the Council.
- 12.4 Officers have worked with colleagues in the partner organisations referred to elsewhere in the report to develop the optimum site area of the new facility at the Southern Grove campus.
- 12.5 In terms of protecting the Councils interest here, and if Cabinet is minded to accept the recommendations, the Council should retain control over exactly where on the Southern Grove campus this development is sited in order to maximise our development opportunities on the remainder of the site.

13.0 COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 13.1 This report recommends Cabinet:
- To approve the submission of a LIFT PFI Outline Business Case to the Department of Health in order to request PFI credits for Physical Disabilities on the St Clements site and Learning Disabilities for the Southern Grove site.
 - To note the interim planning statement (Appendix A) with respect to the proposed treatment of Southern Grove.
 - To agree to proceed to contractual negotiations with East London LIFTCo for the provision of Health and Social Care facilities on the Southern Grove and St Clement sites, subject to:
 - (a) a successful final business case submission to the Department of Health
 - (b) a final report to members outlining the finalised financial and legal implications of the project and confirmation of available funds from the Department of Health
 - To note that the provision of a new Learning Disability Centre on the Southern Grove site will release the William Brinson site for disposal in support of the Accommodation Strategy.

- To note that detailed proposals regarding the William Brinson site will be the subject of a future report following a marketing exercise.
- 13.2 If the Outline Business Case for PFI Credits is approved by the Department of Health then this scheme can be built without capital consequences to the Council. The PFI arrangement basically involves the Council leasing a facility and the associated services for a period of 25 years for an annual charge which has a performance related element. The government contributes to the annual cost by providing an annual grant equivalent to the loan charges corresponding to the assumed capital cost, and potentially other lease plus costs, of the project (the PFI credit). The arrangement effectively transfers some of the risk associated with the ownership of the asset to LiftCo. This arrangement has to be agreed with the District Auditor following examination of the final finance model and legal documentation. It is expected the District Audit will sign off the documentation by mid July.
- 13.3 Although staffing costs for the new services can be met from current budgets, the Council will need to fund additional costs in respect of soft Facilities Management aspects of the services, ie rates, telephone, heat, light and cleaning etc. Currently, these additional costs are estimated to be £40,000 per annum, but this is subject to change. There is a commitment to fund these additional costs from adult services, and work is underway on the preparation of the full financial implications for a further report if the Outline Business Case is agreed by the Department of Health. This further report will also explore options for the renewal or extension of the lease at the end of the 25 year initial period.
- 13.4 The Southern Grove element of the project has a number of interdependencies with the Accommodation Strategy and as part of the evaluation of the LIFTCo project the assumptions underpinning the Accommodation Strategy have been examined to ensure they are consistent.
- 13.5 This review and the recent experience of selling large sites in the current commercial property market has resulted in the projected sale of the residual Southern Grove site being rescheduled from 2007 to 2008. This reprofiling will have implications for the capital cashflows associated with the Office Accommodation Strategy and the interest accruing to the revenue budget in the short-term.

14.0 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 14.1 The legal considerations relating to this report are contained in section 10 above.

15.0 EQUAL OPPOTUNITIES IMPLICATIONS

15.1 Tower Hamlets has a higher rate of disability than other boroughs primarily because of the health and poverty profile. Many studies show that people with disabilities suffer disproportionate disadvantage in terms of income, employment, housing and other factors. There also remains considerable prejudice with regard to disability. The Council has adopted the social model of disability and the development of this new facility would make an important contribution to developing that model in practice and to the empowerment of disabled people in the borough.

16.0 RISK MANAGEMENT IMPLICATIONS

16.1 The arrangements described above, subject to proper legal safeguards in terms of final agreements, would effectively transfer risk with regard to this project away from the Council.

17.0 ANTI-POVERTY IMPLICATIONS

17.1 None

18.0 SUSTAINABLE ACTION FOR GREENER ENVIRONMENT (SAGE)

18.1 All aspects of the development of this project will be subject to care with regard to SAGE.

19.0 EFFICIENCY STATEMENT

19.1 The authority is required to meet an annual efficiency target in response to the Gershon report. Currently it is assumed that existing staffing resources in services which will transfer into the two proposed schemes will be retained. However, there may be opportunities to rationalise staffing arrangements to achieve efficiency targets that are relevant when the schemes become operational. The potential to achieve staffing efficiencies will be explored and reported to Members in the further report on the financial and legal implications of the project.

19.2 The Council is required to consider the value for money implications of its decisions and to secure best value in the provision of all of its services.

Appendix A - Interim Planning Statement (Southern Grove)

Summary

**Southern Grove
Preferred Use for the Site:**

Mixed use (predominately residential)

Key Redevelopment Issues:

- 1) There is the opportunity to provide a new residential development, including a substantial provision of affordable and family accommodation.
- 2) The Workhouse building should be retained with the potential for residential conversion
- 3) The existing Day Care Centre for the elderly will need to be retained or re-provided on-site
- 4) Removal of mature trees from the site should be resisted
- 5) Quantum of green open space/amenity land currently on the site should increase
- 6) Courtyard appearance of site to either be retained or recreated
- 7) Relate the development to the residential properties to the rear and Tower Hamlets Cemetery to the south
- 8) The Council anticipates a high quality of design in any development proposal.
- 9) Residential density on site is expected at 450 – 700 habitable rooms per hectare.
- 10) Proposals should seek to provide 50% (with a minimum of 35%) affordable housing in terms of habitable rooms.
- 11) Minimum levels of car parking for new housing and community uses
- 12) The Council's priorities in negotiating planning obligations will include affordable housing, education and open space together with other relevant contributions.
- 13) The council should be consulted on the need for technical studies including an Environmental Impact Assessment. As a minimum any planning application should be supported by a Design Statement, Transport Assessment, Access Statement, Energy Statement, Landscape Plan and where necessary a Travel Plan.
- 14) The applicants will be expected to undertake pre-application consultation with the local community.

CONTENTS

1. INTRODUCTION

Purpose of the Interim Planning Statement

Status of the Interim Planning Statement

2 SOUTHERN GROVE AND SURROUNDING AREA

Site location and description

Ownership and occupation

Planning History

3. PLANNING POLICY CONTEXT

National Policy Guidance

The London Plan

Tower Hamlets Policy Framework

4 REGENERATION CONTEXT

Community Plan

Tower Hamlets Regeneration Strategy

LAP6 Action Plan

Mile End Estates Regeneration

5. DEVELOPMENT CONCEPT

Development Objectives

Phasing and Distribution of Uses

6. DEVELOPMENT PRINCIPLES

New Uses and Activities

Urban Design Considerations

Access and Transportation

7. DEVELOPER CONTRIBUTIONS

Contribution Headings

8. THE NEXT STAGES

9. CONTACTS AND FURTHER INFORMATION

1.0 INTRODUCTION

Purpose of the Interim Planning Statement

- 1.1 The purpose of this interim planning statement is to provide clear and positive guidance on the future use and development of the Southern Grove site, currently under the ownership of the Council. The site is identified as a development site in the emerging Local Development Framework (LDF) and the Council is seeking disposal for redevelopment (see Appendix 1).
- 1.2 The existing Council Offices are due to be vacated in July 2006, whilst the physical disabilities resource centre is to be relocated to a new facility on the nearby St Clements hospital site in late 2008. It is proposed that the Council will transfer the southern part of the site to LIFT Co to develop a new Community Learning Disabilities Service Centre in partnership with the Primary Care Trust. The remaining northern part of the site is to be disposed of by the Council for redevelopment and it is this part of the Southern Grove site which is the subject of this Planning Statement (see Appendix 2).

Status of the Interim Planning Statement

- 1.6 This statement has no formal planning status. As stated above its role is to promote the redevelopment of the site in accordance with relevant planning policy.
- 1.7 The Council is currently producing its first Local Development Framework (LDF) under the new Planning system. This will include a 'Central Area Action Plan' initial consultation on this document is anticipated in November/December 2006. The Central AAP will be used to interpret the borough-wide strategy of the LDF into a spatial vision that relates specifically to opportunities and constraints that characterise the Central Area of the Borough. It will include 'site allocations', which will identify appropriate land uses for sites likely to come forward for redevelopment. Southern Grove has already been identified as a development site on the preferred options proposals map development plan document.

2.0 SOUTHERN GROVE SITE AND SURROUNDING AREA

Site location and description

- 2.2 The Southern Grove site comprises an area of approximately 1.02ha and is centrally located within the London Borough of Tower Hamlets, within the Mile End East Ward.
- 2.3 Southern Grove is accessed from Mile End Road (A11), which leads directly into the City of London. The site comprises council offices, a health care facility for the physically disabled, a day centre for the elderly (Wilfred Reeve Centre) with private garden at the rear, associated car parking, and publicly accessible open space in front of Southern Grove Lodge.
- 2.4 The council offices are located within two adjoining buildings on the northern part of the site, a former residential workhouse (Southern Grove Lodge) which lies within the Tower Hamlets Cemetery Conservation Area, and a purpose built office block built in 1980's. Southern Grove Lodge and the 1980s office building comprises 4-5 storeys of accommodation. The community facilities are located in two, additional, low - rise buildings on the southern part of the site.
- 2.5 The site has four points of vehicular access from Southern Grove. The site is bounded to the north by Tracy House, a purpose built residential development fronting onto Mile End Road, and to the east by residential dwellings comprising a Georgian terrace and a modern mews development. Whilst to the south, the site is bounded by Hamlets Way and the Tower Hamlets Cemetery.
- 2.6 The surrounding area is predominantly residential. To the west of the site is an area characterised by local authority housing dating from the 1960s, the residential blocks are predominately four storey but two large towers of approximately 15 - 20 storeys fall within the vicinity of the site as well.
- 2.7 There are a number of local shops, facilities and commercial activities located on Mile End Road and Burdett Road. There is also a small local shopping parade located at the western extent of Hamlets Way.
- 2.8 The site is well served by public transport. The Public Transport Accessibility Level (PTAL) of the site is 6a. Mile End Road Underground Station is located approximately 250 metres west of the site at the junction between Mile End Road and Burdett Road. To the east of the site, Mile End Road merges into Bow Road. Bow Road Underground Station is located approximately 500 metres from the site, with Bow Church DLR approximately 750 metres away, providing direct access to Canary Wharf. Mile End Road and Burdett Road are both served frequently by a number of bus routes.

- 2.9 Mile End Park is located on the western side of Burdett Road, providing open space and recreational facilities for the local community.

Ownership, occupation and disposal

- 2.10 The London Borough of Tower Hamlets owns the freehold of the entire Southern Grove Site. The existing Council Offices are due to be vacated in July 2006, with staff relocating to Anchorage House as part of the Council's Accommodation Strategy. The Physical Disabilities Resource Centre is to be relocated to a new facility on the nearby St Clements hospital site in late 2008.
- 2.11 The Council is proposing to transfer approximately 0.2ha of the southern part of the site to LIFTCO for the development of a new Community Learning Disabilities Service Centre in partnership with the Primary Care Trust.
- 2.12 This leaves the remaining 0.8ha of the site for disposal. It should be noted however that provision is not being made at St Clements for the existing day centre for the elderly and re-provision of this facility will therefore be an important component of any redevelopment proposals for the northern part of the site.

Planning History

- 2.13 The relevant planning history for the site is detailed in the table below.

Reference No.	Description	Decision
TH/5840	Erection of office accommodation for Poplar Neighbourhood Centre	Approved 1988
OP/39/4317	Erection of a day centre for the elderly	Approved February 1973
PB/16/2/2166	Erection of a 35 bed home and social centre for young people with physically disabilities on the site of the Southern Grove Lodge	Approved April 1972
PB/116	Erection of a day centre for the elderly; kitchen; administrative office; day centre for people with disabilities with a boiler house at basement level, utility block and workshops for the physically disabled, an ambulance access and three car parks	Approved June 1969
TH/5840/971	Change of use of part of the Southern Grove Lodge from residential accommodation to office floorspace not exceeding 8,597 sq ft (798.69 sq m)	Approved 1968

3.0 PLANNING POLICY CONTEXT

- 3.1 Section S38(6) of the Planning and Compulsory Purchase Act 2004, requires that planning applications are determined in accordance with the provisions of the relevant development plan, unless material considerations indicate otherwise.
- 3.2 In considering the future development of the Southern Grove site, it is therefore important to consider the policy framework within which any decision on a planning application for development or change of use would be made.
- 3.3 The key relevant planning policies and guidelines are outlined below. Other relevant policies and guidance will also be taken into consideration in the Council's assessment of any planning applications submitted.

National Policy Guidance

- 3.4 Planning Policy Guidance Notes (PPGs) and Planning Policy Statements (PPSs) set out the Government's national policies on different aspects of land use planning. They need to be taken into account in the preparation of regional and local planning policy, and may also be material to decisions on individual planning applications. The following PPGs / PPSs are considered to be of most relevance (but are not exclusive) in terms of the Southern Grove site:
- PPS1: Delivering Sustainable Development, 2005
 - PPG3: Housing, 2000
 - PPS3: Housing (draft) 2005
 - PPG13: Transport, 2001
 - PPG15: Planning and the Historic Environment 1994
 - PPS22: Renewable Energy, 2004

The London Plan

- 3.5 The London Plan was published in February 2004 and provides the Spatial Development Strategy (SDS) for London. There is a requirement for Boroughs' Unitary Development Plans (UDPs) and emerging Local Development Frameworks (LDFs) to be in 'general conformity' with the London Plan.
- 3.6 The London Plan seeks to sustainably accommodate the projected growth in employment and population without compromising London's environmental and cultural qualities.
- 3.7 The London Plan itself has 'Development Plan' status under the 2004 Planning and Compulsory Purchase Act and contains a number of detailed policies which will apply to applications made in respect of the Southern Grove site.

East London Sub-Regional Development Framework, May 2006

- 3.8 To assist in the implementation of the London Plan, the Mayor has published Sub-Regional Development Frameworks for each of the 5 sub-regions. Tower

Hamlets is located in the East sub-region, which the Mayor has prioritised for development, regeneration and infrastructure improvement. The East London SRDF contains a number of policy initiatives and objectives of which the following are of particular relevance to the Southern Grove site:

- *Distinct need for reconciliation of local and strategic housing needs in terms of both dwelling size and tenure.*
- *Significant residential growth which will lead to in-migration from other parts of London to new market, intermediate and social housing.*
- *bring forward development frameworks for key sites where the transport infrastructure can cope, building in the need for social and other infrastructure, setting minimum standards for higher densities and specifying appropriate housing size mix and mixed use priorities.*
- *in partnership with others, consider establishing collaborative development consortia.*
- *seek investment subsidy to ensure that the 50% affordable housing target is achievable in low demand parts of east London without unduly constraining S.106 negotiations to secure other essential community benefits in line with London Plan priorities.*
- *When assessing larger developments, consider whether the introduction of a wider range of uses could increase the sustainability of the development and/or the centre.*

Other Mayoral Publications

- 3.9 The Mayor has also published Supplementary Planning Guidance and Best Practice Guidance to elaborate on the policy requirements of the London Plan. Of particular relevance to the Southern Grove area
- Supplementary Planning Guidance, Housing, 2005.
 - Supplementary Planning Guidance, Accessible London: Achieving an Inclusive Environment, 2004.
 - Supplementary Planning Guidance, Sustainable Design and Construction, May 2006
 - London Renewables; Integrating renewable energy into new development – Toolkit for planners, developers and consultants - September 2004.

Tower Hamlets Policy Framework

- 3.10 The statutory Development Plan for Tower Hamlets is the 1998 Adopted UDP, which has been 'saved' for a 3 year period in accordance with the provisions of the 2004 Planning Act.
- 3.11 The Council has now switched from the UDP to the Local Development Framework (LDF) process under the new planning system taking on board updated national planning policy and the requirements and recommendations of the London Plan. The Council consulted on LDF Preferred Options over a 12 week period up until 23rd December 2005. The LDF Preferred Options are now a material consideration for Development Control purposes. The Council is preparing an Area Action Plan for the Central part of the Borough, which includes the Southern Grove site, in order to provide more specific interpretation of LDF policies and in particular to define appropriate uses for identified development sites. The initial 'Issue and Options' consultation stage for the Central AAP is scheduled for November/December 2006. This

coincides with the submission of the LDF Core Strategy and Development Control policies.

- 3.12 Given the degree of change in the national and in particular the London planning policy context since the adoption of the 1998 UDP, reference in this statement is primarily made to the LDF Preferred Options. Nevertheless, potential applicants should also be mindful of the relevant policies contained in the adopted 1998 UDP.

Site Designation

- 3.13 The site has been identified as a development site on the preferred options proposals map, and will be included in the Central Area AAP as a specific land-use allocation.

- 3.14 Part of the site, the former workhouse building, lies within the Tower Hamlets Cemetery Conservation Area and the wall surrounding Tower Hamlets Cemetery is grade II listed. The site falls within a Tree Preservation Order Area (1985) and many of the mature trees have Tree Preservation Orders attached to them.

Employment Land

- 3.15 The LDF Core Strategy policy EE7 seeks to resist the loss of employment sites and premises last used for continued employment use, however redevelopment/change of use may be considered where:

- a) the possibilities to reuse or redevelop the site for similar or alternative business use have been explored over time
- b) any potential enhancement of employment opportunities has been considered
- c) if the proposal contributes to a regeneration programme through high architectural quality and improvements to the public realm i.e. waterside uses, open spaces and community/health uses/services
- d) the retention or creation of new employment and training opportunities which meet the needs of local residents are maximised in any new proposal, especially for a mixed-use proposal; and
- e) local employment and/or training are being maximised.

Affordable Housing

- 3.15 The LDF Core Strategy established a 50% affordable housing target across the Borough as a whole from all sources (CS9). In terms of specific development proposals LDF Development Control policies seek 50% affordable housing provision on site capable of providing 10 or more dwellings, with a minimum requirement of 35%.

Housing Mix and type

- 3.16 The LDF Preferred Options seek to ensure that housing accommodation in new residential developments includes housing types and sizes to meet local needs, with a particular requirement for family housing (CS7 / HSG6). A table identifying the required housing mix is included under Policy HSG6. In addition, all new residential units are required to meet 'Lifetime Homes' standards and 10% of new housing is to be specifically designed to wheelchair / mobility standards (HSG2).

Housing Density

- 3.17 With regard to density the LDF Preferred Options incorporates the London Plan density matrix which identifies appropriate density ranges in relation to location, setting and the index of public transport accessibility (PTAL) and seeks to promote the highest development densities consistent with public transport accessibility and the character of the local area (HSG1). For areas in the central part of the Borough, for locations with PTAL 4 to 6 is 450 - 700 hr/ha.

Housing Amenity Space

- 3.18 The LDF Preferred Options require all new housing developments to provide exclusive amenity space with developments comprising 10 or more units also required to provide communal amenity space. (HSG13).

Transport

- 3.19 Linking transport and development in order to reduce the need to travel forms part of the LDF Core Strategy (CS12). Development Control Policies seek to focus high-density development in areas of high public transport accessibility (TR1) and improve conditions for walking and cycling (TR7). The LDF seeks to minimise on and off street parking in accordance with the defined maximum parking standards whilst providing minimum standards for disabled and cycle spaces (TR2). A Transport Assessment is required for all planning applications except minor development (TR3) whilst a Travel Plan will be required for all large developments comprising employment, retail, leisure and services (based on minimum size thresholds) and any other development that the Council's considers will have significant transport impacts (TR4).

Urban Design

- 3.20 LDF Preferred Options require a high standard of design with all new development, carefully relating in scale and density to its surroundings, contributing positively to the area and ensuring development is both safe and accessible (UD1, UD4, UD5). The LDF requires separate Design and Access Statements to be submitted together with a fully documented landscape plan for all new development, excepting minor works (UD4, ONS3).

Conservation

- 3.21 The protection and enhancement of the historic environment of the Borough forms part of the LDF Core Strategy (CS17). Development Control Policy C1 confirms that new development within or adjacent to Conservation Areas will be assessed against their impact individually and cumulatively on the character, fabric and identify of the area. The Council will resist proposals for the demolition of buildings that make a positive contribution to a conservation area (C3). Conservation area designation introduces control over the demolition of most buildings within conservation areas (section 74 of the Listed Buildings and Conservation Areas Act 1990); exceptions are specified in section 75 and in the relevant direction. Paragraph 4.27 of PPG15 states; the general presumption should be in favour of retaining buildings which make a positive contribution to the character or appearance of a conservation area. The Secretary of State expects that proposals to demolish such buildings should be assessed against the same broad criteria as proposals to demolish listed buildings (paragraphs 3.16-3.19 of PPG15). Paragraph 3.17 states; 'the Secretaries of State would not expect consent to be given for the

total or substantial demolition of any listed building without clear and convincing evidence that all reasonable efforts have been made to sustain existing uses or find viable new uses, and these efforts have failed; that preservation in some form of charitable or community ownership is not possible or suitable (see paragraph 3.11); or that redevelopment would produce substantial benefits for the community which would decisively outweigh the loss resulting from demolition’.

Open Space

- 3.22 The LDF Core Strategy confirms that the Council is committed to address the deficiency of publicly accessible open space in the Borough and Development Control Policy ONS2 seeks to secure new areas of open space within new development proposals. The Council will seek to protect, increase and improve the provision of open spaces in the borough to a standard of 1.2 ha per 1000 population and improve accessibility to, between and within open spaces (CS22).

Social and Community Uses

- 3.23 The Council will ensure that high quality, local public services, social and community facilities are retained, designed and located to maximise accessibility, and serve the diverse needs of the borough (CS9). In addition to improve health, promote healthy lifestyles, reduce health inequalities in the Borough and work in partnership with the Tower Hamlets Primary Care Trust and other key agencies, the Council will ensure that appropriate new health care facilities are provided to support the current and future population (CS10).

Sustainable Environment

- 3.23 LDF Preferred Options require all new housing to meet a minimum of EcoHomes rating of ‘very good’ (HSG14, SEN7). In addition all new development is required to adopt a resource efficient approach to use of water (SEN4) and construction materials (SEN6) whilst developments of 10 or more dwellings are required to demonstrate the feasibility of providing at least 10% of predicted energy requirements through renewable means (SEN3). All new development is required to make sufficient provision for waste disposal and recycling facilities (SEN9). With regard to environmental protection, the LDF contains specific policies relating to noise and air pollution (SEN1, SEN2) and development on potentially contaminated land (SEN10).

Implementation

- 3.24 LDF Preferred Options provides the basis for the Council to secure infrastructure and community benefits through Planning Obligations in accordance with appropriate legislation and guidance (IM1). This is considered of fundamental importance in sustainably accommodating the projected increase in population in the Borough.

Supplementary Planning Guidance

- 3.25 In addition the following SPG Notes are relevant to any redevelopment within the brief area:
- Landscape Requirements
 - Residential Space
 - Sound insulation
 - Designing out Crime (Parts 1 and 2)

4.0 REGENERATION CONTEXT

- 4.1 Tower Hamlets is located within an area of pronounced regeneration activity. The Borough forms part of the wider Thames Gateway area which is identified as a national priority for regeneration in the Government's Sustainable Communities Plan, whilst East London is prioritised for development and regeneration in the London Plan. Within this wider regeneration context the Community Plan provides a vision and co-ordinated framework for improvements throughout the Borough and is important in considering the future development of Southern Grove site. There are also a number of other regeneration plans and initiatives operating within the Borough which will also need to be taken into account.

Tower Hamlets Community Plan

- 4.2 The Community Plan sets out a vision for the future of Tower Hamlets. It is produced by the Tower Hamlets Partnership, which brings together all of the key community stakeholders - residents, the council, the police, the health service, public services, voluntary and community groups, faith communities and businesses. The first community plan was produced in 2001 setting out a vision for the future of Tower Hamlets through to 2010 and is updated annually, reviewing progress towards the vision and identifying priorities to be tackled during the following year.
- 4.3 The Community Plan vision is based on 5 key themes:
- *A better place for living safely*
 - *A better place for living well*
 - *A better place for creating and sharing prosperity*
 - *A better place for learning, achievement and leisure*
 - *A better place for excellent public services*

Tower Hamlets Regeneration Strategy

- 4.4 Tower Hamlets Regeneration Strategy was approved by the Council on 8th June 2005. The strategy was developed in response to the unprecedented growth forecast for the Tower Hamlets economy and seeks to guide the efforts of all partners working towards the borough's economic development. In particular the Strategy seeks to:
- *develop the economy - to create wealth, business and employment for local residents*
 - *develop people - to help local residents find jobs and succeed in the knowledge-driven economy*
 - *develop places - which combine a healthy environment with enjoyable open spaces, a well-designed mix of homes and business premises, good quality services and excellent public transport*
 - *develop marketing - to promote the transformation of Tower Hamlets into a global city-district and attract ongoing public and private investment.*

LAP 6 Action Plan 2005/06

- 4.5 The borough has been divided into eight Local Area Partnership areas (LAPs) based on local wards. Southern Grove site is located in LAP 6. Each one of the LAPs provide a platform for local residents to become involved in

improvements to their area and as part of this process LAP Actions plans have been produced.

4.6 The three priority areas of activity for the LAP6 plan are:

- *Priority 1: Improve community safety*
- *Priority 2: Improve access to healthcare services*
- *Priority 3: Improve the range and quality of provision for young people*

Mile End Estates Regeneration

A 'masterplan' was prepared in 2004 by Eastend Homes for the redevelopment of the Mile End Housing Estates as part of the Council's Housing Choice Programme. The Mile End Estates comprises the Bede, British, Brokesley, Eric and Treby estates, which are located adjacent to and in proximity to Southern Grove (See Appendix 2).

The masterplan provides the framework for an investment of approximately £50 million to refurbish the existing social housing units and carry out estate improvements. The masterplan also proposes a significant number of private housing units to generate additional revenue to cross subsidise estate improvements and provide a greater mix of tenure within the local community. New units are to be located within the existing estate boundaries and will replace existing stairwells, fragmented 'left over' pieces of space and surplus car parking areas which are frequently the focus of anti-social behaviour.

As part of regeneration the Council will seek to ensure existing open space is maintained and improved. Strong protection of open space is particularly important given the projected increase in population density within the estates.

5.0 DEVELOPMENT CONCEPT

- 5.1 The 'Development Concept' provides an illustration of the overall approach that is being proposed in the planning statement. It seeks to establish objectives for the redevelopment of the northern part of the Southern Grove site and also provides a more detailed description of the form that future development could take in terms of design and the uses and activities that will be encouraged. It is intended to compliment and not replace the policy requirements detailed in sections 3 and 4 of this brief. A diagram illustrating the development concept is provided in Appendix (4)

Development Objectives

- 5.2 The key objectives of the redevelopment of Southern Grove site will be:
- i. Promote the co-ordinated redevelopment of the site to secure a high quality residential led mixed use development
 - ii. Provision of new housing – including a substantial proportion of affordable and family accommodation
 - iii. Re-provision of the Day Care Centre for the elderly.
 - iv. To maintain and enhance existing open space including the possible extension of the publicly accessible green courtyard in front of the workhouse building.
 - v. Retention and conversion to residential use of the workhouse building,.
 - vi. Retention of mature trees within the site
 - vii. Develop the site in accordance with environmentally sustainable design principles
 - viii. Ensure that all sections of the community will have an opportunity to benefit from the improvements that future development will provide

Phasing and distribution of uses

- 5.3 Due to the need to retain the Resource Centre on the site until late 2008, when the new facility at the St Clements site is scheduled to be ready for occupation, it is likely that redevelopment will need to come forward in a minimum of two phases (see appendix 3).

If the development is to come forward in phases then the Council will seek an outline planning application for the entire Southern Grove site, with detailed applications for each phase of development. The Council will seek more detailed consideration of the mix of uses within each phase during pre-application discussions.

- 5.4 The existing day care centre for the elderly will need to be re-provided within the redevelopment proposals. Furthermore this vital service for the elderly must be operational during any construction works. This may require re-provision to be linked into the phasing of development but the temporary use of alternative sites/health facilities within the locality may also be considered.

6.0 DEVELOPMENT PRINCIPLES

- 6.1 The following development principles build on the relevant planning policies to give more specific guidance in the context of the Southern Grove site. They are also intended to provide more detail to the development concept outlined above.

New Uses and Activities

Residential Led Development

- 6.2 Notwithstanding the existing offices on the site, the planning policy context confirms the site is appropriate for residential development. LDF policies seek in the first instance to protect existing employment uses. However a number of criteria are identified where change of use of employment may be appropriate, of which the following are particularly relevant to the Southern Grove site:

- the possibilities to reuse or redevelop the site for similar or alternative business use have been explored over time
- any potential enhancement of employment opportunities has been considered
- if the proposal contributes to a regeneration programme through high architectural quality and improvements to the public realm i.e. waterside uses, open spaces and community/health uses/services

- 6.3 As part of the Council's accommodation strategy, the jobs associated with the existing offices are being re-located to Anchorage House and will therefore be retained in the Borough. The redevelopment of the southern part of the site will provide new health facilities which will provide a valuable service for the local community and will also provide a range of employment opportunities. Further, the redevelopment of the northern part of the site will ensure the Elderly Person's Day Centre is replaced with a new and modern facility together with improved publicly accessible open space and new development of high architectural quality.

- 6.4 In addition, the location of Southern Grove, being surrounded on all four sides by residential development, is unlikely to be viable for commercial office or other B1 use. The Council's longstanding commitment for the site to be developed for residential use is demonstrated by the previous draft Development Brief and the identification of Southern Grove as a development site on the LDF Proposals Map.

Housing mix and type

- 6.5 The Council will expect housing provision to accord with the requirements of the LDF Preferred Options Core Strategy and Development Control Policies, and in particular will require:

- Proposals should seek to provide 50% (with a minimum of 35%) affordable housing in terms of habitable rooms
- a mix of housing types and sizes should be provided to meet local needs, including a substantial provision of family accommodation.
- all housing to be designed in accordance with 'Life time homes' requirements and 10% should be wheelchair accessible.
- Provision of exclusive and communal amenity space in accordance with the Council's minimum standards

- 6.6 Given the PTAL of the site is 6a the appropriate density range for the residential component of the new development will be 450 - 700 habitable rooms per hectare, in accordance with the London Plan and LDF Preferred Options. However, it is also important that the density and design fully respects the local context provided by the surrounding built form.

Elderly Person's Day Care Centre

- 6.7 The redevelopment proposals must ensure that the Elderly Person's Care Home is re-provided. This will require a building of equivalent floorspace to the existing facility, together with a small garden and adequate access arrangements, fitted out and leased back to the Council at a nominal rent. Policy states that the Council will ensure that high quality, local public services, social and community facilities are retained, designed and located to maximise accessibility, and serve the diverse needs of the borough.
- 6.8 The Council's preference is for the facility to be re-provided on site. However, provision of the facility on an alternative site within the locality may be considered, subject to consultation with the Council's Social Services Officers.

Urban Design Considerations

Bulk and massing

- 6.9 The prevalent building heights to the east are three storeys. There are two 15 - 20 storey tower blocks within the context of the site but these are not considered to be a good concept for redevelopment. Impact on surrounding townscape needs to be analysed before finalising building heights. In broad terms, the Council would encourage three to five storey development. The proposed design should mediate between the historic character of Tower Hamlets Cemetery Conservation Area and housing estates on western side specifically taking into account the Eric estate regeneration proposals.
- 6.10 The brief area is inappropriate for a very tall building, but there is a scope for differential heights as a part of whole scheme, to highlight corners or massing. Any such deviations from general massing concept would be subjected to high quality design
- 6.11 The site presents design challenge in all four directions, in terms of response to the existing built fabric. It is diverse in its architectural style, building heights, and access. Where possible, the design should reinforce street edges either with active frontages or 'eyes on street'.





Relationship to Conservation Area

- 6.12 Part of the site is within the Tower Hamlets Cemetery conservation area as shown on the map below.



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Key

-  Tree Preservation Orders (TPO) (1985)
-  Tree Preservation Order Area (1985)
-  Conservation Area
-  Grade II Listed building

- 6.13 The proposal will have to consider impact on the character of the conservation area, listed buildings and best efforts should be made to enhance the character of the conservation area. The Council will resist proposals for the demolition of buildings that make a positive contribution to the conservation area (C3) namely the Southern Lodge Workhouse building. Conservation area designation introduces control over the demolition of most buildings within conservation areas (section 74 of the Listed Buildings and Conservation Areas Act 1990); Paragraph 4.27 of PPG15 states; the general presumption should be in favour of retaining buildings which make a positive contribution to the character or appearance of a conservation area. The conversion of this building to residential use would be encouraged by the Council. The conservation area would be enhanced by opening up the view of the workhouse for example by removing structures that obscure the front elevation. Demolition of the one storey red brick building (attached to the main Workhouse) could be acceptable but options for redevelopment would be limited due to its proximity to the terrace houses on Brokesley Street.

Open Space and Conservation

- 6.14 There is significant opportunity to deliver a net increase in open space and revitalise and enhance existing public open space on the site to address the borough's deficiency.

In particular a major area of publicly accessible open space exists in front of the workhouse building. The Council anticipates that this will be enhanced and potentially extended. Many of the trees on the site are subject to TPOs and should be retained as part of any redevelopment.

- 6.15 Development Control Policy ONS2 seeks to secure new areas of open space within new development proposals. As such the Council will seek private and communal amenity space for flats and family housing provided. Additionally the Day Care Centre requires private amenity space suitable for the elderly.
- 6.16 The built proposal should be complimented by comprehensive environmental and landscape proposal and a public realm improvement strategy should be laid out in case of a phased approach to development.

Crime Prevention and Community Safety

- 6.17 Future development should ensure that the Southern Grove area is naturally secure and easily cared for by the local community. It is expected that such 'passive' measures will be most effective in the long term and will avoid the need in future for more intrusive and costly security measures to be installed. It should also contribute to the safety of the Eric estate.
- 6.18 New development should maximise the potential for overlooking and passive surveillance. New and improved lighting will be important in providing a safe environment after dark. Semi-outdoor spaces such as balconies and gardens will be important in generating a sense of ownership and surveillance, whilst active frontages will further contribute to providing a safer environment.
- 6.19 More specific guidance is provided in the Council's 'Designing out Crime (Parts 1 and 2)' SPG.

Sustainable Design and Energy Statement

- 6.20 The London Plan and LDF Preferred Options emphasise the importance of promoting sustainable development through design considerations. An

Energy Statement will be required to demonstrate the likely heating, cooling and electricity demand. The purpose of this information is to help identify the technical feasibility of energy efficient and renewable energy technologies, and to identify where an applicant can make the most effective energy and carbon emissions savings in a scheme.. Incorporation of renewable energy production equipment will be encouraged in all developments.

- 6.21 Below are examples of the type of design principles the Council will encourage to meet the Policy requirements identified in Section 3. More specific guidelines can be found in the The Mayor's Supplementary Planning Guidance: Sustainable Design and Construction - May 2006; and London Renewables; Integrating renewable energy into new development – Toolkit for planners, developers and consultants - September 2004:
- The orientation, internal layout and landscaping of the new buildings within the Area should contribute to reduced energy use and make the best use of natural ventilation and sunlight.
 - Dwellings should be designed to ensure that living areas receive adequate daylight for carrying out normal domestic tasks.
 - Building materials and insulation should be selected to assist thermal performance and maintain internal comfort levels.
 - Landscaping should assist in micro-climatic management to reduce energy use.
 - Building design should assist air movement within dwellings to provide acceptable thermal conditions.
 - Roof gardens (green/brown roofs) will be encouraged and supported.
 - Sustainable Urban Drainage systems will be required
 - Carbon emissions from the total energy needs (heat, cooling and power) of the development should be reduced by at least 10% by the on-site generation of renewable energy
 - Residential developments to achieve average water use in new dwellings of less than 40m³ per bedspace per year (approximately 110 litres/head/day). 100% metering of all newly built property

Access and Transportation

Disabled Access

- 6.22 The needs of disabled people should be considered at all stages of development ensuring that the proposals facilitate safe access for disabled pedestrians, disabled public transport users and disabled motorists, including those who are blind or partially sighted.

Servicing and Parking

- 6.23 The Council will require applicants to provide satisfactory servicing arrangements for the new residential units and the Elderly Person's Day Centre.
- 6.24 In accordance with London Plan and emerging LDF maximum parking standards, minimum levels of off-street car parking should be provided within development proposals. However a certain level of parking including disabled parking may be necessary given the future provision of family residential accommodation and this should also include provision for disabled motorists. The Council will seek to ensure that car parking is allocated proportionally between affordable and private housing. The Council will also seek to restrict

parking permits for new residents by securing a car free agreement with the developer. Car parking that is appropriate should be designed in accordance with 'Secure by Design' and good practice guidance in order to provide over looked, well-lit and integrated spaces.

- 6.25 Provision of cycle spaces will be a minimum of 20% of the total number of residential units, in accordance with the LDF Preferred Options. All cycle parking will be required to be located in a secure, covered area within the building.

Transport Assessment

- 6.26 A Transport Assessment will be required to be submitted in respect of development proposals for Southern Grove site. The Transport assessment will be required to demonstrate how car use will be minimised, how development can best be accessed by sustainable modes and confirmation of servicing arrangements.

7.0 PLANNING OBLIGATIONS

Contribution Headings

- 7.1 In accordance with the London Plan, the Council will seek to provide a range of improvements through planning obligations in respect of individual development proposals.
- 7.2 As detailed in the Development Concept and Development Principles sections of the development brief, the Council's priorities in negotiating planning obligations will be in respect of provision of affordable housing.
- 7.3 In addition, the Council will seek further contributions where deemed necessary, including those detailed in the list below. These are not in order of priority and will be dependent upon the scale and type of development that comes forward and the extent to which they relate to that development:
- Open Space provision;
 - Contributions towards the provision of additional school places arising from the increase in dwellings;
 - Local employment and training initiatives, particularly during the construction phase; and
 - Necessary highways improvements

8.0 THE NEXT STAGES

- 8.1 As detailed in Section 1, the Planning Statement will be used by the Council to identify development opportunities for the site. It will also be used by planning officers as a basis for negotiation in respect of detailed proposals for the site as well as feeding into the preparation of the LDF Central Area Action Plan.
- 8.2 Planning applications for the site should include an urban design statement - assessing the scale, massing, height, density, layout, materials of development and the approach taken towards sustainable design objectives – an access statement, a transport assessment, a landscape plan and where necessary a travel plan. The Council should also be consulted on the need for other technical studies to accompany the planning application, including the need for an Environmental Impact Assessment.
- 8.3 The Council will encourage early discussion with and between all key stakeholders and residents throughout the planning process. Prior to submission, the applicant should engage in consultation with the necessary statutory authorities, details of whom can be provided by the Council on request.

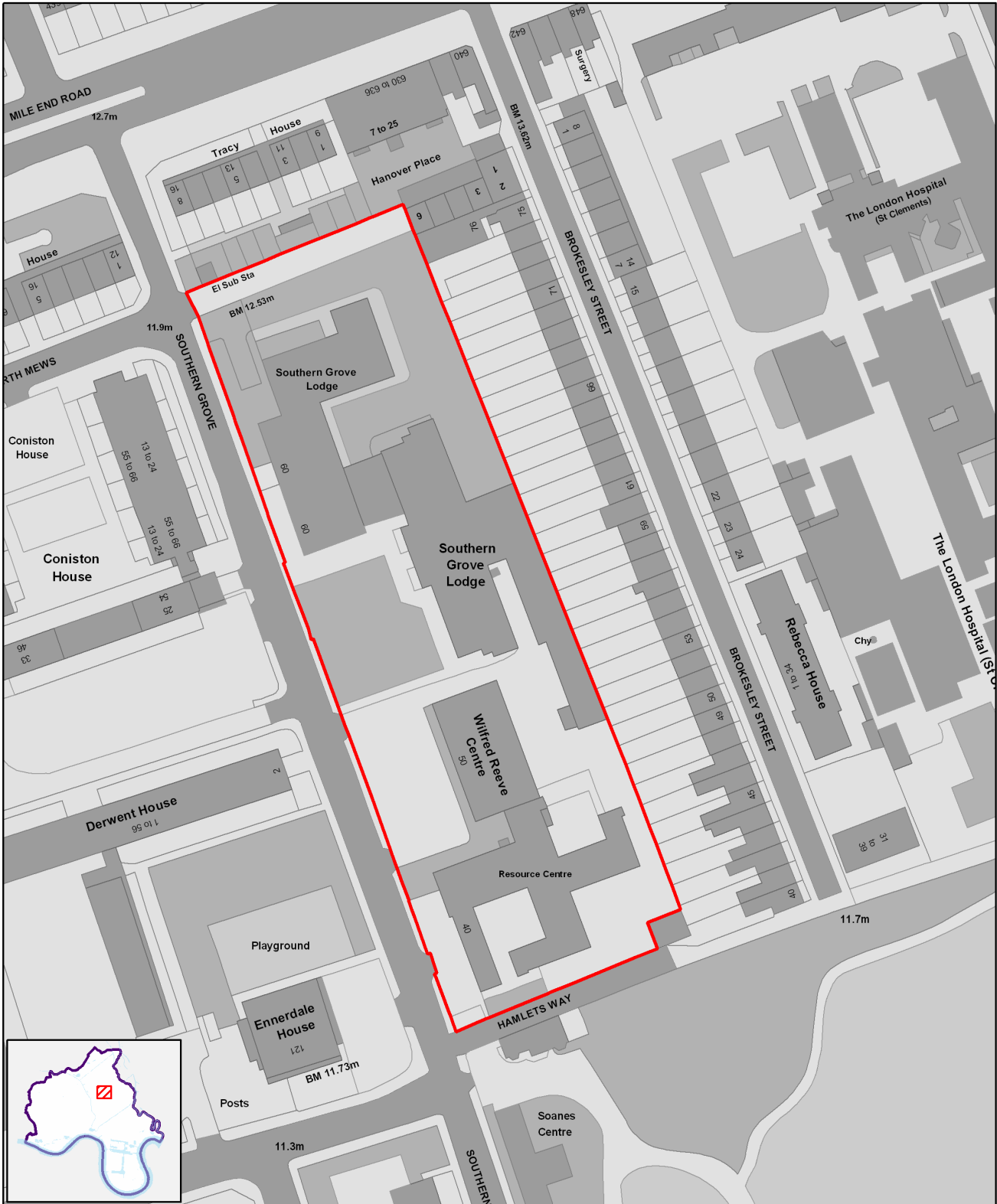
9.0 CONTACTS AND FURTHER INFORMATION

Brief Prepared by:


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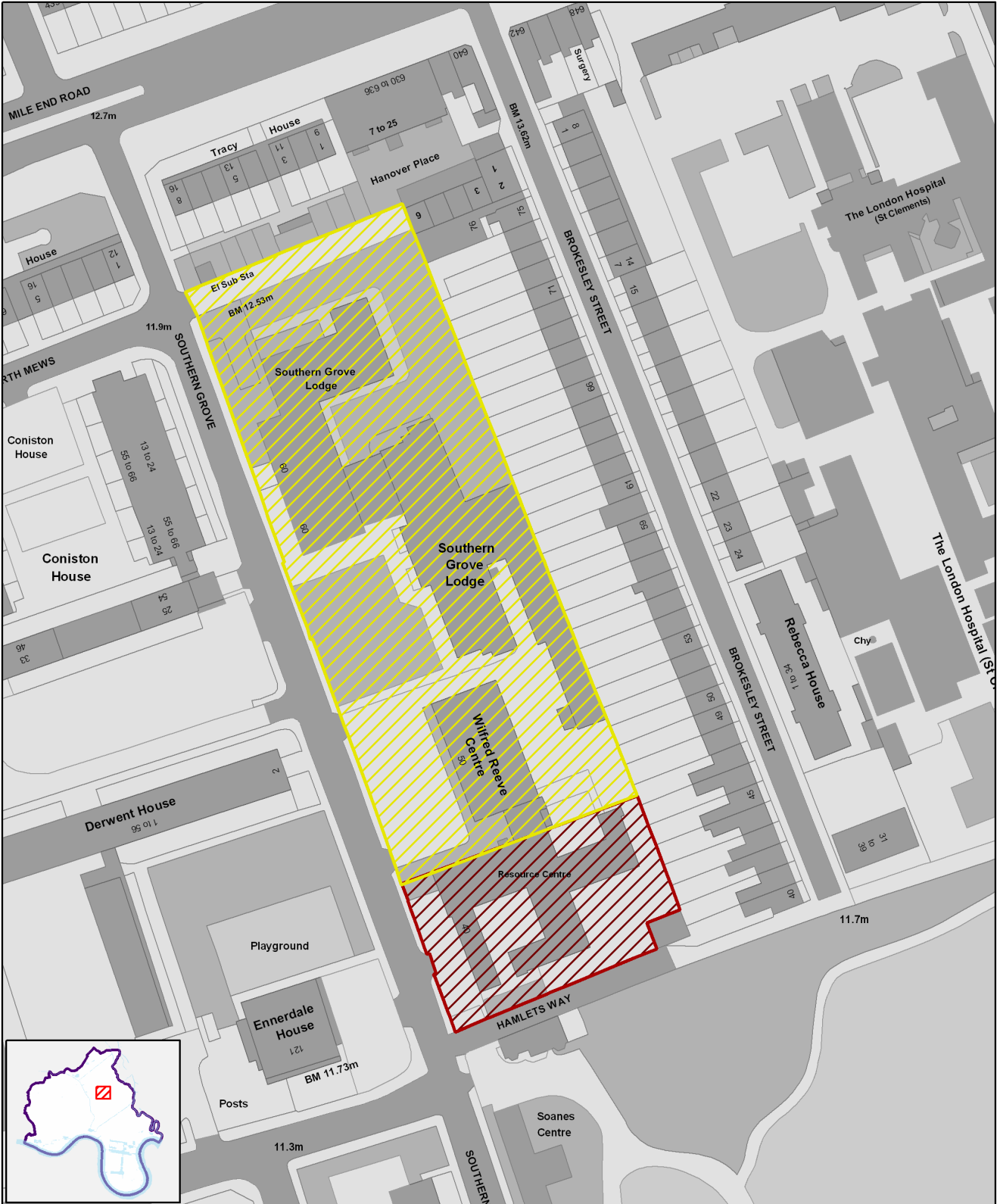
**Indicative Boundary of:
Southern Grove Site Plan**

 Site Boundary of Southern Grove



0 10m


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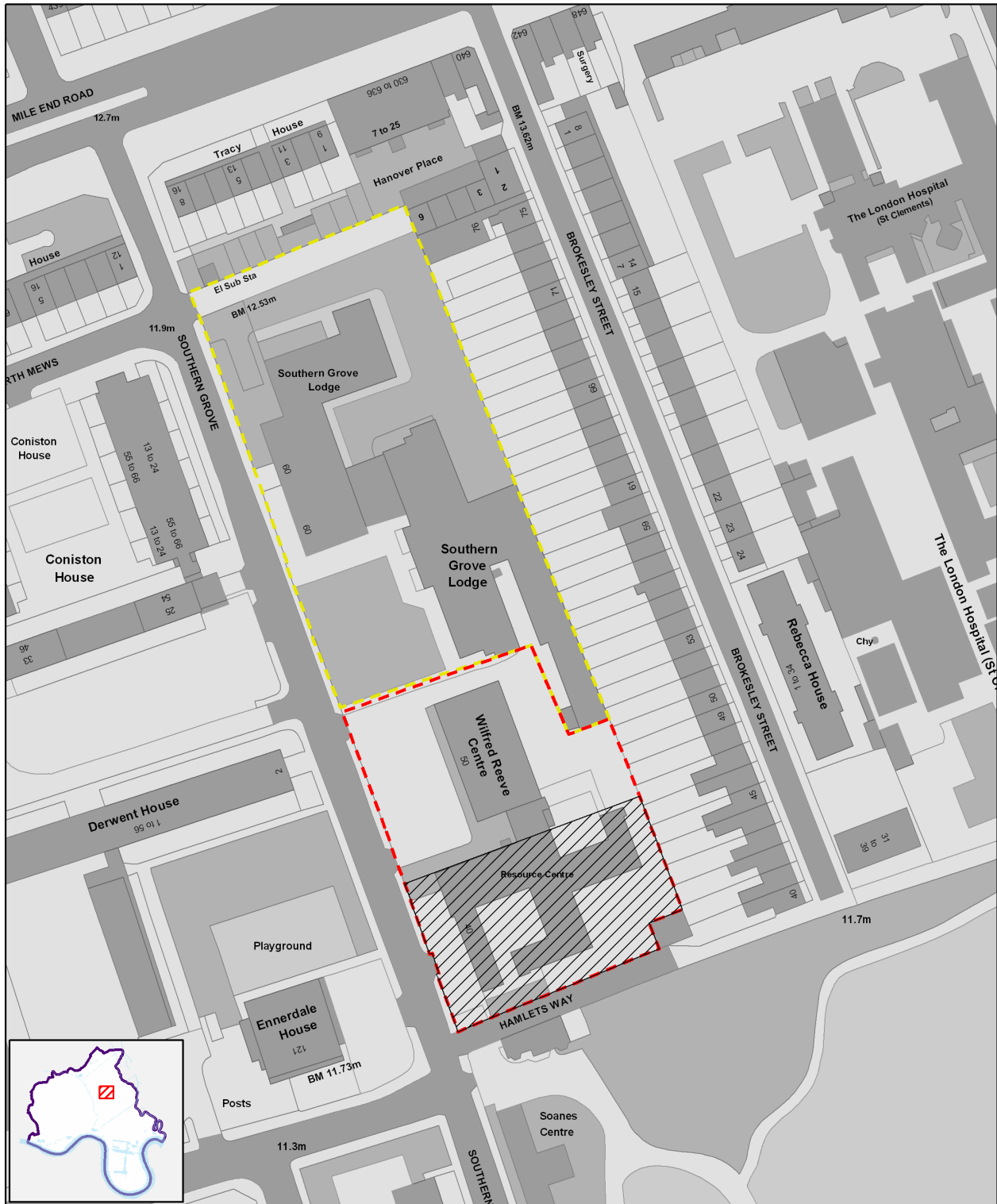
**Indicative Boundary of:
Proposed LIFTCO site / remaining disposal site**

- Proposed LIFTCO site
- Remaining disposal site



0 15m

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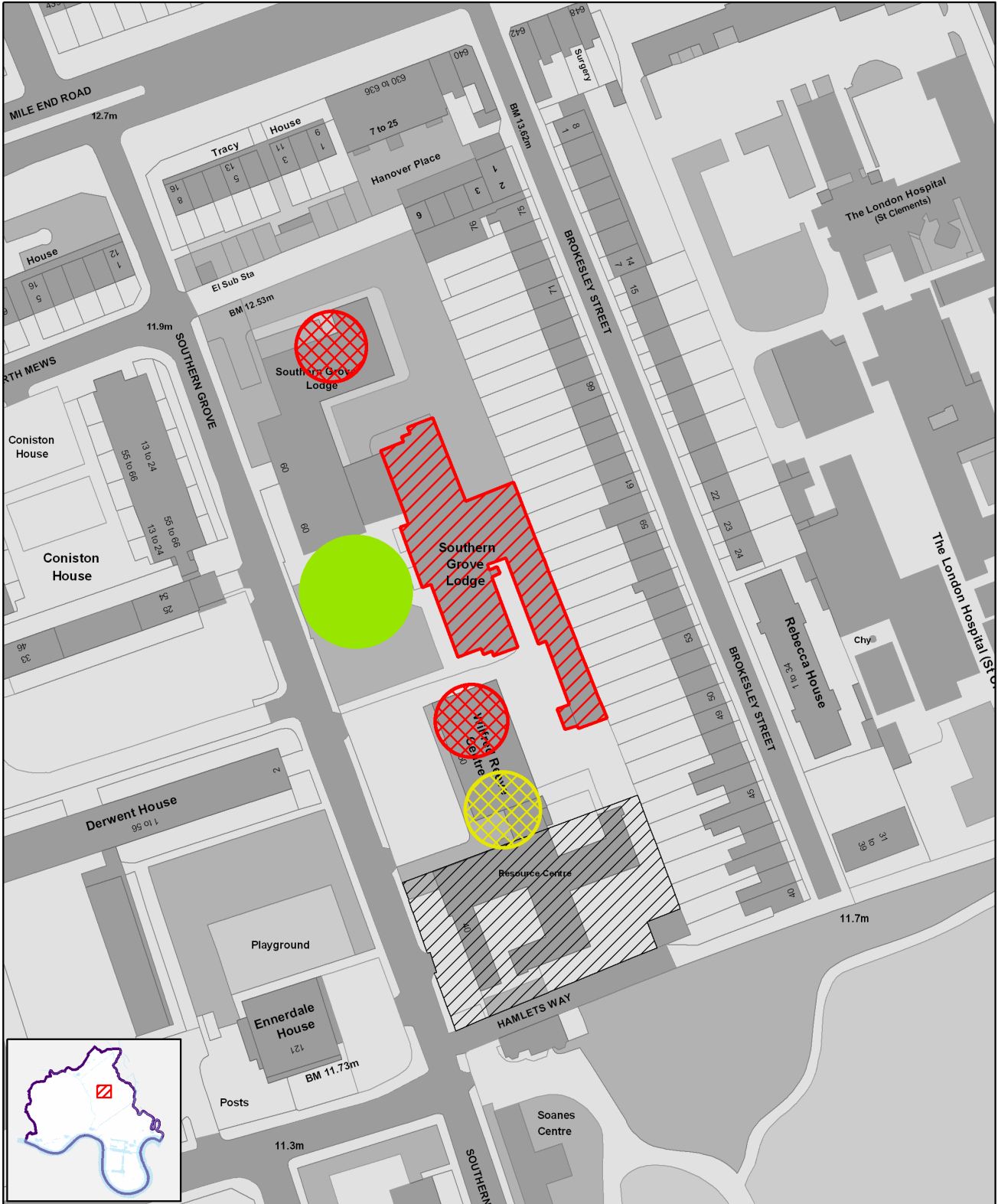


**Indicative Boundary of:
Phasing redevelopment**






- Phase 1 (likely to come forward Autum 2006)
- Phase 2 (likely to come forward late 2008)
- Proposed LIFCO site

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**Indicative Boundary of:
Development concept**

-  Retained building residential conversion
-  Publicly accessible open space
-  New build residential
-  Day care centre
-  Proposed LIFTCO site



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Committee Cabinet	Date 5 th July 06	Classification Unrestricted	Report no. CAB 028/067	Agenda item no. 7.3A
Report of Corporate Director (Social Services)		Title LIFT Development and Outline Business Case for Southern Grove & St Clements - Addendum Report		
Originating Office: John Mitchell – Programme Manager		Wards affected All		

1 Purpose of Update Report

- 1.1 To provide Members of cabinet with an update of financial issues in respect of the proposed LIFT development for Southern Grove and St Clements. This update does not alter the recommendations made in the main report.

2 Revenue Costs of Scheme

- 2.1 Figures in the main report on the revenue cost of the scheme had been prepared on the assumption that the scheme would incur costs over the 25-year term of the agreement. Following a recent meeting with Robson Rhodes it has been clarified that costs will be incurred over a 26 year period; this is because of the phased nature of the building programme. This has a material impact on the additional budgetary requirement associated with the project as set out in table 2 on page 9 of the main report:

Table 2: Net Budgetary Requirement

	Original Report £ Million	Revised Figures £ Million	Movement £ Million
Resources			
Existing Budget	5.192	5.698	0.506
PFI Credit	32.375	32.313	-0.062
Interest	1.850	1.785	-0.065
	39.417	39.796	0.379
Total Costs	40.853	44.838	3.985
Net additional Budget Requirement	£1.436	£5.042	£3.606

- 2.2 The revised table indicates that there is a net additional budgetary requirement of £3.606 million over the full term of the agreement compared with £1.436 million in the main report. This higher requirement equates to a net increase in the base budget of £0.136

million, compared with £0.040 million. Although this is a significant increase, it is in line with previous financial planning assumptions and can be met from the existing Social Services budgets.

- 2.3 Members are also asked to disregard the second sentence of paragraph 9.4 which should have been deleted from the final version of the report.

3. Comments of the Chief Finance Officer

- 3.1. The figures presented in the report have been represented on the basis that the scheme will take place over 26 financial years, not 25 years as stated in the original report.
- 3.2. The revenue budget shortfall equates to an annual figure at current prices of £0.136m, which will be met from Adult Services budgets.
- 3.3. The financial details of the contract with LIFTCo. remain subject to negotiation. A further report, including final financial details, will be submitted to the Cabinet before a contract is signed.

Agenda Item 6.2

Committee OVERVIEW AND SCRUTINY	Date 1th August, 2006	Classification Unrestricted	Report No.	Agenda Item No.
Report of: ASSISTANT CHIEF EXECUTIVE		Title: REPORT "CALLED IN" - DISPOSAL OF HOLLAND ESTATE TO EAST END HOMES		
Originating Officer(s): Tim Hogan		Ward(s) affected: Bangla Town and Spitalfields		

1. SUMMARY

- 1.1 The attached report of the Director of Housing Management was considered by the Cabinet on the 5th July, 2006 but has been "Called In" for further consideration by Councillors Waiseul Islam, Abjol Miah, Fozol Miah, M. M. Rashid and Dulal Uddin in accordance with the provisions of Part 4 of the Council's Constitution.

2. RECOMMENDATION

- 2.1 That the Committee consider the contents of the attached report, review the Cabinet's provisional decisions arising and decide whether to accept them or refer the matter back to Cabinet with proposals, together with reasons.

LOCAL GOVERNMENT ACT, 2000 (SECTION 97) LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background paper"

**Cabinet report (CAB018/067)
dated 5th July, 2006**

Name and telephone number of holder
and address where open to inspection

**Tim Hogan
020 7364 4850**

3. BACKGROUND

3.1 The attached report (Appendix A) of the Director of Housing Management was initially considered by Cabinet on the 5th July, 2006, but has been “Called In” for further consideration by Councillors Waiseul Islam, Abjol Miah, Fozol Miah, M. M. Rashid and Dulal Uddin in accordance with the provisions of Part 4 of the Council’s Constitution.

3.2 The Cabinet after considering the attached report provisionally agreed:-

1. Subject to the appropriate consents to dispose of the Holland Estate to EastendHomes being sought and granted by the First Secretary of State (“the Secretary of State”) and the Housing Corporation:
 - (a) The disposal of land on the Holland Estate within the boundaries identified on the plans appended to the report (CAB 018/067) at nil value, be agreed, subject to any further negotiation with the Department of Communities and Local Government (DCLG) and EastendHomes on the terms set out in Sections 4, 5 and 6 of the report.
 - (b) The approach to the preserving of valuable open space, as set out in Section 7 of the report (CAB 018/067), be noted.
 - (c) That it be noted that there will be retained rights of way as set out in paragraph 8 of the report (CAB 018/067).
2. That approval be requested from the Department of Communities and Local Government (DCLG) for a loan of up to £250,000 to EastendHomes under Section 25 of the Local Government Act 1988 for set up costs to be incurred for these transfers repayable on transfer, as set out in paragraph 9.2 of the report (CAB 018/067);
3. That it be noted that the resolutions set out above and discussed in the body of the report (CAB 018/067) are yet to be agreed fully by EastendHomes;
4. That the Director of Housing Management be authorised after consultation with the Director of Resources to negotiate the precise terms and any outstanding issues relating to the disposal of the Holland Estate to EastendHomes as a consequence of resolution 3. above;
5. That the Director of Housing Management in conjunction with the Corporate Director Children’s Services be requested to examine with EastendHomes the potential for extending Youth provision in the Holland Estate Area through the use of community facilities; and
6. That subject to taking appropriate legal and financial advice as to whether the Womens Library, Old Castle Street, London E1, could be included within the scope of the transfer of the Holland Estate to EastendHomes, the Director of Housing Management be authorised to dispose of that site, to EastendHomes.

4. THE “CALL IN” REQUISITION

4.1 The reasons advanced in the “Call In” requisition are set out below:-

- Lack of detailed information on how ‘reprovision’ of community facilities is protected within the transfer agreement, the legal status of the protection and whether this will be covered by covenant;
- Lack of detail of open space protected by covenant and of open space and rights of way not so protected;
- Lack of information on rental income and market valuations of the 53 commercial premises proposed for transfer, the likely or proposed terms of the leaseback of 29 Commercial St and how this affects the negative valuation of potential development sites;
- Details of the monitoring and reporting arrangements put in place;
- Full details of the terms of any loan to EastendHomes and issues including potential conflicts of interest in relation to such a loan;
- Failure to address serious allegations in relation to the conduct of voting during the tenants’ consultation; and
- Claim that disposal provides ‘more say for residents’, implying serious failings in the Council’s current tenant consultation and involvement processes.

5. ALTERNATIVE COURSE OF ACTION

5.1 In accordance with the Committee’s procedures, the “Call In” Members have provided an alternative course of action for consideration:-

A further report is required addressing fully the protection of open space, community facilities and rights of way; detailed evaluations of the commercial premises involved, their contribution to the overall valuation and the implications of redevelopment for small businesses in the area; other financial aspects of the disposal and the allegations of irregularities in conduct of balloting.

6. CONSIDERATION OF THE “CALL IN”

6.1 The following procedure is to be followed for consideration of the “Call In”.

- (a) Presentation of the “Call In” by one of the “Call In” Members followed by questions.
- (b) Response from the Lead Member/officers followed by questions.

(c) General debate followed by decision.

N.B. – The “Call In” Members are not allowed to participate in the general debate.

6.2 It is open to the Committee to either resolve to take no action which would have the effect of endorsing the original Cabinet decisions, or the Committee could refer the matter back to the Cabinet for further consideration setting out the nature of its concerns and possibly recommending an alternative course of action.

7. RECOMMENDATION

7.1 That the Committee consider the contents of the attached report, review the Cabinet’s provisional decisions arising and decide whether to accept them or refer the matter back to Cabinet with proposals, together with reasons.

CABINET	Date 5 th July 2006	Classification Unrestricted	Report No.	Agenda Item
Report of : Director of Housing Management Originating officer(s): Liz Ormston (New Partnerships & Initiatives Manager), Mithu Ghosh (Service Development Manager)		Title : DISPOSAL OF HOLLAND ESTATE TO EASTENDHOMES Wards Affected: Bangla Town and Spitalfields		

1 SUMMARY

- 1.1 This report sets out the proposed terms for the transfer of Holland Estate to EastendHomes.

2 RECOMMENDATIONS

Cabinet is recommended to: -

- 2.1 Subject to the appropriate consents to dispose of the Holland Estate to EastendHomes being sought and granted by the First Secretary of State ("the Secretary of State") and the Housing Corporation:
- (a) Agree the disposal of land on the Holland Estate within the boundaries identified on the appended plans at nil value, subject to any further negotiation with the Department of Communities and Local Government (DCLG) and EastendHomes on the terms set out in Sections 4, 5 and 6 of the report.
 - (b) Note the approach to the preserving of valuable open space as set out in Section 7 of the report.
 - (c) Note that there will be retained rights of way as set out in paragraph 8 of the report.

Continued over-

Local Government Act, 2000 (Section 97)
List of "Background Papers" used in the preparation of this Report

Brief description of "back ground papers"

Housing Choice Files

Name and telephone number of holder
and address where open to inspection.

Liz Ormston ext. 7075

- 2.2 Agree to request approval from the Department of Communities and Local Government for a loan of up to £250,000 to EastendHomes under Section 25 of the Local Government Act 1988 for set up costs to be incurred for these transfers repayable on transfer as set out in paragraph 9.2 of the report.
- 2.3 Note that the recommendations set out above and discussed in the body of this report are yet to be agreed fully by EastendHomes.
- 2.4 Authorise the Director of Housing Management after consultation with the Director of Resources to negotiate the precise terms and any outstanding issues relating to the disposal of the Holland Estate to EastendHomes as a consequence of 2.3 above.

3 BACKGROUND

- 3.1 Tenants of the Holland Estate voted in favour of transfer to EastendHomes in February 2006.
- 3.2 The transfer will enable the delivery of a £15 million regeneration programme across the Holland Estate in the 5 years following the transfer.
- 3.3 At its meeting on 1 September 2004, Cabinet agreed a policy framework for the negotiation of the terms of Housing Choice transfers to registered social landlords (RSLs). This report proposes terms for transfer within the agreed policy framework unless specifically stated otherwise. This report also sets out details of the land to be included in the transfer.
- 3.4 The ballot results for the Holland Estate were as follows:

Tenants:

Rate of participation		70.6%
Number voting YES	128	(74.0% of the valid vote)
Number voting NO	45	(26.0% of the valid vote)
TOTAL	<u>173</u>	(100% of the valid vote)

Leaseholders

Rate of participation		28.1%
Number voting YES	48	(55.2% of the valid vote)
Number voting NO	39	(44.8% of the valid vote)
TOTAL	<u>87</u>	(100% of the valid vote)

- 3.5 It is the outcome of the tenants' ballot that determines whether the Secretary of State will grant consent to the proposed transfer. The Secretary of State, when considering an application for consent, will take account of whether the majority of secure tenants affected by the proposed transfer are not opposed to it. The results of the tenants' ballot provides evidence of this. Consent is required to dispose of the land in the terms set out in this report according to Section 32 Housing Act 1985 (disposal of land held for housing purposes), Section 233 Town and Country Planning Act 1970 (for disposal of land appropriated for planning purposes being disposed of at less than market value) and Section 123 Local Government Act 1972 (disposal of open space/amenity land).
- 3.6 The Holland Estate comprises 403 homes with a tenure profile of 188 properties for rent and 215 long leaseholders.
- 3.7 Of the rented homes, 5 are currently being used by Homeless Services as temporary accommodation.
- 3.8 In order to proceed with the transfer, the Council requires the consent of the First Secretary of State ("the Secretary of State").
- 3.9 The Council constitution requires that the application for consent to dispose of more than 499 homes be approved by full Council. This was obtained at full Council on 15 June 2005 subject to the approval of the terms set out in this report.

4 LAND FOR DISPOSAL

- 4.1 The land to be disposed comprises -
- (i) Tenanted, empty and leasehold homes. These are listed in the attached schedules (Appendix 1)
 - (i) Garages, parking spaces, pram sheds and other ancillary buildings
 - (ii) Premises currently being used as community facilities
- 4.2 Plans indicating all of the land to be transferred are appended to this report.
- 4.3 The land indicated on the plans includes two pieces of unregistered land. The Council will where appropriate, register these with the Land Registry prior to transfer.
- 4.4 It is proposed to transfer all of the land to EastendHomes at nil value. This is based upon the Council's valuation according to the DCLG Tenant Market Valuation model, which assesses the investment required to provide a 30-year life for the housing stock. Based on these guidelines the Holland Estate has a negative value of £0.51 million. This figure may change subject to a final review with the DCLG. EastendHomes will enter into a Gap Funding agreement for the amount of gap funding agreed directly with the DCLG.
- 4.5 DCLG will also make an overhanging debt payment to the Council, plus early redemption payments. This will be calculated using a DCLG formula based on a proportionate percentage of the Council's attributable housing debt.

5. COMMERCIAL AND COMMUNITY PREMISES

- 5.1 There are 5 community facilities located within the boundaries of the estates to be transferred:-

Brunswick and Wentworth Community Centre, 33 Goulston Street, E1 0QT
Denning Point OAP Hall, Commercial Street, E1 6DH
Herbert & Jacobson TRA, Herbert House, Old Castle Street, E1 7TW
BBC Centre (Brune, Bernard and Carter House) 16, Toynbee Street E1
East End Community School, Old Castle Street, E1 7NS

- 5.2 It is proposed to include these premises within the transfer, as provided for within the Policy Framework. Negotiations with EastendHomes will proceed on the basis that the use of the premises by all sections of the community in either their current location or through more suitable re-provision is protected within the transfer agreement. Any change of use would require the Council's consent.
- 5.3 With the exception of the BBC Centre the Housing Choice consultation exercise identified that the existing community facilities within Holland Estate to be insufficient and inappropriate for residents' needs. EastendHomes has undertaken to consult further with residents to seek their views on the provision of a new multi purpose facility.
- 5.4 The following commercial premises are within the transfer area. All are integral to Housing blocks: -

8, 10, 12, 14 & 16 Bell Lane
21,23,25,33,35,37/39,41,41A Commercial Street
15,17,19, 33/35 Goulston Street
Kiosk - Junction of Old Castle Street / Wentworth Street (attached to Ladbroke House)
4,5,6,7,8,9,10,11,12,13,14 New Goulston Street
20,22,24,26/28,30, 32,34,36,38,40,42 Toynbee Street
6,8,10,12,14,56,58,60,62,70,72, 74 Wentworth Street
1-27 Pomell Way – barrowstores due to be leased back to the Council.

- 5.5 The Policy Framework provides for the inclusion of integral commercial premises in the transfer in line with the latest DCLG guidance. The rental income has been factored into the Tenant Market Valuation (TMV).
- 5.6 Additionally, 29 Commercial Street, a property integral to Denning Point is currently being used by Market Services as administration offices. This will form part of the transfer and will be subject to re-development by EastendHomes. The use of this property pending redevelopment will be subject to a leaseback arrangement with the Council.

6 TERMS OF THE TRANSFER

- 6.1 The stock will be transferred subject to existing secure tenancies. EastendHomes has made legally binding promises to the tenants to ensure that as far as possible they will enjoy the same rights with EastendHomes as they have with the Council.

EastendHomes will also be required to keep all the promises made to transferring tenants regarding the works proposed during the consultation process.

- 6.2 The following issues will be negotiated with EastendHomes in accordance with the policy framework: -
- 6.2.1 TUPE transfer of staff, both direct where a legal right has been identified and through direct recruitment through indirect pools. Broadly comparable pension arrangements must be provided. EastendHomes have indicated that they will be seeking admittance to the Local Government Pension Scheme for staff that transfer.
 - 6.2.2 Current tenant arrears to be purchased by EastendHomes with the Council retaining responsibility for former tenants arrears and leaseholder service charge arrears.
 - 6.2.3 EastendHomes to continue to provide temporary accommodation to the Council by leasing back those properties occupied as temporary accommodation at the date of transfer to the Council if this is required.
 - 6.2.4 A sharing agreement for Preserved Right to Buy receipts to take effect five years from the date of transfer in compliance with DCLG guidance to minimise gap funding requirements.
 - 6.2.5 EastendHomes may extend agreements to purchase services from the Council, subject to the efficiency and effectiveness of the services provided. In each case the price will be calculated to cover the cost of providing the service, including all overheads.
 - 6.2.6 EastendHomes to participate in the Local Labour in Construction Scheme.
 - 6.2.7 EastendHomes to remain a full partner of the Common Housing Register.
 - 6.2.8 Council and EastendHomes to enter into a development agreement and VAT shelter approved by Customs and Excise, to enable the RSL to recover the cost of VAT for refurbishment work.
 - 6.2.9 The provision of a claw back arrangement to provide specific arrangements with EastendHomes to share any unanticipated surpluses arising from later development on land forming part of the transfer.
 - 6.2.10 A partnership agreement between the Council and EastendHomes, which will require the RSL to work with the Council on joint objectives such as Neighbourhood Management, tackling ASB and implementing key housing strategies such as the Homelessness Strategy.
- 6.3 The Council will be required to give business and environmental warranties covering information about the homes, tenants and leaseholders and staff to be transferred. The business warranties should be straightforward and in a similar form to those granted in previous transfers.

- 6.4 A specialist desktop environmental survey has been undertaken. This has concluded that the risks associated with contamination on the Holland Estate are assessed to be low.
- 6.5 This means that it should be possible for the Council to take out insurance against the risks of granting environmental warranties to EastEnd Homes. This is the same approach as taken for the Housing Choice transfers to date and will be subject to EastendHomes paying the insurance premium. Any sites located within the transfer area that are currently included in the Council's Strategy for identifying contaminated land are being assessed for any specific insurance issues that may arise.
- 6.6 It has been agreed in principle with DCLG that the cost of insurance can be factored into the TMV valuations of the Housing Choice programme. This is being factored into all negotiations on gap funding.

7 OPEN SPACE

- 7.1 Under the provisions of the Local Government Act 1972, a local authority can only dispose of "Open Space" where it has advertised the disposal for two consecutive weeks in a newspaper circulating in the local area and considered any objections to the proposed disposal which may be made to them. The advert invites inspection from anyone who perceives themselves to be affected and gives them the opportunity to comment.
- 7.2 'Open Space' is defined in the Local Government Act 1972 and the Town and Country Planning Act 1990 as land "laid out to public gardens or land used by the public for recreation". Use for recreation covers any use, whether formal or informal.
- 7.3 In practice, housing open space should include land that is being managed and used for play areas, ball games areas, grassed and other planted areas. These should include grassed areas, shrub beds, hedgerows, rose beds, communal hard areas and playgrounds.
- 7.4 An advert was placed in East End Life on Monday 15th May 2006 and Monday 22nd May 2006. This informed readers that the plans identifying the Housing amenity land to be disposed of were on deposit at the Housing Department Offices at Block D Millharbour E14 and advised persons who wished to make written observations to send their comments to this address. The closing date for comments was noon 12th June 2006.
- 7.5 By the closing date, 3 comments had been received:
- 7.5.1 The local MP for Bethnal Green & Bow has written to object to the appropriation of Public Open Space at Holland Estate, with a copy to the Minister for Housing and Planning. Officers have acknowledged these objections.
- 7.5.2 A resident from Grenville House, Bow E3, phoned to register her objection to all disposal of open spaces in the Borough and in particular at the Holland Estate as well as to the Housing Choice process overall and confirmed that her MP would be writing to the Housing Minister. This resident was informed that these comments would be included in the Cabinet report.

7.5.3 A resident from Evershed House, Old Castle Street, E1 initially phoned to say that he was concerned about loss of green space and trees, also with regards to new development blocking light to his block. He later inspected the plans in person and took copies. He would like the green space at the rear of Evershed House to be retained but did not mind sharing this with EastendHomes. After discussion, this resident agreed to discuss his concerns directly with EastEnd Homes with the plans.

7.6 The formal offer documents to tenants on Holland Estate sets out that EastendHomes would be carrying out post-transfer consultation on the development of new homes on the estate, especially around the Denning Point complex. Redevelopment will be achieved without any net loss of open space, albeit some may be relocated.

7.7 Discussions are ongoing with Cultural Services as to the amount of valuable open space that will need to be protected. Appropriate covenants will be incorporated in the transfer contract that will require EastendHomes to obtain the Council's consent to develop any open space subject to such covenants.

8 RIGHTS OF WAY

8.1 The transfer will incorporate all non-adopted estate roads within the estate boundaries in line with the Policy Framework. This means that all future repairing responsibilities will rest with EastendHomes.

8.2 There is no requirement to ensure that the Council secures preserved rights of way in perpetuity over these roads after transfer. Due to the provisions of the Land Registration Act 2002, where rights of way are required over the transferred land, the retained land of the Council which is to benefit from such rights of way will need to be specifically identified in order for such rights to be registered.

8.3 The construction of new homes may encroach upon the existing pedestrian rights of way of RTB leaseholders. Section 237 (1) of The Town and Country Planning Act 1990 allows for such private rights to be overridden where development is carried out in accordance with a planning permission. However this will only apply if the Council disposes of the land for planning purposes. To do this the Council must appropriate the housing land to planning purposes before disposing of it under S233 of the 1990 Act.

8.4 EastEnd Homes has therefore requested that the land marked hatched on the appended plan, which may be subject to leaseholders' rights of way (Appendix 2) be appropriated for planning purposes in accordance with the provisions of Section 122 of the Local Government Act 1972. Again, an advert to this effect is required.

8.5 As with the disposal of open space, an advert was placed in East End Life on Monday 15th May 2006 and Monday 22nd May 2006. The closing date for comments was Monday 12th June 2006.

8.6 No further comments were received other than the three comments set out in paragraph 7.5.

8.7 Part of the courtyard, used as a car park to the rear of Wentworth Dwellings is subject to a long lease and is not part of the transfer to EastendHomes. It will be necessary for

the Council to preserve vehicular and pedestrian rights of way across the land being transferred.

9 GRANT AND LOAN AGREEMENT

- 9.1 As part of this proposed transfer, EastendHomes will incur set up costs that cannot be contained within the current Business Plan given the short time that the organisation has been operating.
- 9.2 The statutory power to assist organisations like EastendHomes is set out in section 25 of the Local Government Act 1988. It is recommended that a loan be made to EastendHomes of up to £250,000 to cover the costs of staff seconded to EastendHomes to work on preparations for the transfer. This will be subject to approval from the DCLG and will be repayable after the transfer.

10 COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 10.1 In broad terms, the revenue consequence of the transfers will be a reduction in income such as rents and service charges but also a reduction in expenditure such as on repairs and housing management staff. The approved Housing Revenue Account estimates include the effects of transferring these estates.
- 10.2 The Council will be expected to repay a proportionate amount of its loan debt on transfer but financial assistance will be provided by the DCLG through the arrangements for one off payments to meet overhanging debt. This will be on the same basis as previous transfers and will have a neutral effect on the HRA.
- 10.3 With reference to the issue of capital receipts from future right to buy sales, in compliance with DCLG guidance, EastendHomes will keep 100% of receipts for a period of time in order to maintain its viability, prior to full sharing with the Council.
- 10.4 The Grant and loan agreement will be financially neutral to the Council as the loan plus interest will be repayable upon transfer.

11 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL)

- 11.1 The Transfer of an estate with secure tenants in place can only take place with the Consent of the First Secretary of State under the Housing Act 1985, following a positive ballot (the results of which are set out in para 3.4). This consent has not yet been given and the transfer is lawful only if the Consent is issued. When deciding whether or not to grant consent, the DCLG will have regard to whether the Council has adequately consulted with any secure tenants under the requirements of Schedule 3 of the Housing Act 1985.
- 11.2 It is expected that such Consent will include consents under section 32 Housing Act 1985 (to dispose of Housing land) and section 25 Local Government Act 1988 (to give resources to a RSL for nominal consideration).
- 11.3 Sections 122 (2A) and 123 (2A) of the Local Government Act 1972 require disposal and appropriation of "open space" to be advertised in a local newspaper in two successive weeks. Open Space is defined as "land laid out as a public garden or used for public recreation." Informal use counts as much as formal designated use.

- 11.4 It is proposed that the Council will give warranties (including environmental warranties) to EastendHomes about the information supplied to EastendHomes concerning the land. This is necessary to protect EastendHomes and is normal practice in such cases and has been done on many past transfers although such warranties could involve the Council in potential cost if the information was very seriously incorrect. To protect the Council an insurance policy paid for by EastendHomes will cover the Council against any future claims in respect of the environmental warranties for the next 10 years. The Council still retains risk for up to eight years after that, although the possibility of any claims against the environmental warranties are likely to become apparent in the early years during the redevelopment of the estates.
- 11.5 The TUPE transfer of staff arises under legislation and cannot be avoided in appropriate cases. The other proposals in the report are standard terms in such schemes and are appropriate to give effect to the Transfer. Whilst the RSL is not legally obliged to accept the Council's proposals on indirect TUPE the Council will require agreement to these proposals as part of the general commercial package.
- 11.6 Some of the proposals set out in this report will be subject to further negotiations with EastendHomes. It is therefore appropriate and advisable that authority to negotiate on precise terms of the above proposals and on outstanding issues is delegated to the Director of Housing Management after consultation with the Director of Resources.

12 EQUAL OPPORTUNITIES AND ANTI-POVERTY IMPLICATIONS

- 12.1 EastendHomes has adopted an Equal Opportunities Policy and will implement procedures that reflect the needs and experiences of the community it will serve.
- 12.2 The improvements to the estate through transfer will provide a better quality of life for residents. The proposed stock transfer to EastendHomes is to enable resources to be secured to improve housing conditions. Better housing, more say for residents in the management of their homes and measures to promote community development and economic regeneration are central to EastendHomes and these factors are key to reducing poverty in the transfer areas.

13 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 13.1 The backlog of investment required to the Council's Housing Stock and lack of resources means that much of the Housing stock suffers from poor thermal efficiency resulting in higher than necessary fuel usage. Only if sufficient resources are identified will it be possible to introduce improvements. Housing Choice currently offers the best opportunity for delivery.

14 EFFICIENCY STATEMENT

- 14.1 The transfer of stock to EastendHomes enables £15m of external funding to be invested in the regeneration of the estate and the achievement of the decent homes standard.

14.2 Stock transfers are based on the Authority undertaking a rigorous valuation according to DCLG Tenant Market Valuation model and EastendHomes preparing a detailed business plan. Transfers require the Secretary of State's consent and in considering an application takes into account "the estimated Exchequer and public expenditure costs represent value for money".

15 RISK MANAGEMENT IMPLICATIONS

15.1 The key risks arising from this report are: -

Risk	Mitigating Actions
Failure to complete the transfer	<ul style="list-style-type: none"> • Transfer policy framework in place • Project Plan to ensure all transfer requirements are addressed • Delegated authority sought to agree outstanding issues.
Failure to deliver the promises made to residents	<ul style="list-style-type: none"> • Covenants put in place • Partnership agreement put in place • Monitoring and reporting arrangements put in place.

APPENDICES

Appendix 1 Schedule of Residential Properties within the Holland Estate transfer area

Appendix 2 Plan of Holland Estate

Appendix 1

Block	Tenants	Leaseholders	Total
Barnett House 1-6 Bell Lane E1	4	2	6
Bernard House 1-26 Toynbee St E1	9	14	23
Bradbury House 1-12 Pomell Way E1	4	8	12
Brune House 1-92 Bell Lane E1	45	42	87
Brunswick House 1-20 New Goulston St E1	8	12	20
Carter House 1-28 Brune St E1	11	17	28
Denning Point 1-82 Commercial St E1	37	45	82
Herbert House 1-43 22a,30a Old Castle St E1	18	24	42
Jacobson House 1-19,10a Old Castle St E1	8	12	20
Ladbroke House 1-6 Old Castle St E1	2	4	6
Old Castle St 28 -42 (E) E1	7	1	8
Wentworth Dwellings 21-27 New Goulston St E1	2	5	7
Wentworth Dwellings 61-72 Wentworth St E1	7	5	12
Wheler House 1-48, 15a, 39a Quaker St E1	26	24	50
Grand Total	188	215	403

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Development



HOLLAND

scale 1/1500
date 22/05/06

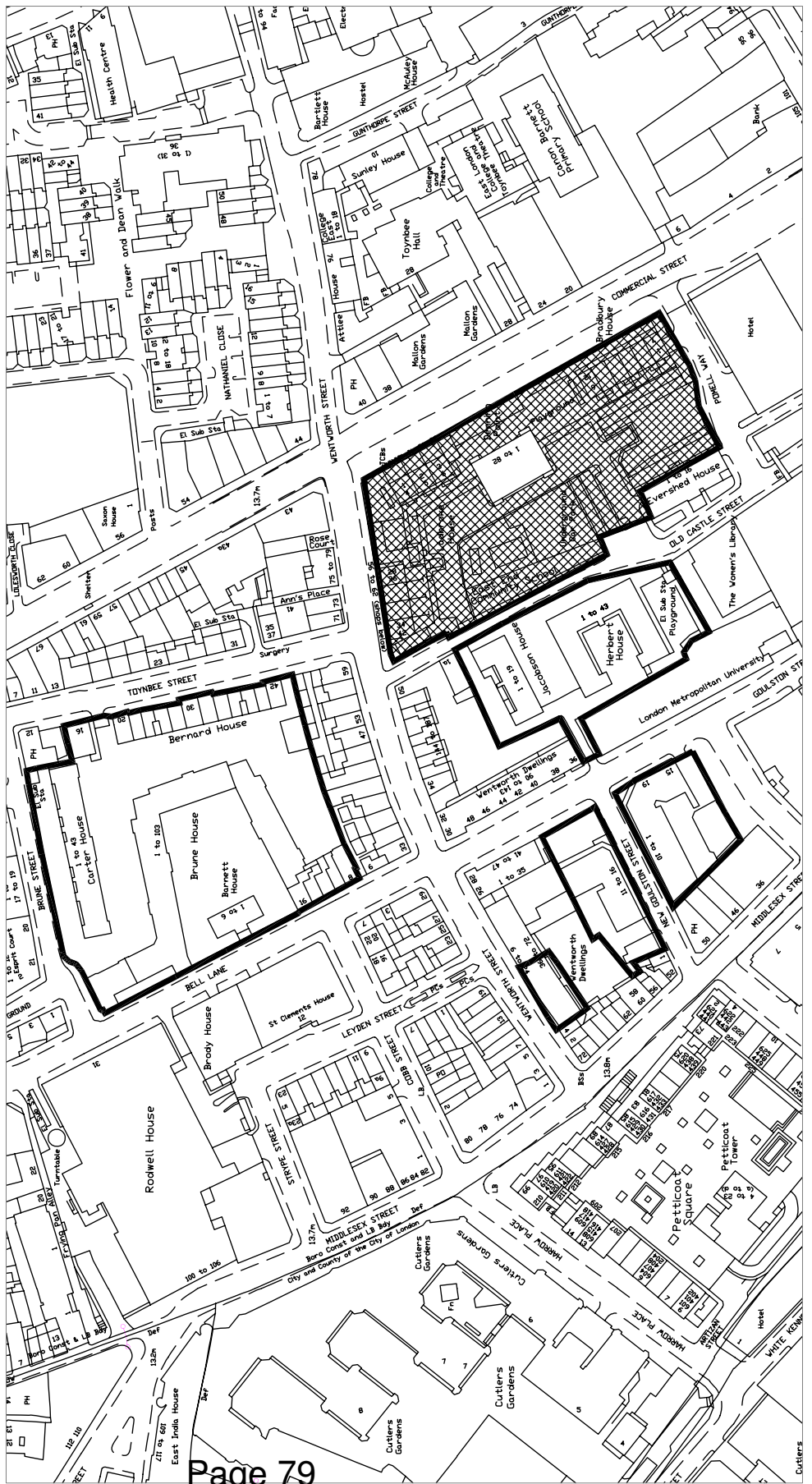
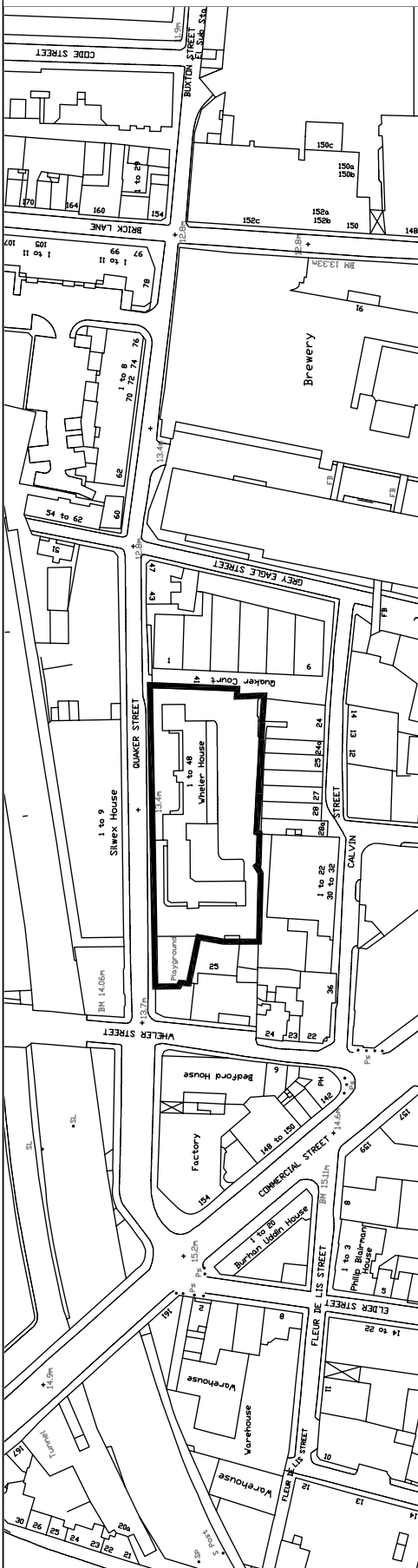
section
drawn
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Tower Hamlets
Technical Information and surveys
Millenary Place London, E14 3EG
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contract/file no
drawing no

revision



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Agenda Item 7.1

Committee: Overview & Scrutiny Cabinet	Date: 1 st August 2006 2 nd August 2006	Classification: Unrestricted	Report No.	Agenda Item
Report of: Director of Resources Originating Officer: Martin Smith/Alan Finch		Title: Financial Outlook & Review 2007/2008 to 2009/2010		
		Ward(s) Affected	All	

1. SUMMARY

- 1.1 This report sets out the financial pressures facing the Council in the medium term and the level of resources likely to be available to meet those pressures. It provides the background information to enable Cabinet to determine a strategy for setting a balanced budget for 2007/08 and sustainable financial plans for the following two years.
- 1.2 The need to invest in local assets and infrastructure is inseparable from the day-to-day running of services dependent upon those same assets. Previously Cabinet has received two reports at this meeting, one covering capital and one revenue. For the first time this year, this single report covers both revenue and capital budget plans.
- 1.3 The report brings together the following pieces of information to provide an initial financial projection for the next three financial years.
 - the financial impact of existing commitments and identified service pressures (including demographic change and Government initiatives)
 - a forecast of available resources, including the increase in Formula Grant already announced for 2007/08 and forecasts of future national grant provision.
- 1.4 A forecasting exercise inevitably carries a health warning. Although development of the financial planning process means that the projections are more robust than at this time last year, they are, at this stage in the budgetary cycle, based on relatively raw data. Identified spending commitments have also not yet been subject to significant corporate challenge or scrutiny.

- 1.5 There is also a tendency outside the constraints of the annual budget process for forecasts to focus on spending needs rather than strategic savings opportunities. The projections do not include any assumptions about financial savings delivered through savings targets or efficiency measures. The identification of such savings will however be a requirement of the detailed 2007/2008 budget process, informed by the overall position presented in this report.
- 1.6 Nevertheless, by offering a longer term perspective of the Council's finances, the report is intended to provide the context for the detailed 2007/2008 budget process, and an essential component in reviewing the medium term financial strategy.
- 1.7 It is clear that the future financial outlook is likely to be more challenging than in recent years. The Council will continue to face considerable cost pressures associated with maintaining and improving its services over the medium term, but the tighter resource outlook means that not all of the commitments and service improvements identified are affordable. This is the case with both the revenue and capital budgets, but the position with capital is more acute due to a reduction in available capital receipts to fund new investment.
- 1.8 The current resource outlook suggests that meeting new cost pressures will require an increasingly rigorous approach to identifying efficiencies, productivity improvements and reprioritisation within services, and corresponding adaptations to the service and financial planning framework. This is, of course, consistent with the underlying principles of the Gershon agenda.
- 1.9 Against this background the report recommends the planning parameters which should apply to service and financial planning for 2007/08- 2009/10, with the overall aim of providing sufficient flexibility to deal with risk and provide scope for a degree of policy choice.

2. RECOMMENDATIONS

Overview & Scrutiny Committee is recommended to consider the report and pass any comments it wishes to make to Cabinet

Cabinet is recommended to:

- 2.1. Consider the financial outlook and draft medium term projection set out in this report
- 2.2. Agree that revenue budget inflation should be fully funded and that the provisional base budget for 2007/08 should be increased by £5.236m to reflect this (paragraph 5.1.5).
- 2.3. Agree to plan to fund committed growth in 2007/08 at the overall level currently projected at paragraph 5.3.1.
- 2.4. Request Corporate Directors to incorporate detailed justifications for committed growth in their service and financial planning submissions so that they can be evaluated as part of the 2007/08 planning cycle.
- 2.5. Agree that Corporate Directors should undertake initial service and financial planning for 2007/08 in accordance with the following planning parameters:-
 - That there be no expectation of service improvement growth at this stage.
 - Corporate Directors be asked to identify cashable efficiency savings of no less than 2.5% per annum for each year from 2007/08 to 2009/10. Firm proposals to be submitted for 2007/08 and realistic, indicative proposals to be provided for 2008/09 and 2009/10.
 - Any further committed growth identified by Directorates above the level identified at 5.3.1. to be offset by further efficiencies and savings.
 - Corporate Directors be asked to identify non-cashable efficiencies of 2.5% per annum for each year from 2007/08 to 2009/10.
- 2.6. Consider whether the net savings target should be applied to budgets for third sector grants/Service Level Agreements (paragraph 7.2).

- 2.7. Note the indicative requirement for capital investment, the resources available to fund the capital programme and the potential implications of this for the revenue budget and request Corporate Directors to include proposals for mainstream and local priority funding for 2007/08-2009/10 in their service & financial planning submissions.
- 2.8. Agree that services part funded by the Housing Revenue Account be required to identify savings options in line with the corporate targets agreed as part of the 2006/07 medium term financial strategy.
- 2.9. Agree that Corporate Directors prepare service and financial planning submissions in accordance with the agreed parameters, and the outline process and timetable set out in section 7.
- 2.10. Request officers to develop options for public consultation in line with the principles set out in section 8, taking account of the impact of the financial outlook.

**LOCAL GOVERNMENT ACT 2000 (SECTION 97)
LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT**

Brief description of "background papers"	Tick if copy supplied for register	If not supplied, name and telephone number of holder
Files held by Chief Executive's Directorate 5th floor, Mulberry Place)		Alan Finch 020-7364-4915 Martin McGrath 020-7364-4645

3. BACKGROUND

3.1 Medium term financial planning is an important component of the Council's strategic planning framework. While many key decisions, including the formal setting of Council Tax, will continue to be taken annually, those decisions should be set in the context of a longer term planning horizon. Forward planning also offers the opportunity to link service and financial planning, as decisions taken on an annual basis are constrained in scope.

3.2 The Council operates a sound resource allocation process underpinned by an integrated service and financial planning framework. In short, our processes are designed to ensure that:

- Service plans are developed against the background of forward looking financial forecasts
- Identifying the financial consequences of proposed actions is seen as an integral part of service planning
- Financial plans allocate resources to address changing community needs and priorities.

The current arrangements contribute to the Council's CPA score of 3 out of 4 for the Use of Resources.

3.3. The use of the Prudential Borrowing system also requires the Council to be clear about its proposed capital spending plans for three years ahead and explicit about the impact of the associated financing costs on Council Tax.

3.4. The Government has begun to implement its plans for introducing three year financial settlements by providing a two year settlement for 2006/07 and 2007/08, and committing to the first three year settlement for 2008/09-2010/11 to be made in Autumn 2007. This applies to the main Formula Grant and to a wide range of specific grants and is a welcome development which should improve local authorities' ability to plan ahead and improve the effective and efficient use of resources. The Government had indicated that three year settlements may be accompanied by stricter controls over budgets and Council Tax levels, which if implemented would have led to Councils taking a more cautious approach to forward planning, but so far has not announced plans to do this.

3.5. Against this background, the mechanisms for developing medium term financial forecasts have been refined further, and this current report on the Financial Outlook provides more robust forecasts for years 2 and 3 of the three year cycle than in previous years.

3.6 This report is intended to provide the context for the development of the detailed budget in the coming months and the parallel review of the medium term financial plan.

4. FINANCIAL OUTLOOK FOR 2007/08- 2009/10

4.1. Process and Principles

4.1.1. Instructions and guidelines for preparing submissions to the three year financial plan were issued in April. These guidelines defined what should be included in each category (i.e. inescapable/demand-led committed growth, savings etc). Inflation was estimated corporately to ensure consistency.

4.1.2. As far as possible the guidance and definitions have been consistent with those used in last year's budget process. This is intended to assist interpretation of the results and enable this exercise to flow into the detailed budget work that is currently taking place. A brief summary of the guidelines issued for preparing the forecasts follows:

4.1.3. Committed Growth

This consists of two main elements - inescapable growth and demand-led growth. Inescapable committed growth comprises costs arising from changes in responsibilities and new legislation. Demand-led committed growth covers changes in demography and client numbers. A third category relates to transfers in the method of Government funding from specific grant to general grant; however, there are no such growth requirements identified for 2007/08.

4.1.4. Savings

This comprises planned savings, for example, as a result of best value reviews or targets included in the Strategic Plan. It does not include any percentage savings targets or savings options to offset the cost of growth or to contribute to efficiency targets.

4.1.5. Revenue Impact of Capital Spending

Projections include staff and running costs associated with major capital projects e.g. new buildings are included in the Committed Growth forecasts.

4.1.6. Strategic/Community Plan Service Improvements

This category comprises funding which Directors have identified as being required to accelerate progress towards the objectives and priorities of the Community/Strategic Plan. Directors have not been asked to identify any such cost pressures as part of the financial outlook exercise.

4.2 The Council's Financial Health

- 4.2.1. The Council's current financial position is sound, but will require continuous assessment and vigilance in the light of the pressures and issues identified in this report.
- 4.2.2. The current forecast for financial performance at this relatively early stage of the financial year is that spending will be in line with the approved budget.
- 4.2.3. General Fund balances stand at just over 5.3% of the total budget requirement. Further contributions to reserves are planned in the current year. In setting the budget for 2006/07, Members were advised that the current strategy of replenishing general reserves remained prudent and appropriate. A full analysis of budget risks will take place later in the year, but at the present time this advice remains valid.

4.3 Funding of the Schools Budget

- 4.3.1. From 2006/07 onwards, funding of the schools budget has been removed from the Formula Grant of local authorities and a ring-fenced Dedicated Schools (DSG) has been introduced. In future, the level of schools funding will be determined largely by an annual announcement of the level of DSG by the Department for Education and Skills (DfES).
- 4.3.2. The Government has made it plain that local authorities can fund schools at a level higher than the DSG if they wish. It follows that in a budget year, an authority may increase the schools budget by more than the increase in DSG. There is a disincentive for authorities to do this because the full cost of this decision would fall to be met from Council Tax.
- 4.3.3. However the fact that Local Education Authorities remain responsible for school standards in the area, and for maintaining the local schools funding formula, means there also remains a responsibility on the authority to monitor the level of schools funding, and, for example, to assist schools in lobbying for more funds where necessary.
- 4.3.4. For this reason, officers will continue to monitor the impact of change on schools budgets and this information will be presented as memorandum information throughout the budget process.

4.4 Integrated Capital and Revenue Financial Planning

4.4.1. Section 6 of this report sets out the outlook for Capital resources for the period 2007/08 to 2009/10.

4.4.2. The Capital Programme agreed by the Council invariably has revenue cost implications.

- Capital financing may be charged to revenue accounts either in the form of direct contributions to capital expenditure, or as costs of borrowing or other credit arrangements to finance capital expenditure.
- Building schemes normally carry with them ongoing running costs which in some circumstances cannot be met from existing resources.

It is therefore not possible to consider the Capital Programme and revenue plans in isolation from each other. Directorates have been asked to ensure that the revenue consequences of capital decisions already taken are reflected in the revenue figures provided in this report. These figures also reflect a provision for the revenue consequences of capital decisions yet to be made, based on previous experience. Firmer figures will be set out in relevant reports and built into the Three Year Plan later in the budget process.

4.4.3. The Council is empowered to set its own level of borrowing and other credit arrangements to fund capital expenditure, providing that level is affordable, sustainable and prudent. The Council may decide to fund additional capital expenditure through borrowing where these tests are met, and where it appears to offer value for money to do so. Additional borrowing which is not funded by the Government through revenue grant is termed 'prudential borrowing'.

4.4.4. The benefit of prudential borrowing is that it enables an authority to come to its own view as to the appropriate balance between revenue and capital spending, to undertake options appraisal for revenue-intensive and capital-intensive options on a consistent basis, and also to borrow for capital purposes as needs arise instead of when Government gives its approval. Currently, prudential borrowing powers are used to: -

- Provide contingency arrangements for funding within the Capital Programme, enabling a larger proportion of available capital resources to be allocated to schemes. It has not been necessary so far to use these contingency arrangements;
- Fund capital-intensive service improvement;
- Provide 'bridging' finance where there is a mismatch between capital investment and capital receipts;
- Finance Invest to Save schemes, which are self-financing in the long run.

4.4.5. As part of the financial strategy, the Cabinet may decide to explore further options for prudential borrowing. In general the consequence of this would be that resources would need to be found within revenue budgets to cover the additional cost of borrowing for a period of years into the future. The detailed financial implications of this would need to be set out in further reports.

5. MEDIUM TERM FINANCIAL PROJECTION

5.1 Inflation & Base Budget for 2007/08

5.1.1 The base budget for the current financial year, 2006/07, is £267.894m

5.1.2 In previous years, it has been the practice to calculate an estimate for inflation in the forthcoming financial year, and to agree at this stage to fully fund this amount. This enables a base budget to be set for the forthcoming financial year at a new price base, and for all further budget considerations to be dealt with on this basis. It is proposed that the same principle be applied for 2007/08.

5.1.3 For 2007/08 an estimate of the cost of funding inflation has been prepared on the following basis:

- ◆ 2.25% for pay in line with the targeted average for public sector pay awards announced by the Chancellor of the Exchequer in the March 2006 budget.
- ◆ 2.00% for general costs.

5.1.4 The table provides a summary broken down by Directorate:

2007/2008	£000s
Education – excluding Schools	515
Social Services (*)	2,209
Environment & Culture	1,241
Development & Renewal	112
Housing General Fund	165
Chief Executive's	633
Corporate Costs	361
Total	5,236

(*) A split between Adults' and Children's Services will be provided to a later meeting, following detailed work to restructure the budget.

5.1.5 Cabinet is asked to agree that inflation should be fully funded and that provisional targets should be increased by £5,236,000 as shown above. The costs of schools inflation does not need to be added to the base budget as it is expected to be funded by the increase in Direct Schools Grant. The provisional base budget for 2007/08 will therefore be, £273.130 million.

5.1.6 The impact of inflation in the following two financial years, 2007/08 and 2008/09 will be dependent upon inflation and pay awards and other growth in the authority's budget. For planning purposes, and assuming that inflation remains close to Government targets, a further £5.464m for 2008/09 and £5.500m for 2009/10 have been adopted.

5.2 Full Year Effect of Approved Growth & Savings

5.2.1 The annual budget process is set in the context of longer term projections of the Council's financial position. As a consequence, when agreeing the budget for 2006/07, Members were also provided with information on the implications for 2007/08 and 2008/09. These are summarised below:

	2006/07 £'000	2007/08 £'000	2008/09 £'000
Committed Growth	10,856	13,870	16,197
Savings	-3,938	-5,207	-6,304

5.2.2 Members are asked to note the additional cost implications of the 2006/07 budget for 2007/08 and future years, but request Corporate Directors to include these items in their service and financial planning submissions so that they can be reviewed as part of the 2007/08 planning cycle.

5.3 New Cost Pressures and Summary Financial Projection

5.3.1 Directorates have undertaken a preliminary analysis of the main service financial pressures facing them over the next three years. Corporate cost pressures facing the Council as a whole have also been identified. A summary is set out below.

	2007/08 £'000s	2008/09 £'000s	2009/10 £'000s
Education (LEA)	0	0	0
Social Services- Adults	1,938	3,829	5,285
- Children's	408	832	1,273
Environment & Culture	839	1,183	1,183
Development & Renewal	670	960	780
Housing	0	0	0
Chief Executive's	336	336	336
Corporate/Capital	2,925	4,675	7,975
Total identified growth	7,116	11,815	16,832

5.3.2. There are two main areas of committed growth over the next three years;

Adult Services

Pressure relates to demographic growth in two main areas; residential and nursing care for adults with mental health care needs, and young people with learning disabilities transferring from the Children's service. In the case of mental health care, pressure derives from a combination of an increase in case numbers, and the fact that these are relatively high needs and therefore high cost cases. In the case of learning disabilities, this is driven by the survival into adulthood of more people with complex needs.

Pensions

The costs of the Local Government Pension Scheme are affecting all authorities, and is related to the underlying national pensions issue. Current information suggests that changes to the rule of 85, for example, will do no more than offset additional pressures due to increasing life expectancy. An actuarial valuation of the Fund is due in 2007, and the financial implications will impact in 2008/09. Forecasts indicate that a further significant increase in employer's contributions can be expected.

5.3.3. It should be stressed that at this stage of the planning cycle these figures remain provisional and are likely to be understated as new pressures and burdens are identified during the course of the year.

5.3.4. In recent years, the cost of committed growth and inflation has consistently added between 5.5% to 6.5% to the budget requirement each year.

5.3.5. Overall, and without further action or intervention, inescapable commitments and inflation are currently projected to increase service spending by 5.6% in 2007/08, a further 5.4% in 2008/09 and 5.4% in 2009/10.

5.4 Resource Projections

Formula Grant

5.4.1 The main grant contributing towards the authority's General Fund revenue budget is the Formula Grant. In 2006/07, Formula Grant totals £205.777m and provides 77% of the funding for the Council's budget requirement.

5.4.2 As the first stage to introducing three-year financial settlements with effect from 2008/09, the Government has provided a provisional Formula Grant figure for 2007/08. This figure will be firmed up in November/ December 2006, and this being the first year in which a 'Year 2' figure has been announced, it remains to be seen how much it may change. However, since the Government would undermine its intention to adopt three-year planning by changing the figure greatly, it can be used with some confidence.

- 5.4.3 The figure announced for 2007/08 is £213.822m, which is a 3.9% increase over 2006/07. This figure will be used in planning forecasts until it is confirmed or updated later in the year.
- 5.4.4. Grant figures for the second and third years of the next three year cycle (2008/09 and 2009/10) are dependent upon the outcome of the next Government Spending Review (SR2007) to be announced in mid-2007. Forecasting the outcome of the Spending Review is difficult. However, the Treasury has set stringent criteria for the review aimed at improving value for money. In June, the Chancellor of the Exchequer remarked that “the next Comprehensive Spending Review moves us from a time when public spending was rising by 5 per cent a year as we caught up and addressed the investment backlog, to one where we expect it to rise by 2 per cent”.
- 5.4.5. Formula Grant settlements from 2006/07 onwards also reflect the review of the grant distribution formula which took place in 2005. As reported to Cabinet in January, on balance the new assessment of relative needs is detrimental to Tower Hamlets, especially in relation to Adult’s and Children’s Services. The effect of these changes is damped in the distributed grant figures so that the immediate effect is minimised. If no damping had been applied to the formula, the authority would be receiving around £8m less grant in 2006/07. However it is likely that this damping will be lifted gradually over the next few years so that the full effects of the grant distribution changes will reach authorities. It is not known how quickly this will happen.
- 5.4.6. Formula Grant forecasts for 2008/09 and 2009/10 have therefore taken account of this context and assume grant increases of 3% in each year. This allows for a grant settlement in line with inflation in each year and the effect of gradual lifting of grant damping, but recognises that Tower Hamlets’ population continues to grow more quickly than the average local authority, a factor which ought to be reflected in grant settlements.
- 5.4.7. Based on the analysis above, the following Grant forecasts have been calculated for 2007/08- 2009/10.

	2006/07 Actual £m	2007/08 Provisional £m	2008/09 Forecast £m	2009/10 Forecast £m
Formula Grant	205.777	213.822	220.237	226.844
Increase £m		8.045	6.415	6.607
Increase %		3.9%	3.0%	3.0%

5.5. Dedicated Schools Grant

- 5.5.1. The Government introduced new arrangements for funding school budgets from April 2006, replacing funding from Formula Grant and Council Tax with the Dedicated Schools Grant (DSG). Most DSG funding is distributed to schools in their delegated budgets, but some is required to fund Local Authority expenditure in support of the provision of education.
- 5.5.2. Initially the DSG is distributed in the same way as the former Schools Formula Spending Share (FSS), with adjustments to reflect the level at which individual authorities were actually spending, which in Tower Hamlets was slightly higher than FSS. This means that, by and large, authorities are currently receiving sufficient grant to sustain levels of spending on schools at historic levels and to provide for the Minimum Funding Guarantee for schools, which is set by the Department for Education and Skills (DfES) each year. Local authorities may supplement school budgets from their own resources, but this would have a direct impact on Council Tax.
- 5.5.3. The DfES is currently reviewing the arrangements for funding schools and Local Education Authorities, including DSG and other specific grants. The review will report by the Summer of 2007 to coincide with SR2007 and any changes would be likely to affect funding with effect from 2008/09.
- 5.5.4. The DfES announced on 1st June the final allocation of the Dedicated Schools Grant (DSG) for 2006/07, which was recalculated using January pupil numbers. Tower Hamlets' final 2006-07 DSG allocation is £197.603m, representing an increase of £1.027m from the provisional DSG announced in December 2005 (£196.576). The 2007-08 provisional allocation is £214.570m. (+8.5%).
- 5.5.5. Demographic trends indicate that pupil numbers will increase over the period to 2015. Further, the Council's participation in a two year pilot targeted at families less likely to use pre-school provision, opens potential for up to 200 additional places for three-year-olds from September 2007. These two issues will be reflected in future DSG allocations.
- 5.5.6. However, where gaps exist in provision for three-year-olds across the Borough, this will require a shift of resources to non-maintained nursery provision from 2007-08. This will require agreement with the School Forum.
- 5.5.7. Some of these pressures may be mitigated by utilising the DSG for 'combined services'. This provision has been added to the regulations to recognise the multi-agency work that local authorities already are or will be undertaking in relation to the Every Child Matters agenda and where that work is of direct benefit to pupils and schools. Again, this would be subject to agreement of the School Forum.
- 5.5.8. These issues will be addressed further in reports of the Director of Children's Services during the budget process.

5.6 Other Specific Grants

- 5.6.1 Including DSG, Local Government receives around 60% of its funding from specific grants and for Tower Hamlets this figure is higher, at 65%. For some years it has been Government policy to transfer funding from specific grants to Formula Grant, although the implementation of DSG in 2006 reversed this trend. No significant transfers of specific grant into Formula Grant are anticipated for 2007/08.
- 5.6.2 For 2006/07 specific grant funding (excluding Dedicated Schools Grant) increased by 3.4% over 2005/06. Specific grants are distributed by a number of different Government departments and aggregated forecasts are not published. The Government uses specific grant funding – otherwise known as ringfenced or targeted funding - to ‘bend’ service provision in the direction set by Government priorities, and this makes individual allocations difficult to predict over the medium-term. This should improve with the introduction of three-year settlements.
- 5.6.3. As with Formula Grant, a number of provisional announcements of specific grant have been made for 2007/08 and these are summarised below.

	2006/07	2007/08
Adult Services (various grants)	£10.505m	£10.366m
Children’s Services (various grants)	£2.312m	£2.945m
Neighbourhood Renewal Fund (NRF)	£16.358m	£14.540m
Supporting People	£14.979m	£14.230m
Waste Performance & Efficiency Grant	£0.620m	£0.650m

- 5.6.4. It will be noted from this that Adults Services grants are set to reduce, mainly because many of them are distributed on the same basis as Formula Grant, and are thus affected by the changes to the Social Services parts of the formula introduced this year. The allocations are damped, as with the Formula Grant, and thus can be expected to fall further over the next few years. Children’s Services funding looks set to increase, apparently because of extra funding for Every Child Matters. The main Children’s Services Grant is not ring-fenced. It has been known for some time that NRF and Supporting People money would be reducing and plans are in place to accommodate this.
- 5.6.5 In the longer term, subject to changes in Government policy it can be assumed that specific grant settlements are under the same pressures as Formula Grant and will be subject to the same general trend; a increase slightly above inflation but not as great as has been enjoyed in recent years.

5.7 Local Public Service Agreement – Performance Reward Grant

5.7.1 As previously reported, the authority has achieved the majority of its targets in the first Local Public Service Agreement and will receive £6.998 million in Performance Reward Grant in 2005/06 and 2006/07. At its meeting on 11th May, Cabinet agreed to allocate £2.256m for local priority schemes, and in setting the budget for 2006/07 the Council allocated a further £0.400m a year until 2013 to help secure the Olympic Legacy. This leaves up to £1.942m available for other purposes. The one-off nature of the grant means that it would be prudent for proposals for the use of this money to be non-recurring in nature. Accordingly this grant is not factored into any of the current revenue forecasts.

5.8 Efficiency Strategy

5.8.1. Members will be aware that as part of the Department for Communities and Local Government (DCLG)'s response to the Gershon Review, local authorities have been given efficiency targets of 2.5% per year for the period 2005/06-2007/08. For the purposes of medium term planning, it can be assumed that new targets will be set for 2008/09 and beyond and there is anecdotal evidence that efficiency targets of 20% over three years (roughly 7% a year) are being discussed by Government officials as part of the preparation for SR2007.

5.8.2. At least 50% of the target must be offered in cashable efficiencies (i.e. efficiencies that release cash savings that can be used for other purposes), with the remainder delivered in non-cashable efficiencies (efficiencies that improve services but do not release savings). In order to qualify as Gershon efficiencies, items must be measurable and verifiable, must not affect the quality of front-line services and should not simply transfer the costs of service provision onto the users or other public bodies. Efficiencies achieved in 2004/05 count towards subsequent years' targets.

5.8.3 At current prices the minimum annual target for Tower Hamlets is £6.5m of which £3.25m must be cashable. There is an expectation that authorities will go beyond these targets, and it is suggested that this requires 'stretch' efficiency targets to be set of at least 3% per annum. When expressed on the same basis as the budget savings target, this equates to about 5.0% of relevant budgets, of which at least half (2.5%) would be to comprise cashable saving and half could be non-cashable,

5.8.4 The authority has submitted Annual Efficiency Statements up to 2006/07 which have identified actual and planned efficiency savings. The overall position is summarised below;

	2005/06	2006/07	2007/08	2008/09
	£m	£m	£m	£m
Gershon target	6.4	12.9	19.2	19.2
Stretch target (3%)	7.7	15.4	23.1	30.8
Achieved: 2004/05- 2005/06	12.5	12.5	12.5	12.5
Programmed: 2006/07		11.2	11.2	11.2
		23.7	23.7	23.7
<i>Of which Cashable</i>	7.8	12.7	12.7	12.7

This shows that, if efficiencies programmed for 2006/07 are achieved, then the Gershon target should be achieved in 2006/07, a year earlier than necessary. However, only a relatively small shortfall in achievement will mean that further efficiencies need to be found in 2007/08.

5.8.5. However, even if the authority does achieve Gershon targets a year early, the current requirements of CPA do not enable the authority to stand still. The Use of Resources criteria require that 'the Council has a sustained record of driving improvements in value for money through effective use of targets', and exceed its own targets in doing so'. As previously set out in the report, more stringent targets are expected to be set for the period covered by this report.

5.8.6. It is proposed that as part of the budget process, the savings targets allocated to each Directorate for budget purposes should include targets for efficiency savings up a stretched cashable target (2.5%). In addition Directorates will be provided with a non-cashable efficiency target for a further 2.5%. If Directorates provide cashable efficiencies in excess of the target, these may be offset against the non-cashable target.

5.9 Other Issues and Risks

5.9.1 Collection Fund

Council Tax collected on behalf of the Council and the Greater London Authority is paid into the Collection Fund. Any surplus on the fund is available to the authorities to reduce the Council Tax in future years; any deficit must in turn be recovered from Council Tax.

The Council Tax base in Tower Hamlets has been growing for some years and continues to do so, reflecting the scale of development in the borough. The position on the Collection Fund as at 31st March 2006 is that, after allowing for the planned distribution of funds in 2006/07, the fund has a £1.5m surplus, while a further surplus of £1.8m is forecast in 2006/07, making £3.3m in all. Some years ago Tower Hamlets agreed with its auditors that in order to avoid major fluctuations in Council Tax, any surplus would be released from the fund at the rate of £2.5m a year. The Council's share of this is £1.9m and this amount is available to reduce Council Tax in 2007/08. It should be noted that the aim each year is to equalise the fund, so in later years the amount available from redistribution should reduce, ultimately to zero.

5.9.2 Three-Year Budgets

As stated earlier in the report, the Government is committed to introducing three year grant settlements. This will now not be implemented fully until after SR2007, beginning in 2008/09.

The consultation paper floated the possibility of introducing a requirement for authorities to produce three-year budgets, including firm Council Tax forecasts and that these figures should only be allowed to change under specified certain circumstances. So far the Government has not taken steps to implement such proposals. The impact of compulsory three-year budgets controlled in this way would be that the authority would need to reconsider budget risk over a longer time frame and, to allow for the greater uncertainty, perhaps make greater provision for contingencies and reserves.

5.9.3. **Housing Choice**

The main effect of Housing Choice on the General Fund is that corporate and support services currently charged to the Housing Revenue Account (HRA) will need to be downsized over the next few years. The impact of this on the General Fund is also subject to the scale of transfers and speed of progress. In response to this, the authority has been setting aside resources into a Housing Choice Reserve at the rate of £5m a year for the last four years.

It is currently considered that the resources set aside in this way will be sufficient to manage a smooth transition as Housing Choice progresses, but the position requires regular review.

For services partly funded by the HRA, corporate savings targets spanning two years were set as part of the 2006/07 medium term financial strategy, on the principle that costs would be expected to reduce in line with the reduction in the Housing stock. Relevant services will need to identify savings options in the 2007/08 budget process to meet the second year of these targets in line with this principle.

5.9.4. **Single Status**

Negotiations have been continuing with the trade unions towards a Single Status agreement. However, various legal actions have recently been taken out in England claiming equal pay for work of equal value. The prospects of such an action and whether or not it would succeed cannot be known, but the potential cost of a successful action could greatly exceed the cost of a locally negotiated settlement. This must be regarded as a risk in considering the budget and Medium Term Plan for 2007/08-2009/10.

5.9.5. **Lyons Review/ Local Government White Paper**

The Lyons review of local government finance is continuing and a final report is expected to the Government in December. The review was set up following the Government's own review of the balance of funding and was given a wide brief to consider other issues relating to local government finance, which has since been extended to incorporate the role and functions of local authorities. This could include recommendations in relation to the future of local taxation. Any recommendations of this nature from the review are unlikely to impact upon the early years of the current Three Year Plan, but any less wide ranging could impact from 2008/09.

The Local Government White Paper is now expected in October. It is not known whether it will have any specific financial proposals.

5.9.6. **Council Tax Revaluation**

The revaluation of domestic properties for Council Tax banding purposes which was to have taken effect in 2007/2008 has been put on hold pending the outcome of the Lyons review.

5.9.7. **Local Authority Business Growth Incentives (LABGI)**

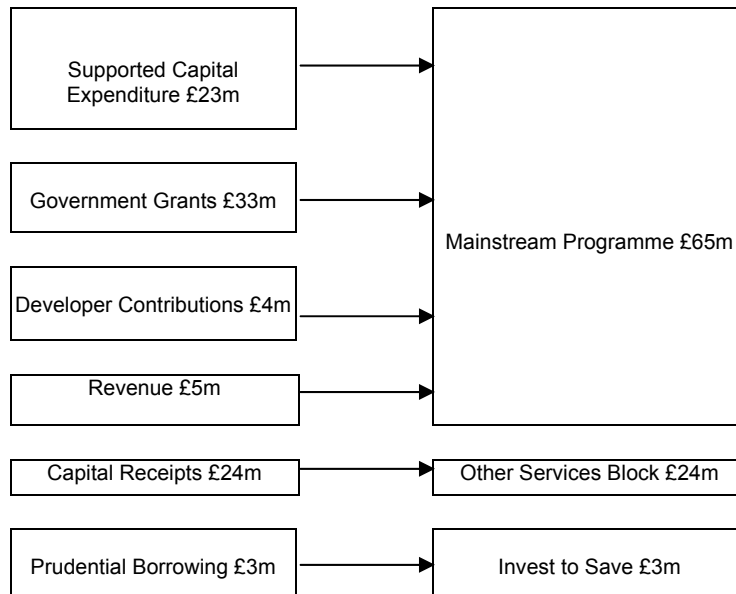
The LABGI allows local authorities to retain part of the growth in revenue from business rates provided that it exceeds a specified level, determined on the basis of recent historic trends. It is unlikely that Tower Hamlets will benefit, because historic rates of growth have been among the highest in the country and current rates of growth, though still high relative to other areas, will not trigger LABGI criteria.

6. CAPITAL PROGRAMME

- 6.1. Expenditure on services comprises a recurring, revenue element (eg. staff salaries, running costs etc) and planned capital investment in assets and infrastructure (eg. buildings, vehicles etc). Effective service delivery, and therefore cohesive financial planning, requires these resource elements to be considered together. The Capital Programme is concerned with planning for investment in assets and infrastructure necessary to deliver high quality services to residents.
- 6.2. Capital and revenue funding have always been closely linked because of the revenue consequences of running costs associated with new capital investment and the ongoing costs of capital expenditure funded by borrowing. Since 2004/05, the option of prudential borrowing has emphasised this link and brought revenue and capital planning more closely together.
- 6.3. It should be noted that this report sets out the potential demands on future years capital resources. Its principal purpose is to assist service and financial planning. It does not approve individual projects or finalise allocation of resources. These aspects will be the subject of separate reports, which will follow announcements on Government capital allocations in December/January, and final decisions on budget strategy and Council Tax for 2007/08.

6.4. Tower Hamlets' capital spending over recent years has averaged around £100m a year, and capital resources have been sufficient to manage this fairly flexibly, bringing in new schemes as required. The diagram below illustrates, for example, how the capital budget for 2005/06 was funded.

Resourcing of Capital Budget 2005/06



6.5. Mainstream programmes are driven mainly by the allocation of resources by Government and other external sources. Much of this funding is ring-fenced, but most revenue supported capital expenditure, which comes from Government departments via the 'Single Capital Pot' could be spent on the Council's own priorities. There is, however, a risk that this would deter Government departments from allocating further resources in future years. The bulk of the Council's own locally generated resources, in the form of capital receipts, is used to support the Other Services Block, relating to the Council's own priorities.

6.6. Pressure for change comes from the diminution of capital receipts, brought about by changes to the right to buy regime and the demands of the Decent Homes Standard. The table below shows in broad terms how this will affect funding of the programme as it currently structured by looking at how the capital programme has been funded over the four years 2003/04- 2006/07. This shows that, overall, capital receipts have funded about a quarter of the programme, but for the Other Services ('Local Priorities') Block, which is the area of the capital programme in which the Council exercises most of its discretion, 86% of the funding (averaging about £23m a year) has come from capital receipts.

CAPITAL FUNDING 2003-2007				
	Total funding £m	%	Of which Other Services Block £m	%
Supported borrowing	88.098	21.9	3.294	3.1
Prudential borrowing	5.455	1.4	5.298	4.9
Capital receipts	94.910	23.5	93.300	86.2
Capital grants	192.788	47.8	6.168	5.7
Revenue	11.481	2.8	NIL	NIL
Developer contributions	10.307	2.6	0.133	0.1
TOTAL	403.039	100.0	108.193	100.0

6.7. Capital receipts comprise a mixture of usable Right to Buy housing receipts ('RTB's) and other capital receipts. Planning has been underpinned by a background level of RTBs, but the table below shows how quickly this income is now dropping away.

	Projected RTB Sales £m
2004/05	22.3
2005/06	11.6
2006/07	5.5
2007/08	2.5
2008/09	1.1
2009/10	0.6
2010/11	0.4

6.8. As the income from housing sales shrinks, funding of the programme has become more reliant on income from other asset disposals. This is 'lumpier' in nature, because it relies upon fewer, larger sales, and the level and timing at which it comes in is dependent upon the local property market. The level of the capital programme is being sustained in 2006/07 through the planned realisation of two major capital receipts, but this approach cannot be relied upon in future years and carries a high degree of risk.

6.9. The Accommodation Strategy currently assumes that receipts from the sale of surplus office buildings will be used to generate interest which will contribute towards net savings from the strategy. Using the receipts to fund capital expenditure would be a one-off, and would mean foregoing the interest. This is a decision that would need to take into consideration the relative funding pressures on the capital and revenue budgets.

6.10. In this position, it will clearly be necessary to revisit current assumptions about the way the capital programme is funded. The table below shows the Other Services Block programme for 2006/07, which is a fairly typical year. The Other Services Block provides a mixture of essential asset management expenditure, statutory severance costs and local priority schemes both large and small. To the extent that this programme is necessary, or desirable to a high enough priority, resources will need to be found from elsewhere to fund it.

Other Services Block 2006/07	£million
Major Projects IDEA Stores, York Hall, Mile End Stadium, Accommodation Strategy	10.0
Redundancies	1.0
Housing Need	1.0
ICT	3.0
Asset Management Projects Local priority streetscene and highways, leisure, DDA and health & safety works	5.0
Total	20.0

- 6.11. A summary of the capital resource position and initial local priority (“Other Services Block”) bids for 2007/08-2009/10 is set out at **Appendix A**. In the short term it will be vital to identify any minimum capital requirements for 2007/08 including those that would otherwise resort to revenue for funding, e.g. redundancy costs, essential major maintenance/refurbishment.
- 6.12. Over the course of the three years of the projection, there is a resource shortfall of £23m against current indicative investment requirements. The capital programme will be difficult to sustain at current levels after the current financial year, unless arrangements are made to manage resources as part of the overall medium term financial strategy.
- 6.13. In developing a strategy to deal with this issue, the link between capital and revenue budgets is of key significance. There has always been such a link because of;
- the revenue implications of the capital programme running costs and borrowing costs.
 - the funding of elements of the capital programme directly from revenue budgets.
 - the trade-off between routine maintenance (which should normally be funded from revenue) and structural maintenance and renovation (capital).

- 6.14. Two developments in particular now make it imperative that the capital and revenue planning processes are closely inter-linked;
- the abolition of Government-imposed borrowing controls and the advent of prudential borrowing, so that the size of the capital programme is now only limited by ensuring an affordable and sustainable overall financial position.
 - the apparent loss, in the 2006/07 revenue settlement, of the link between 'supported' borrowing and Formula Grant.

This means that the question of the affordability and sustainability of the capital programme is thrown into sharper relief as part of the revenue budget process.

- 6.15. The changes to capital planning enforced by the current funding position, present an opportunity for reassessing the relationship between revenue and capital funding.
- 6.16. Responding to the loss of capital receipts income is at least as great a challenge as the issues facing revenue. The options are;
- to cut back the 'local choice' elements of the capital programme to fit the funding available.
 - to find alternative sources of funding from revenue or prudential borrowing (clearly difficult in view of the pressures on revenue budgets) or other sources.
 - to 'recycle' resources e.g. to use the 'Single Capital Pot' (and any other non ring-fenced sources of funding allocated by Government Departments) to supplement spending, and accept the 'opportunity cost' of lower priority schemes foregone.
- 6.17. In order to address strategic issues arising from funding of the capital programme, it is proposed in addition that Directorates' capital plans and the local priority ("Other Services Block") capital bids should be considered as part of the Service & Financial Planning process.
- 6.18. Members will at this time be able to take strategic decisions on the use of capital and revenue funding and consider, for example, whether they wish to undertake prudential borrowing to finance capital spending, or use revenue budgets to fund repairs and maintenance expenditure.

7. FINANCIAL OUTLOOK SUMMARY

- 7.1 It is clear from initial work that the future financial outlook is likely to be more challenging than in recent years.
- 7.2 The summary revenue budget forecast, incorporating the issues set out in the report above, is set out at **Appendix B**.
- 7.3 In relation to the revenue budget, there will be pressures on the authority to maintain and improve services, but a tighter resource outlook over the medium term. Pressure on budgets is forecast to continue at between 4.5%-6.5% over the next three years, but after a grant increase of just under 4% for 2007/08, grants may only increase by around 3%. To manage this position, the authority needs to take a medium term view of risks and opportunities and balance these over the period to ensure that budget plans in later years are sustainable.
- 7.4 Overall there is a potential requirement to identify efficiency savings in excess of £16.5m over the three-year period in order to fund inescapable growth at recent trend levels and keep Council Tax increases affordable.
- 7.5 In relation to capital, a similar emerges. The availability of alternative capital receipts to replace Right to Buys makes the historic levels of capital spending difficult to sustain after the current financial year, although potentially affordable in 2007/08. Even then there are risks if planned capital receipts do not materialise as expected. Looking ahead, this level of resources is not available beyond next year, and by 2008/09 will have diminished considerably.
- 7.6. In addition to the issues explicitly set out in the financial forecasts, a number of further risks are flagged up in the report. These are;
- 7.6.1. The main driver of growth in the period 2008/09-2010/11 could be contributions to the Pension Fund. Pensions costs will remain a significant pressure as long as the Pension Fund remains less than 100% funded. The next triennial valuation of the Pension Fund takes place in 2007. Forecasts are awaited from the actuary but for planning purposes, a further significant increase in employer's contributions of £2m per annum has been used in forecasts from 2008/09.
- 7.6.2. The forecast does not reflect any additional costs in relation to the impact of Housing Choice and measures to meet the Decent Homes standard. Current forecasts suggest that costs to the General Fund should be containable within the reserves set aside over recent years. More work will be needed in 2007/08 to identify further opportunities for savings in support services and direct services currently funded through the HRA. The base budget includes an ongoing commitment of £3.2m as a contribution to reserves. The extent to which this is sufficient to meet the costs and loss of economies involved will depend upon the authority's success in reducing the cost of services previously charged to the HRA.

- 7.6.3. This report relates mainly to the General Fund. Housing Revenue Account costs also need to reduce significantly, in line with the reduction in subsidy and rent income. The HRA currently has balances and reserves set aside to facilitate downsizing. However if reserves should be used up, any deficits would then need to be met from the General Fund. Whilst some way off, this is an additional risk to the Council's revenue plans.
- 7.6.4. In addition, the scale and complexity of the Office Accommodation Strategy carries proportionate financial risks. The strategy aims to produce savings of £2m in a full year to the General Fund and the HRA, but these have not been factored into the forecasts as they are reliant on the ability to vacate and dispose of surplus office accommodation, the ongoing costs of new accommodation and market conditions on disposal. Both of these factors carry significant risks of their own and are also interrelated. One-off transitional costs will be incurred as part of the implementation process, whilst the scheduling of the disposals programme will also impact on costs in the short term.
- 7.7. In relation both to revenue and capital, the current resource outlook suggests that meeting new cost pressures will require an increasingly rigorous approach to identifying efficiencies, productivity enhancements, and reprioritisation within services, and corresponding adaptations to the service and financial planning framework. This is, of course, consistent with the underlying principles of the Gershon agenda.
- 7.8. Overall, Members are therefore advised to set a budget strategy that recognises the resources available but allows for lower grant increases and reducing capital funding in the medium term and provides sufficient flexibility to deal with the potential implications of SR2007.

8. SERVICE AND FINANCIAL PLANNING 2007 TO 2010 – PLANNING PARAMETERS AND OUTLINE PROCESS

Principal parameters

- 8.1. Against this background it is suggested that the following planning parameters should apply to service and financial planning for 2007/08, with the overall aim of providing sufficient flexibility to position the authority for the medium term, including providing scope for a degree of policy choice:-
 - 8.1.1. That inflation be funded at 2.25% for pay and 2.0% for other expenditure, and that the provisional base budget for 2007/08 be increased by £5.236m to reflect this.
 - 8.1.2. That committed growth in 2007/08 should be funded at the overall level currently projected at paragraph 5.3.1.
 - 8.1.3. That committed growth be funded at the overall level identified at paragraph 5.3.2, but that Corporate Directors incorporate detailed justifications of individual committed growth submissions in their service and financial planning submissions so that they can be reviewed as part of the 2007/08 planning cycle.
 - 8.1.4. That there be no expectation of service improvement growth at this stage.
 - 8.1.5. That Corporate Directors be asked to identify cashable efficiency savings of no less than 2.5% per annum for each year from 2007/08 to 2009/10, which is broadly equivalent to a 1.5% Gershon target, compared to the minimum required of 1.25%. Firm proposals to be submitted for 2007/08 and realistic, indicative proposals to be provided for 2008/09 and 2009/10.
 - 8.1.6. That any further committed growth identified above the level identified at 5.3.1 be offset by further efficiencies and savings.
 - 8.1.7. Corporate Directors be asked to identify non-cashable efficiencies of 2.5% per annum for each year from 2007/08 to 2009/10, which is broadly equivalent to a Gershon target of 1.5%, compared to the minimum required of 1.25%.
- 8.2. In line with previous policy Cabinet may wish to decide that the net savings target should not be applied to budgets for third sector grants/Service Level Agreements.

Outline process and timetable

- 8.3. Last year, the preparation of financial plans and proposals to meet the agreed planning parameters were a component of broader Directorate Service & Financial Planning submissions encompassing factors which included performance, priorities, and user/customer and resident perception. These submissions built on a range of existing information and performance review mechanisms and were the subject of challenge and review to inform the development of service and financial plans for 2006/07.
- 8.4. It is proposed that these submissions should be prepared again, with the further development that they should be extended to incorporate capital investment pressures and requirements as well as revenue. This will facilitate strategic consideration of the interrelationship and trade-offs between capital and revenue.

8.5. An outline of the proposed content of submissions and related information sources is set out in the following table.

Content	Existing Information Sources
<p>Draft Service Plan Synopsis</p> <ul style="list-style-type: none"> - Overview of Directorate role and key client groups - Overall performance- key achievements, strengths and areas for improvement - National and local change drivers - Future service demand - Key outcome related targets - Customer choice and expectations - Priorities for improvement and investment - Priorities for resources redirection/ efficiencies 	<p>Community plan, strategic plan, research and scrutiny e.g. demographic forecasts, Government strategies.</p>
<p>Performance Digest</p> <ul style="list-style-type: none"> - Achievement of Strategic Plan objectives - Evaluation of 2004/05 and 2005/06 to date - Core Performance Indicators - Comparative performance - Financial outturn - Staff/user feedback - Audit and inspection reports - Critical performance and managerial issues 	<p>BVPP, strategic/service plan monitoring, THI, benchmarks, annual residents survey, budget monitoring reports, core indicator monitoring.</p>
<p>Efficiency & Value for Money</p> <ul style="list-style-type: none"> - Efficiency strategy - Key efficiency initiatives - Procurement and commissioning plans - Productivity improvements - Explanation of Unit costs and benchmarks 	<p>Annual efficiency statement, corporate procurement board forward plan, VFM profiles, benchmarking data, strategic and service plans, unit cost index/ LPSA cost-effectiveness indicator.</p>
<p>Draft Financial Plan</p> <ul style="list-style-type: none"> - Cost pressures - Resource redirection - Efficiency savings - Capital bids - Proposals to meet 2007/08 – 2009/10 budget parameters 	<p>Financial outlook and review, annual efficiency statement, medium term financial projection, budget book.</p>

- 8.6. An outline timetable is set out below. This proposes that Directorate submissions are prepared over the Summer and are then subject to a challenge/review process in September/October. Draft budget proposals would then be developed following the provisional grant settlement expected in mid-November.

Date	Activity
June/July	<ul style="list-style-type: none"> ▪ Development of proposed parameters for developing service and financial plans for 2007/08- 2009/10 ▪ Development of outline content for Directorate service and financial planning submissions
July/August	<ul style="list-style-type: none"> ▪ Directorates prepare service and financial planning submissions ▪ Establishment of challenge/scrutiny group ▪ Agreement to preferred approach to 2007/08 budget consultation
Mid Sept/October	<ul style="list-style-type: none"> ▪ Challenge/scrutiny of Directorate submissions
November/December	<ul style="list-style-type: none"> ▪ Development of draft budget proposals for 2007/08- 2009/10 ▪ Development of Capital Strategy and programme 2007/08-2009/10 ▪ Development of Medium Term Financial Plan 2007/08-2009/10 ▪ Announcement of Supported Capital Expenditure allocations
January to March	<ul style="list-style-type: none"> ▪ Confirmation of 2007/08 grant settlement ▪ Agree Final budget and Council Tax ▪ Agree Capital Programme ▪ Preparation of draft Strategic Plan and Service Plans

9. CONSULTATION ARRANGEMENTS

- 9.1 Consultation on the budget for 2006/07 was undertaken through the Residents' Panel and the local press. Residents were asked for their views on priorities for service improvement and the level of Council Tax increases and responses informed the final resource allocation decisions.
- 9.2. The period from September 2006 to January 2007 is available for a consultation process and further discussions will be held with Members as to the form this will take.

10. NEXT STEPS

10.1 Budget Timetable

A timetable for the key stages of the budget process is shown at **Appendix C**.

10.2 Instructions to Officers

Following this meeting, the Director of Resources will issue instructions to officers to seek options for delivering the budget strategy and targets agreed by the Cabinet in accordance with the timetable.

11. COMMENTS OF THE CHIEF FINANCIAL OFFICER

11.1 The comments of the Chief Financial Officer are the subject of this report.

12. RISK MANAGEMENT IMPLICATIONS

12.1 The absence of a forward financial forecast would expose the Council to the risk of making decisions which are not sustainable in the longer term, or of missing opportunities which might only be identified through a longer term planning horizon. Furthermore, inadequate integration of service and financial planning gives rise to the possibility of service planning without regard to affordability, or a budget that does not direct resources to service priorities.

12.2 This report, and its subsequent development, is intended to substantially address those risks.

12.3 The timetable includes provision to consider specific financial risks as part of the budget making process, initially in the Autumn. The Director of Resources will report further to Members throughout the budget process.

13. EFFICIENCY STATEMENT

13.1 The authority is required to achieve a further 2.5% Gershon efficiency target in 2007/08. This is the final year of the initial three year Gershon period, but it is anticipated that further targets will be set for 2008/09 and beyond. In addition, Comprehensive Performance Assessment requirements offer the highest ratings to authorities which actively pursue higher targets than those set by central Government. It is felt that at least 3% efficiencies would be required from such a stretched target, which translates to 5% when expressed on the same basis as the savings targets. The report sets out proposals for seeking efficiency gains to achieve such a target.

14. CONCURRENT REPORT OF THE CHIEF LEGAL OFFICER

14.1. Whilst there are no specific legal implications at this point, this report is written having regard to the legislative framework governing local government finance with recommendations which accord with that regime.

15. EQUAL OPPORTUNITIES IMPLICATIONS

15.1 Equalities considerations will be taken into account in the forecasts.

16. ANTI POVERTY IMPLICATIONS

16.1 Anti-poverty considerations will be taken into account in the forecasts.

17. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

17.1 SAGE considerations have been taken into account in the forecasts.

Local Priorities ("Other Services Block") Resource Profile

	2007/08 £M	2008/09 £M	2009/10 £M	Future Years £M	Total £M
Resources					
Other Capital Receipts	7.868				7.868
Right to Buy Receipts	2.548	1.115	0.637		4.300
Supported Capital Expenditure (Revenue)	10.416	1.115	0.637		12.168
Capital Grants	5.556	3.928	4.809		14.293
Developers Contributions	0.237	0.237	0.427		0.901
Prudential Borrowing					
Total Resources	16.209	5.280	5.873		27.362
Expenditure					
York Hall	0.800				0.800
	0.800				0.800
Provision for IT Projects	2.000	1.000			3.000
Capitalised Redundancies	1.000	1.000	1.000		3.000
	9.637	2.000	1.000		6.800
Asset Management	17.833	13.220	12.941		43.994
	27.470	15.220	13.941		50.794
(Under) / Over programming	£11.261	£9.940	£8.068		£23.432

The following schemes for which bids have been submitted could proceed only subject to the availability of specific resources;

ASDA Idea Store	8.494
Bethnal Green Idea Store	13.252

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MEDIUM TERM FINANCIAL PROJECTION				
	2006/07	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000
Initial Budget	438,848	267,894	279,203	288,399
Transfer of Schools funding to Dedicated Schools Grant	-183,315			
Inflation	6,152	5,236	5,464	5,500
Committed Growth				
Identified	10,856	7,116	4,699	5,017
Projected- provision for unidentified growth		2,788	5,500	5,000
Base Budget Adjustment	-1,550	0	0	0
Efficiency savings				
Identified	-3,938	-1,469	-1,297	0
Stretch Gershon target		-2,491	-5,170	-6,669
Risk Mitigation Measures	150	0	0	0
Sub	<u>15,458</u>	<u>15,140</u>	<u>15,663</u>	<u>15,517</u>
Changes in Contributions to Reserves	-500	0	0	0
Budget Contingency	90			
Transfers of Funding	1,230	0	0	0
Adjustment from Formula Grant amending reports	-129	129	0	0
Budget Requirement	<u>267,894</u>	<u>279,203</u>	<u>288,399</u>	<u>297,247</u>
Formula Grant	-205,777	-213,822	-220,237	-226,844
Collection Fund Surplus	-1,905	-1,598	-1,151	0
	<u>60,212</u>	<u>63,783</u>	<u>67,011</u>	<u>70,403</u>
Indicative Band D Council Tax	£797.28	£817.21	£837.64	£858.58
Change in Council Tax	0.0%	2.5%	2.5%	2.5%

NB Forecasts are incremental year on year, not cumulative

Council Tax base	75,522	78,050	80,000	82,000
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APPENDIX C

BUDGET 2007/08 to 2009/10 TIMETABLE

Technical stages in *italics*

Decision-making stages in **bold**

	Date	
Forward Look	9 th May 2006	Forward Look (preliminary Financial Outlook) reported to CMT.
Budget Strategy	28 th June 2006	Officer Discussions to challenge base budget assumptions & develop aspects of budget strategy. Discussions take place in the context of performance information and forward look projections.
Cabinet	2nd August 2006	Financial Outlook & Review 2007/08 to 2009/10 Report results of financial outlook, covering both revenue budget and Capital Programme. Agree budget strategy for 2007/08 and forward strategy for 2008/09-2009/10 (priorities for growth, savings, reserves & balances, prudential borrowing) and request officers to action.
Consultation	September 2006-January 2007	Period available for budget consultation, subject to decision

APPENDIX C

Return of growth & savings proformas	September 2006	Deadline for return of detailed growth & savings proformas
Challenge/ Review Process	Late September- November 2006	CMT Peer Review Meeting – All Directorates Discussion with Lead Members
Cabinet	8th November 2006	CAPITAL STRATEGY Agree Capital Strategy for 2007/08-2009/10 to provide strategic context for Capital Programme decisions.
Cabinet	October 2006 (if necessary)	Interim report on budget 2006/2007 - 2008/09 any decisions outstanding from 1st report re inflation.
FSMT	Sept/Oct 2006	Financial Services Management Team considers budget risks for 2007/08- 2009/10
CMT	Oct/Nov 2006	Receives report of officer review group.
<i>Supported Capital Borrowing</i>	<i>Mid November 2006 onwards</i>	<i>Announcements by Government Departments of Supported Capital Expenditure (SCE) for 2007/08.</i>
Strategic/ Service Planning	January- March 2007	Preparation of draft Strategic Plan and Service Plans
Cabinet	10th January 2007	Service budget reports (including HRA) <ul style="list-style-type: none"> ◆ Committed growth and savings ◆ Directorate targets ◆ Overall budget ◆ Rent levels ◆ Revised estimates 2006/07
<i>Final Formula Grant announcement</i>	<i>End January 2007</i>	<i>Anticipated date for confirmation of 2007/08 Formula Grant figures</i>

APPENDIX C

Cabinet	7th February 2007	REVENUE BUDGET - Final budget report and 2nd service budget reports (Including HRA) if required <ul style="list-style-type: none"> ◆ Integrated capital and revenue report ◆ Prudential Indicators ◆ Single Capital Pot Allocations ◆ Council Tax for LBTH
Cabinet	7th February 2007	CAPITAL PROGRAMME 2007/08 –2009/10 Agree capital programme and funding for 2007/08-2009/10
<i>Council Tax Leaflet</i>	<i>January-March</i>	<i>Prepare Council Tax leaflet</i>
Precept	Mid February 2007	GLA agrees its precept
Council	28th February 2007	Formally agrees budget and Council Tax
<i>Budget Book</i>	<i>31st March 2006</i>	<i>Publish budget book</i>

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Agenda Item 8.1

COMMITTEE	DATE	CLASSIFICATION	REPORT NO.	AGENDA ITEM
Overview and Scrutiny	1 August 2006	Unrestricted		
REPORT OF: Assistant Chief Executive ORIGINATING OFFICER(S): Sara Williams Louise Russell		TITLE: TOWER HAMLETS INDEX - MONITORING REPORT WARD(S) AFFECTED: N/A		

1. Introduction

- 1.1 This report introduces the first in-year monitoring report for the Tower Hamlets Index in 2006/07. Appendix 1 provides an overview of performance and comments on each indicator.

2. Recommendation

- 2.1 That the Committee notes and comments on the performance as identified in paragraphs 4 of this report.

LOCAL GOVERNMENT ACT, 2000 (SECTION 97) LIST OF "BACKGROUND PAPERS" USED IN THE DRAFTING OF THIS REPORT	
Brief description of background papers: Tower Hamlets Index Monitoring Reports Strategic Plan 2006/07 Best Value Performance Plan 2005/06	Name and telephone number of holder and address where open to inspection: Sara Williams, 020 7364 4771 Mulberry Place, 4th Floor

3 BACKGROUND

- 3.1 The Tower Hamlets Index consists of key Strategic Plan indicators through which we measure progress towards the Council's 12 strategic Objectives
- 3.2 The Tower Hamlets Index has been designed as a tool for Corporate Directors and their staff to accelerate improvement or sustain excellent performance in priority areas. It enables Members to monitor the overall rate of improvement across the council.
- 3.3 Each directorate has set annual targets to assist the Council in reaching its ambition of being one of the top 2 performers in Inner London, and in the top 6 in Greater London by 2006. These targets are integrated into the service planning, team planning and performance management arrangements within each directorate.

3.4 We undertake an annual assessment of our ranking on all Tower Hamlets Index indicators which are Best Value Performance Indicators and which enable comparisons with other authorities. We monitor our performance monthly on a wider suite of Index indicators which includes local PIs for which national comparisons are not available. The bi-monthly Index excludes all indicators for which data is available only annually. In some cases proxy indicators replace the annual indicators – for example, school attendance instead of annual test and examination result indicators.

4. **CURRENT PERFORMANCE**

4.1 Performance against the bi-monthly Tower Hamlets Index indicators for the period April - May 2006 is set out in Appendix 1

4.2.1 **How we are doing**

4.2.1 Currently **19** of the performance indicators are on track to achieve their end of year target (Green). Areas where performance is well above the estimated level for the end of year target are as follows:

- Length of stay in Bed & Breakfast
- Time taken to re-let LA housing
- Satisfaction with the Council's repair service
- Number of young people attending study support
- Complaints completed in time– stage 1

4.2.2 A total of **8** indicators are not on track to meet their end year target (red). Indicators that are significantly below their targets are:

- Major planning applications determined within 13 weeks
- Reducing overall crime rate
- School attendance and absence
- Sickness absence
- Invoice payment

The remainder of indicators are classified as amber – not currently meeting in-year targets but with actions in place to ensure that they get back on track and meet end year targets. There are still 10 months to the end year and comments reflect steps being taken to ensure targets are met.

4.2.3 There are **7 indicators** that are monitored quarterly and **2 indicators** will be reported on when the new telephony system is phased in, from July 2006.

5. **Equalities Implications**

5.1 The Council's ambitious targets for service delivery are focused on meeting the needs of the diverse communities living in Tower Hamlets. The Tower Hamlets Index reflects the priority the Council gives to equality and diversity issues, and includes specific equality indicators.

6. **Comments from the Chief Finance Officer**

6.1 There are no direct financial implications arising from the recommendations of this report. Any specific financial implications relating to the performance indicators have been incorporated in the officer comments attached to this report.

7. Concurrent Report of the Assistant Chief Executive (Legal)

7.1 The Local Government Act 1999 places a duty on the Council to secure continuous improvement in the way its functions are exercised having regard to a combination of economy, efficiency and effectiveness. Performance monitoring using the Index combined with implementation of the Strategic Plan will assist in discharging that obligation.

8. Sustainable Action for A Greener Environment

8.1 A number of the Indicators contribute directly towards a greener environment, including addressing abandoned cars, and improving the cleanliness of streets. The Council will ensure that in monitoring and reporting on the Tower Hamlets Index, the environmental impact locally will be kept to a minimum.

9. Anti Poverty Comments

9.1 A number of the indicators in the Index specifically address unemployment and homelessness families, targeting some of the most vulnerable communities in Tower Hamlets. A number of the other indicators address service improvements that have a greater impact on those communities in most need of Council services.

10. Risk Management Implications

10.1 In line with the Council's risk management strategy, the implementation of the Tower Hamlets Index will assist the Cabinet, Corporate Directors and relevant service managers in delivering the ambitious targets set out in the Strategic Plan. Where any difficulties or slippage arise, the process will create an opportunity for Members and Corporate Directors to discuss remedial action and keep progress under regular review.

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Tower Hamlets Index Appendix 1
April - May 2006

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
1.0 Living Safely							
1.1 Communities that are safer							
SP101 LAA102 LPSA001b CE012 THI003	Wounding: number of violent crimes (common assault plus ABH/GHB)	N/A	3.93	3.52	21.2	AMBER	<p>This indicator covers the main types of violent crime - common assault, actual bodily harm (ABH) and grievous bodily harm (GBH). Together these categories are also known as 'wounding'. Total wounding allegations for 2006/07 so far total 814. For the same period in 2005/06, the total was 852. This means that there have been 38 fewer allegations this year, a 4.5% reduction. This is due to a decrease in ABH and GBH, whereas common assault allegations have increased by 22.</p> <p>However, despite this continued downward trend in wounding offending, we are still off target. It is expected that enhanced work with schools and the introduction of Good Behaviour Zones will have a significant impact on this target.</p>

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP104 LPSA010a LAA104	Increased number of under 18s accessing drug treatment	415	56	74	448	AMBER	The Lifeline Young People's Substance Misuse Service has been through a period of change with the previous Service Manager being replaced by an interim Service Manager. This is reflected in the low numbers of young people accessing the service as the roll out of the Early Identification and Assessment Tool has been delayed. Now that the roll out of the tool is near to completion it is anticipated that frontline staff working with children and young people will screen and refer to treatment services more effectively and routinely. This should have a direct effect on the uptake of young people into tier 2 and tier 3 treatment services. The interim Young People's Commissioner has been working actively with Lifeline Young People's Substance Misuse Service to identify blockages in treatment pathways and develop partnerships with key partners such as Looked After Children Teams and the Leaving Care Team as these had not been developed in the past. The low number of young people entering treatment over April and May has been queried with the main service provider, Lifeline. They are reviewing their data co

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP105 LAA101	Reduction in overall crime rate	20,281	3,517	3,098	18,585	RED	<p>This indicator is a composite of a number of different types of crime. It is an LAA priority indicator and an NRF floor target.</p> <p>At present we have not met our target for the first 2 months of 2006/07 despite seeing an overall reduction of 5% in this area. There has also been a marked improvement in our performance compared to this time in 2005/06. This is because we are currently exceeding our targets for criminal damage and residential burglary with evidence of continual improvement in this area. Our current target for theft from a vehicle is not being met, nonetheless we have an ongoing evidence-based programme targeting particular borough hotspots and will be introducing tri signs, flashcams and targeted patrolling, which will make a marked impact to ensure the target is met. Another challenging area is personal robbery, which is showing an increase this year, in line with London. As such a partnership programme of anti-robbery action is in development.</p>

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
1.2 A cleaner and greener Tower Hamlets							
SP108 BV199a THI008 LPSA003 LAA105	The proportion of relevant land and highways that is assessed as having combined deposits of litter and detritus that fall below an acceptable level.	23.00%	N/A	N/A	16.00%		In 2005/06, the Council rolled out a Cleaner Safer Tower Hamlets campaign, introduced LAP-dedicated environmental teams, and negotiated new street cleansing contracts. At 23% overall, this was a 1% increase in the measurement for litter and detritus levels in the Borough, against a 3% point increase for the London Capital Standards group as a whole. There has been 'better-than-targeted' improvements in the condition of the Borough's streets and commercial areas, but the overall figure was impacted by poor performance on industrial land. The Council remains in the top 6 among the Capital Standards group.
SP111 BV082a(i) THI035 CPA019a LAA106	Percentage of household waste which has been sent by the authority for recycling.	8.85%	10.14%	10.00%	18.00%	GREEN	Recycling has risen significantly from 8.84% in 2005/06 to 10.14 % for the months of April and May 2006. This will be further improved by further expansion of the service, continued campaigns and programmes to encourage participation.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
2.0 Living Well							
2.1 Decent homes in decent neighbourhoods							
SP203 THI010	Percentage of urgent repairs completed in government time limits.	94.45%	95.37%	95.20%	96.00%	GREEN	We are ahead of our current target. Performance for this indicator is closely scrutinised and reported to the Housing Performance Panel, which meets bi-monthly. Performance fell slightly at the beginning of the new financial year, however in May alone results showed improved performance at almost 96%.
SP204 BV212	Average time taken to re-let local authority housing.	36 days	29.28 days	36.04 days	35 days	GREEN	We are ahead of our current target. Letting's performance is regularly monitored through the Voids Star Chamber. All aspects of the lettings process are examined at individual properties to ensure properties are let as quickly as possible.
SP205	Percentage of residents satisfied with the Council's repairs service	82.50%	91.28%	83.00%	83%	GREEN	We are ahead of our current target. Performance for this indicator is closely monitored by the Housing Performance Panel, which meets bi-monthly.
2.2 Improved outcomes for vulnerable children and adults							
SP210 BV183a	Average length of stay in bed and breakfast accommodation of households which include dependent children or a pregnant woman and which are unintentionally homeless and in priority need.	4.84 weeks	3.29 weeks	4.5 weeks	4.50 weeks	GREEN	Performing above target.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP211 THI016 PAFC26	Number of supported admissions of older people to permanent residential and nursing care per 10,000 population aged 65 or over.	108.1	17	14	85	AMBER	The definition of this indicator has changed and direct comparisons with previous years' performance cannot therefore be made. The current level of admissions is very similar to the same period last year. Gatekeeping arrangements are being strengthened, to ensure that all alternatives to residential care are exhaustively considered before admission is agreed. We are confident that this will keep the level of admissions the lowest possible. However, the very intensive packages of care required in some cases will be a source of budget pressures.
SP212 PAF D40	Adult and older clients receiving a review as a percentage of those receiving a service.	71.00%	7.92%	15.00%	90.00%	AMBER	This indicator measures the percentage of current service users who have received a review during the year. The Commission for Social Care Inspection sets the top performance band in the range, 60-90%. The first two months data are incomplete, as data on activity within mental health services has not yet been received from the East London and City Mental Health Trust. Recorded performance is expected to improve significantly over the next reporting period.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP214 BV162 PAFC20 THI014	Percentage of child protection cases which should have been reviewed during the year that were reviewed.	100%	100%	100%	100%	GREEN	This indicator measures the percentage of cases on the Child Protection register that have had a review within required timescales, with 100% the best performance possible for this indicator. Performance has been steady and solid throughout the last 3 years and we are confident that we will continue to achieve 100% compliance.
SP215 BV049 THI013 PAFA1 PSA007	Percentage of children looked after at 31 March with three or more placements during the year	12.23%	13.58%	11.80%	10.00%	AMBER	Our first monitoring report of the year shows that we are not performing to target on this indicator. Analysis of our looked after children indicates that we have a high proportion of children in the cohort for this indicator who have entered care as adolescents, and are therefore difficult to place in stable placements. Each case is being investigated to ensure that appropriate action is taken to ensure placement stability. We are also developing a number of initiatives this year to address performance on placement stability, through a multi-agency foster care programme. This includes the recruitment of specialist foster placements who are able to deal with 'difficult to place' children, 24 hour access to Child and Adolescent Mental Health Services and the introduction of a new outreach team to prevent children coming into care.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP218 BV078a THI021	Average time for processing new housing benefit and council tax benefit claims (days).	33.8 days	31.75 days	32.5 days	31.0 days	GREEN	Results have continued to improve and for the first reporting are better than the 2005/06 outturn. Results are reported to the Housing Performance Panel bi-monthly and are also subject to reporting to the Department of Work and Pensions quarterly.
3.0 Creating and Sharing Prosperity							
3.1 Securing sustainable communities							
SP301 BV109a THI020a CPA026a	Percentage of major planning applications determined within 13 weeks.	35.00%	29.41%	60.00%	60.00%	RED	We are continuing to issue decisions on a number of old, outstanding planning applications, which have taken a long time to conclude due to the need to complete complex associated legal agreements. This has continued to impact on performance figures and as a consequence the target has not been met. Performance monitoring of the existing current caseload continues as we strive to maintain a constant output of planning decisions despite the disproportionately high number of major strategic proposals being submitted in the Borough.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP302 BV109b THI020b CPA026b	Percentage of minor planning applications determined in 8 weeks.	78.56%	64.63%	80.04%	80.25%	AMBER	Continued staff turnover within the Development Control service in a very competitive recruitment market has significantly impacted on performance during the review period. Consequently, performance has not met the bi-monthly target. The appointment of a new Service Head during the review period will increase management capacity and hasten the delivery of further service improvements designed to enhance productivity. In the meantime, performance monitoring of individual existing current caseloads continues on a routine basis through use of the Acolaid reporting system and this is expected to improve application output during the next reporting period. Additionally, the recent increased use of customer advice officers within the service will allow a greater concentration of case planner resources on the planning applications process.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP303 BV109c THI020c CPA026c	Percentage of other planning applications determined in 8 weeks.	85.35%	80.20%	84.70%	88.25%	AMBER	Continued staff turnover in a very competitive recruitment market has marginally impacted on performance during the review period. Consequently, performance has not met the bi-monthly target. The appointment of a new Service Head during the review period will increase management capacity and hasten the delivery of further service improvements designed to enhance productivity. In the meantime, performance monitoring of individual existing current caseloads continues on a routine basis through use of the Acolaid reporting system and this is expected to improve application output during the next reporting period. Additionally, the recent increased use of customer advice officers within the service will allow a greater concentration of case planner resources on the planning applications process.
SP304 LAA507	Number of businesses / social enterprises assisted to improve their performance	N/A	N/A	N/A	25		Monitored Quarterly

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP310 LAA504	Increased supply of employment opportunities in key growth sectors prompted directly through the Employment Consortium	1280	N/A	N/A	1350		This indicator is monitored quarterly. However, we are certainly on track to deliver this, securing job opportunities is not the issue, the challenge is to help local job seekers access these jobs through effective screening and matching and innovative pathways to employment.
3.2 Increasing local employment							
SP306 LPSA008 LAA503	Percentage of young people in Tower Hamlets aged 15-18 not in education, employment or training	13.50%	N/A	N/A	11.50%		Monitored Quarterly
SP307 LPSA009 LAA502	Number of people aged 24 and under in receipt of Job-seekers Allowance (and not on New Deal) helped into paid employment of over 16 hours a week for at least 13 consecutive weeks or more	100	N/A	N/A	200		This indicator is monitored quarterly. However, we are on track to deliver these outputs. This is a 3 year LPSA target and we are well on track to deliver this having organised new programmes to help this group both through the work of Skillsmatch and the wider Employment Task Group of the CPAG.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP308	Percentage of young people in Tower Hamlets aged 18 - 25 claiming unemployment-related benefits	20.60%	N/A	N/A	16.50%		This indicator is monitored quarterly. Achievement of this target was the main aim behind our LAA - Block 3 - Economic Development and Enterprise. We suggested a radical change to working with under 25's who are unemployed and claiming benefits but are still negotiating enabling measures from DWP. Without these enabling measures we will not be able to meet the target.
SP309	Percentage of local residents claiming unemployment-related benefits	8.50%	N/A	N/A	8.30%		This indicator is monitored quarterly. The figure is 8.7% at end of June. The reason this is high could be related to seasonal adjustments as school and college leavers join the labour market. Again, if the principles of our LAA can be taken forward we will be on track to meet the target but there are other economic factors that will influence this. The borough is not the prime agency, this is Jobcentre plus, and we need to be able to continue to influence the delivery of initiatives to ensure they meet the needs of our local job seekers.

4.0 Learning Achievement and Leisure

4.1 Higher educational attainment

SP404a LAA604a	Improved overall attendance rates at primary school	93.90%	91.69%	94.80%	94.80%	RED	Monitored each school term. Data is from end of Spring Term DfES returns, which are to be confirmed. Incomplete end year returns indicate the final figure for 2005/06 will be in the region of 93.3%
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PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP404b LAA604b	Improved overall attendance rates at secondary school	92.60%	92.22%	92.90%	92.90%	RED	Monitored each school term. Data is from end of Spring Term DfES returns, which are to be confirmed. Incomplete end year returns indicate the final figure for 2005/06 will be in the region of 92.6%
SP405a LAA605a	Unauthorised absence rates at primary school	1.22%	1.50%	1.10%	1.10%	RED	Monitored each school term. Data is from end of Spring Term DfES returns, which are to be confirmed. Incomplete end year returns indicate the final figure for 2005/06 will be in the region of 1.3%
SP405b LAA605b	Unauthorised absence rates at secondary school	2.42%	2.40%	2.20%	2.20%	RED	Monitored each school term. Data is from end of Spring Term DfES returns, which are to be confirmed. Incomplete end year returns indicate the final figure for 2005/06 will be in the region of 2.1%
4.2 Increased participation in sporting, leisure and cultural activities							
SP408 LPSA010b LAAS604	Number of under 16s who are active users of the Council's Idea Stores & libraries - Enhancing young people's personal development	14,008	14,348	14,340	17,800	GREEN	In the first two months of the year, the Council has already increased active users of its libraries and Idea Stores by over 300 under-16s. This will improve further during the year as further activities and programmes are implemented and become established.
SP409 LPSA010c LAAS605	Total number of library items issued to under 16s - Enhancing young people's personal development	279,607	48,662	48,000	298,304	GREEN	In the first two months of the year, there were 48,662 issues for under-16s. The Council aims to achieve its target of increasing book issues (borrowings and renewals) through activities and programmes to encourage younger members, and has site-specific targets.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP410 LPSA010d LAAS606	Number of young people under 16 attending study support sessions - enhancing young people's personal development	469	396	300	492	GREEN	The Council runs several study support activities. This includes an under 5s sessions, the Premiership Club, a Chatterbox club (reading-oriented club catering for young people aged 7+), and the Olga Education & Training Project (working with young people 6 - 18 to raise educational attainment). The Council exceeded its original LPSA target and has increased subsequent year's targets to reflect the numbers it seeks to achieve in the next few years. Note that this indicator is affected by seasonal fluctuations dictated by term times.
SP411 LPSA010e LAAS607	Total number of under 19s completing a course in Idea Stores, libraries and learning centres - enhancing young people's personal development	1,065	19	20	1,400	AMBER	Lifelong learning partners are still working to term times. For this reason, course delivery in April and May is always lower and the Council is still projected to meet its target this year.
SP412 THI027 CPA010c	Number of physical visits to public library premises per 1000 population	7,709	1,540	1,500	9,774.70	GREEN	There have been 322,378 visits so far in April and May, and the Council projects having more than 2.1million visitors to its libraries and Idea Stores this year. Programmes and activities at all sites, including the new Whitechapel flagship and the Canary Wharf stores, and targeted site specific monitoring of performance will enable this ambitious target to be achieved.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
5.0 Excellent Public Services							
5.1 Efficient and effective services							
SP501 THI032	Budget performance	-£1,225,000	N/A	N/A	£0		Monitored Quarterly
SP505 BV012 THI028 CE046a	Number of working days/shifts lost to sickness absence per employee.	9.93 days	9.94 days	9.00 days	8.50 days	RED	The council introduced a new Attendance Strategy in Sept 05, which has helped reduce sickness absence in the last 12 months. In addition to this, mandatory sickness absence training has been introduced for all managers. It is hoped that the council will achieve top quartile performance in this indicator by 07/08, however, the target for 2006/07 remains very challenging.
SP506 BV008 CE038 THI033	Percentage of Undisputed Invoices Paid on Time	86.61%	92.45%	95.00%	95%	RED	A review of the data and methodology used to calculate this PI by Internal Audit is now complete and reflected in the 2005/06 outturn and the May monthly outturn. As a result of the changed methodology it is going to be more challenging to achieve the top quartile target we have set for ourselves.
Locally focused services empowering local people							
SP509 THI034 CE021 LAAS201a	Increased attendance at Local Area Partnership events	4,489	430	454	5,000	AMBER	Based on one month's events held in May. Target not at risk as there are more events planned for June and July than were held in May.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP510 CE047	Percentage of telephones answered within the customer promise standard	N/A	N/A	75%	75%		New improved telephony systems across the council are currently being phased in. This is affecting the data reporting and figures will be unavailable until at least July 2006. With the introduction of the new telephony and the new telephony monitoring it is not possible to give reliable estimates and so bi-monthly target of 75% each month is proposed.
SP511 CE048	Percentage of letters responded to within customer promise standard	N/A	75.12%	90%	90%	AMBER	This figure includes all directorates. May's figure highlights significant variations in the monitoring figures over the last quarter, which has varied from 67.13 through to 92.52. Work with each directorate will be undertaken to improve the reporting mechanism and investigating underlying causes of variation. Members have requested a breakdown by Directorate and this
SP512 CE050	Percentage of calls handled by the customer contact centre	N/A	N/A	40%	40%		New improved telephony systems across the council are currently being phased in. This is affecting the data reporting and figures will be unavailable until at least July 2006 The number of calls handled by Council calls centres will only grow as more services are added into this environment. For the current year, work is concentrating on the installation of a new corporate ACD and workforce monitoring system to ensure effective use of resources. Only calls regarding recruitment and training course are currently being looked at to be added which will have only a small impact on this indicator.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP513 CE053a	Percentage of complaints completed in time - Council as a whole - Stage 1	63%	71%	65%	75%	GREEN	Performing above target.
Stronger and more cohesive communities							
SP515a	Percentage of attendees at LAP events who are from targeted communities: BME residents	54%	59%	48%	48%	GREEN	No LAP events held in April due to elections. Figures are based on attendance at just three events held in May. Attendance of different groups at individual LAP events will vary depending on demographics of the LAP area and theme of the event. Too few events have been held to deduce trend in relation to target.
SP515b	Percentage of attendees at LAP events who are from targeted communities: Bangladeshi residents	N/A	42%	33%	33%	GREEN	No LAP events held in April due to elections. Figures are based on attendance at just three events held in May. Attendance of different groups at individual LAP events will vary depending on demographics of the LAP area and theme of the event. Too few events have been held to deduce trend in relation to target.
SP515c	Percentage of attendees at LAP events who are from targeted communities: Somali residents	N/A	4%	5%	5%	AMBER	No LAP events held in April due to elections. Figures are based on attendance at just three events held in May. Attendance of difference groups at individual LAP events will vary depending on demographics of the LAP area and theme of the event. Too few events have been held to deduce trend in relation to target.

PI Ref:	Description	Outturn 2005/06	May Actual	May Target	Annual Target 2006/07	Traffic Lights	Target Monitoring Comments
SP515d	Percentage of attendees at LAP events who are from targeted communities: Young residents (16 - 25)	N/A	9%	15%	15%	AMBER	No LAP events held in April due to elections. Figures are based on attendance at just three events held in May. Attendance of different groups at individual LAP events will vary depending on demographics of the LAP area and theme of the event. Too few events have been held to deduce trend in relation to target.
Improved equality of opportunity							
SP516 BV011b THI029 CE044a	The percentage of the top 5% of Local Authority staff who are from an ethnic minority.	14.29%	14.00%	15.00%	18%	AMBER	A number of BME Senior Management Staff left in 05/06. Some of these vacancies have yet to be filled. The council is continuing to deliver an in house MBA programme in partnership with UEL. This supports the council's capacity to develop it's own Senior Managers. Of the 14 staff currently on the programme, 7 are BME.
SP517 BV011a CE045a THI030	Percentage of top 5% of earners of Local Authority staff that are women.	48.66%	48.91%	49.00%	49%	AMBER	The council continues to improve in this PI. Ongoing recruitment activity should ensure that this trend continues and we achieve our end year target.

Agenda Item 8.2

Committee	Date	Classification	Report No.	Agenda Item No.
Overview and Scrutiny	1 August 2006	Unrestricted		
Report of: Assistant Chief Executive Originating Officer(s): Alan Steward, Scrutiny Policy Manager		Title: Overview and Scrutiny Committee Work Programme Ward(s) affected: All		

1. Summary

- 1.1 This report outlines the work programme for Overview and Scrutiny Committee (OSC) for municipal years 2006/07 and 2007/08

2. Recommendations

- 2.1 Overview and Scrutiny Committee is asked to consider and comment on the proposed work programme.
- 2.2 Delegate authority to the Head of Research and Scrutiny, in consultation with the Chair of Overview and Scrutiny Committee, to finalise the work programme.

LOCAL GOVERNMENT ACT, 2000 (SECTION 97)

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

Background paper

N/A

Name and telephone number of and address where open to inspection

Tim Hogan
020 7364 4850

3 Background

- 3.1 For the last two years, the Overview and Scrutiny Committee (OSC) has agreed – and largely delivered on – an annual work programme. This has helped:
- improve the link between Overview and Scrutiny's work and the Council's improvement agenda
 - ensure Overview and Scrutiny contributed to achieving outcomes that benefit the community
 - improve the co-ordination, management and continuity of work both at Overview and Scrutiny Committee (OSC) and its reviews and investigations

4 Overview and Scrutiny Committee

- 4.1 A draft 2006/07 "Forward Plan" for OSC is attached at Appendix 1. The work programme is organised under five headings as follows:

- **Call-ins**
As these are dependent on Cabinet decisions, these will be added as they arise.
- **Work Programme and Recommendation Tracking reports**
These reports will monitor the work programme every two months updating OSC on progress and revising as appropriate. The Recommendation Tracking report is submitted twice a year so that OSC can monitor the progress in implementing its recommendations.
- **Budget and Policy Framework items**
The Council's revised Constitution lists the policy documents that fall within this category. Overview and Scrutiny consider these reports 20 days before the Executive takes a decision on its recommendations to Council.

This includes the Council's budget reports that are submitted formally to OSC for comment before Cabinet considers them. Following the Financial Outlook report in the autumn, it is suggested that OSC considers whether it wants to undertake any further work around the budget.

- **Performance and Monitoring reports**
These reports will be vital to ensure that Overview and Scrutiny Members are clear about the Council's performance both when services are functioning effectively and when there are problems. The Committee will consider regular reports on the Community Plan (six-monthly), Strategic Plan (six-monthly), the Equalities Action Plan (six-monthly), Complaints Report (six-monthly), Members Enquiries (six monthly) and the Tower Hamlets Index (bi-monthly).
- **Pre-decision scrutiny**
These are dependent on Cabinet reports and will be added as they arise.

- 4.2 As last year, it is suggested that the Scrutiny Spotlight is held at alternate meetings of the Committee (the month after considering the TH Index bi-monthly monitoring reports). With five sessions over the year, these will be organised around the Community Plan themes with the relevant Cabinet members attending to discuss the wider performance of Council services within their portfolio and the policy issues and challenges they face.

5 Reviews and Challenge Sessions

- 5.1 As well as its work through Committee, the Chair and Scrutiny Leads - working with other backbench councillors - deliver a programme of reviews and challenge sessions. In developing the programme a number of criteria were adopted. These focused on issues:
- that assist in tackling an area of poor or challenging performance (bottom quartile or equivalent) that has priority within the Strategic Plan
 - where member input and understanding would assist with sustaining high performance that has priority within the Strategic Plan
 - that assist the Council in addressing an area of national policy development that has significant implications for the Council and where member input would be valuable
 - that relate to a planned service inspection and member input would be valuable in providing a robustness test before inspection (or submission of self-assessment)
 - where there is gap between community perception or concern and objective performance and members' leadership on this issue would help address this gap
 - where members' work on an issue will contribute particularly toward improving Value For Money (VFM)
- 5.2 In drawing up the programme the Scrutiny Policy Team has analysed key documents to identify potential scrutiny issues. This included the Annual Residents' Survey, Annual Audit and Inspection Letter, Strategic Plan monitoring, Tower Hamlets Index and the Local Area Partnership Plans. It also considered issues raised through Scrutiny's own work last year. This includes issues identified from its performance monitoring role as well as specific reviews.
- 5.3 Following the analysis, discussions were held with Scrutiny Leads and directorates to discuss progress and potential issues for next year. This is drawn together in the proposed work programme attached at Appendix 1 that outlines the key topics for more detailed scrutiny work. In all cases, a detailed scope will be developed in consultation with the relevant directorate to consider the feasibility, most appropriate method and ensure the added value and effectiveness of more detailed work.
- 5.4 In the last two years, as the end of the Municipal Year approached the capacity for delivering topics was constricted, particularly because of the elections in May 2006. To ensure a more manageable and achievable programme, the topics have been organised over two years. It is worth stressing that the programme is flexible and includes capacity to address new issues during the year or to delve deeper into some issues following initial work.
- 5.5 In addition to the proposals contained in Appendix 1, there are a number of issues that the Scrutiny Leads will investigate further to assess the value of more detailed work. This includes the following topics:
- Delivery of the Regeneration Strategy through the Neighbourhood Renewal Fund with a focus on Young People (Creating and Sharing Prosperity)
 - Monitoring the Local Area Agreement (LAA) with an emphasis on LAP-based performance (Excellent Public Services)
 - Enhancing Members' understanding of VFM / Gershon to help embed it within the Council's practice (Excellent Public Services)
 - Using OSC co-optees to help improve parental engagement (Learning Achievement and Leisure)
 - Resident parking and development (Chair)

- Disposal of assets (Chair)
- Performing the corporate parent role: educational attainment of children looked after (Learning Achievement and Leisure)
- The future of Housing Choice (Living Well)

5.6 In all cases, once the issues are agreed, the scope of the work will be developed in close consultation with the Scrutiny Lead, relevant directorates and services. This will include a discussion of the proposed timing for those projects scheduled for 2006/07. This is to ensure that the timing is appropriate. For example, that key pieces of evidence will be available or that it does not clash with an inspection.

6 Health Scrutiny Panel

6.1 Following discussions with Members, local NHS trusts and other partners, the Health Scrutiny Panel is holding a number of sessions to consider the health needs of the borough and some of the issues for NHS partners before agreeing its work programme. Two successful sessions have already been held:

- on 27 June to consider the health needs of the borough
- on 13 July to consider some of the organisational issues such as proposals to move toward Foundation Trust that are faced by NHS trusts working within the borough

6.2 It is anticipated that a draft Work Programme will be agreed at the Panel's meeting on 26 September and that this will cover the next four years (the lifetime of this Council). This will be subject to an annual review to ensure that there is flexibility to respond to emerging issues.

7 Keeping Members Informed

7.1 To maintain good communication about Overview and Scrutiny's work, it is proposed to circulate regular updates on the Work Programme considered by Overview and Scrutiny Committee to Corporate Management Team and Cabinet. This is provisionally scheduled for November and April 2006. The update will cover all aspects of the Overview and Scrutiny Work Programme including call-ins, performance monitoring and Budget and Policy Framework items.

7.2 A short summary of the OSC and Health Scrutiny Panel meetings will also be placed in the Members Bulletin so that all Members are aware of the Committee's work.

8 Concurrent Report of the Assistant Chief Executive (Legal Services)

8.1 The Local Government Act 2000 places a duty on the Council to deliver a robust and effective overview and scrutiny function. The Committee's work programme is a contributory element towards discharging that responsibility. There are no other immediate legal implications.

9 Comments of the Chief Financial Officer

9.1 This report details the proposed work programme of the Overview & Scrutiny Committee. All costs involved in achieving this work programme will need to be met from within existing budgetary provisions.

10 Anti-Poverty Implications

- 10.1 Reducing poverty is central to the work of the Overview and Scrutiny Committee and this is reflected in work around the impact of NRF employment schemes for young people and access to higher education.

11 Equal Opportunity Implications

- 11.1 Equal opportunities are central to the work of the Overview and Scrutiny Committee and this is reflected in work to consider the Disabilities Equalities Scheme, around the role of faith groups in community cohesion and monitoring the Council's progress in its Equalities Action Plan twice a year.

12 Risk Management

- 12.1 There are no direct risk management implications arising from this report.

Overview and Scrutiny Committee 2006/07

Forward Plan

1 Aug 05	Financial Outlook (BPF) Tower Hamlets Index (PM) OSC Work Programme (OSMM)
5 Sep 05	Scrutiny Spotlight - Living Safely Annual Complaints Report (PM) Transport Local Implementation Plan (BPF)
3 Oct 05	Budget Update (if required) (BPF) Tower Hamlets Index (PM) Members Enquiries (PM) OSC Work Programme (OSMM) OSC Recommendation Tracking Report Update (OSMM)
7 Nov 05	Scrutiny Spotlight - Learning Achievement and Leisure Children and Young People's Plan (half year) (BPF) Complaints Report - six month report (PM)
5 Dec 05	Licensing Policy (BPF) Tower Hamlets Index (PM) Strategic Plan Half Year Monitoring Report (PM) OSC Work Programme (OSMM)
9 Jan 06	Scrutiny Spotlight - Creating and Sharing Prosperity Revenue Budget and Capital Programme (BPF) Equalities Action Plan (PM)
6 Feb 06	Budget Requirement and Council Tax (BPF) Tower Hamlets Index (PM) OSC Work Programme (OSMM)
6 Mar 06	Scrutiny Spotlight - Living Well OSC Recommendation Tracking Report Update (OSMM)
3 Apr 06	Tower Hamlets Index (PM) OSC Work Programme (OSMM) Annual Report (OSMM)
1 May 06	To be confirmed

BPF - Budget and Policy Framework

PM - Performance Management

OSMM - Overview and Scrutiny Monitoring and Management

Call-ins will be added to the agenda where accepted

Pre-decision questions are a standing item on the agenda

Year 1 (Aug 06 - Apr 07)

Chair

Issue	Understanding Procurement: Monitoring the ten most important procurement contracts	
Objective/outcome	<ul style="list-style-type: none"> • Robustness check on implementation of Procurement Strategy • Addresses good practice audit requirement to involve scrutiny in monitoring procurement • Improves Members' awareness and understanding of procurement 	
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • contributes toward improving the focus of services on VFM 	

Creating and Sharing Prosperity

Issue	Participation in Master Planning	
Objective/outcome	<ul style="list-style-type: none"> • Exploits councillors links to communities to assist delivery of the regeneration programme • Improves members' understanding and input to consultation 	
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • where there is gap between community perception or concern and objective performance and members adopting a more community leadership role would assist in managing this 	

Excellent Public Services

Issue	Disability Equalities Scheme	
Objective/outcome	<ul style="list-style-type: none"> • Improved Member involvement in promoting disability issues • Test robustness of the Scheme prior to adoption 	
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • would assist the Council in addressing an area of national policy development that has significant implications for the Council and where member input would be valuable 	

Issue	How Customer Care is provide to Leaseholders	
Objective/outcome	<ul style="list-style-type: none"> • Improved member support for/understanding of service provided to leaseholders • Develop members' ability to articulate Council policy in this sensitive area • Opportunity to link complaints and members enquiries monitoring work to initiatives aimed at improving the Council's customer services • Provides a case study for wider Customer Care improvements • Link to Living Well 	
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • where there is gap between community perception or concern and objective performance and members adopting a more community leadership role would assist in managing this • contributes toward improving the focus of services on VFM 	

Learning Achievement and Leisure

Issue	Access to Higher Education: Transition from Learning to Employment Review	
Objective/outcome	<ul style="list-style-type: none"> • Review of Council and its partners' Employment / Employability programmes • Practical member input into tackling inequalities 	
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • where there is gap between community perception or concern and objective performance and members adopting a more community leadership role would assist in managing this 	

Living Well

Issue	Homelessness Strategy	
Objective/outcome	<ul style="list-style-type: none"> • Enhance members' contribution to development of both local and regional policy issues which may be raised in their ward work 	
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • would assist the Council in addressing an area of national (regional) policy development that has significant implications for the Council and where member input would be valuable • contributes toward improving the focus of services on VFM 	

Living Safely

Issue	How to develop better links between members and faith communities to promote Community Cohesion
Objective/outcome	<ul style="list-style-type: none"> • Illustrates Council commitment to Community Cohesion as a key priority (CPA harder test) • Build wider Member support for Interfaith Forum • Develops role of OSC faiths reps and their links to wider communities
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • where member input and understanding would assist with sustaining high performance that has priority within the Strategic Plan

Issue	How Members can enhance sustainable community issues
Objective/outcome	<ul style="list-style-type: none"> • Opportunity for scrutiny input to support achievement of LAA 'green' targets • Practical member input in challenging area of service provision with high public profile • Improve Member performance management abilities
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • would assist in tackling an area of poor or challenging performance (bottom quartile or equivalent) that has priority within the Strategic Plan • contributes toward improving the focus of services on VFM

Year 2 (May 07 - Apr 08)

Creating and Sharing Prosperity

Issue	Operation of planning
Objective/outcome	<ul style="list-style-type: none"> • Fulfilment of community leadership role on an area of community concern
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • would assist in tackling an area of poor or challenging performance (bottom quartile or equivalent) that has priority within the Strategic Plan

Issue	Improving the impact of Pathways to Learning
Objective/outcome	<ul style="list-style-type: none"> • Adds focus to challenges around engaging NEET groups into Learning and employment • Link to Learning Achievement and Leisure
OSC Criteria	Meets criteria: <ul style="list-style-type: none"> • an area of poor or challenging performance • an area of national policy development

Excellent Public Services

Issue	Workforce Planning (Talent Management)
Objective/outcome	<ul style="list-style-type: none"> • Opportunity to explore forward planning issue for the borough • Potential review of existing schemes • Increase Member understanding of key challenges and responses
OSC Criteria	<p>Meets criteria:</p> <ul style="list-style-type: none"> • contributes toward improving the focus of services on VFM • would assist the Council in addressing an area of national policy development that has significant implications for the Council and where member input would be valuable • relates to a planned service inspection and member input would be valuable in providing a robustness test before inspection (or submission of self-assessment)

Learning Achievement and Leisure

Issue	Leisure provision linked to Olympic Games
Objective/outcome	<ul style="list-style-type: none"> • Robustness check on legacy aspects • Develops proposals for engagement of young people
OSC Criteria	<p>Meets criteria:</p> <ul style="list-style-type: none"> • would assist the Council in addressing an area of national (regional) policy development that has significant implications for the Council and where member input would be valuable • where there is gap between community perception or concern and objective performance and members adopting a more community leadership role would assist in managing this

Issue	Revisiting the Youth Services Plan review
Objective/outcome	<ul style="list-style-type: none"> • Monitor impact of previous OSC review
OSC Criteria	<p>Meets criteria:</p> <ul style="list-style-type: none"> • where there is gap between community perception or concern and objective performance and members adopting a more community leadership role would assist in managing this • relates to a planned service inspection and member input would be valuable in providing a robustness test before inspection (or submission of self-assessment)

Living Safely

Issue	The changing context for tackling Anti-Social behaviour
Objective/outcome	<ul style="list-style-type: none"> • Develop local proposals for how to operate the Community Call to Action and the implications of the government's Respect Action Plan • Improve Member knowledge around important community issue (raised through their surgeries, community contacts and role in SNAGs)
OSC Criteria	<p>Meets criteria:</p> <ul style="list-style-type: none"> • would assist the Council in addressing an area of national policy development that has significant implications for the Council and where member input would be valuable • where there is gap between community perception or concern and objective performance and members adopting a more community leadership role would assist in managing this

Issue	Evaluation of the effectiveness of Safer Neighbourhood Teams
Objective/outcome	<ul style="list-style-type: none"> • Assist evaluation of SNTs • Informs the development of the Super SNTs • Contributes to developments to address impact on and fear of crime
OSC Criteria	<p>Meets criteria:</p> <ul style="list-style-type: none"> • would assist the Council in addressing an area of national policy development that has significant implications for the Council and where member input would be valuable • contributes toward improving the focus of services on VFM

Living Well

Issue	Implementation of the BVR Older People Improvement Plan
Objective/outcome	<ul style="list-style-type: none"> • Provides evidence of member input into monitoring and development of key policy area as well as VFM
OSC Criteria	<p>Meets criteria:</p> <ul style="list-style-type: none"> • where member input and understanding would assist with sustaining high performance that has priority within the Strategic Plan • would assist the Council in addressing an area of national policy development that has significant implications for the Council and where member input would be valuable

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