



Budget Meeting of the

# TOWER HAMLETS COUNCIL

---

Wednesday, 27 February 2013 at 7.30 p.m.

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## A G E N D A

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### VENUE

Council Chamber, 1<sup>st</sup> Floor,  
Town Hall, Mulberry Place,  
5 Clove Crescent,  
London E14 2BG

**Democratic Services Contact:**

John S Williams, Service Head, Democratic Services

Tel: 020 7364 4204, E-mail: [johns.williams@towerhamlets.gov.uk](mailto:johns.williams@towerhamlets.gov.uk)



Chief Executive's  
Directorate

Democratic Services  
Tower Hamlets Town Hall  
Mulberry Place  
5 Clove Crescent  
London E14 2BG

Tel       **020 7364 4204**  
Fax       **020 7364 3232**

[www.towerhamlets.gov.uk](http://www.towerhamlets.gov.uk)

**TO THE MAYOR AND COUNCILLORS OF THE LONDON BOROUGH OF TOWER  
HAMLETS**

You are summoned to attend the Budget Meeting of the Council of the London Borough of Tower Hamlets to be held in **THE COUNCIL CHAMBER, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT, LONDON, E14 2BG** at 7.30 p.m. on **WEDNESDAY, 27 FEBRUARY 2013**

Stephen Halsey  
**Head of Paid Service**

## Public Information

### **Attendance at meetings.**

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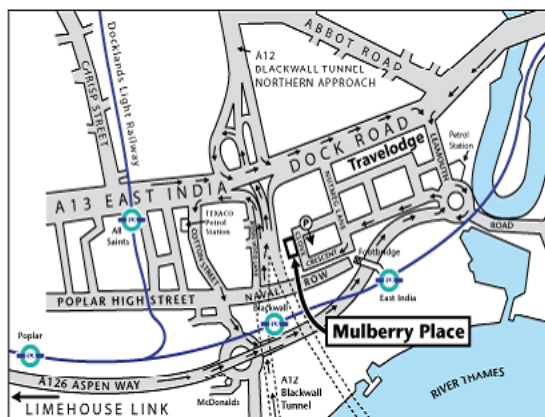
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**LONDON BOROUGH OF TOWER HAMLETS**

**BUDGET COUNCIL MEETING**

**WEDNESDAY, 27 FEBRUARY 2013**

**7.30 p.m.**

**AGENDA**

**PAGE  
NUMBER**

**1. APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

**2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**

**1 - 4**

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.

See attached note from the Monitoring Officer.

**3. TO RECEIVE ANNOUNCEMENTS (IF ANY) FROM THE SPEAKER OF THE COUNCIL OR THE HEAD OF PAID SERVICE**

**4. TO RECEIVE ANY PETITIONS**

The Council's Constitution provides for the Budget Council meeting to receive a maximum of three petitions, which must relate to the Council's budget or the setting of the Council Tax.

The deadline for submission of petitions for this meeting is Noon on Thursday 21<sup>st</sup> February 2013. Any valid petitions that are received by the deadline will be notified to Members before the meeting.

## 5. BUDGET AND COUNCIL TAX 2013/14

### **REPORT OF THE CABINET MEETING, 13TH FEBRUARY 2013** 5 - 12

To consider the report of the Cabinet meeting on 13<sup>th</sup> February 2013 and the proposals of the Mayor and Executive for the Council's Budget and Council Tax 2013/14.

The report is attached together with the following supporting documents:-

#### **Annex 1: Budget Motion from Councillor Alibor Choudhury, Cabinet Member for Resources** 13 - 20

#### **Annex 2: Report of the Interim Corporate Director Resources: General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013-16** 21 - 50

#### **Annex 3: Appendices to the above report as follows:-** 51 - 166

Appendix 1.1 -	Summary of the Medium Term Financial Plan
Appendix 1.2 -	Detailed analysis of the Medium Term Financial Plan by Service Area
Appendix 2 -	Business Rates Retention
Appendix 3 -	Detailed analysis of projected budget revenue growth resulting from increased service demand and higher unit costs
Appendix 4.1 -	Approved savings schedule 2012-15
Appendix 4.2 -	New savings options schedule 2013-15
Appendix 4.3 -	New savings options (Detailed proformas)
Appendix 5 -	Accelerated Delivery (Detailed proformas)
Appendix 6.1 -	Reserves and Balances
Appendix 6.2 -	Risk Evaluation
Appendix 6.3 -	Projected Movement in Reserves
Appendix 7.1 -	Schools Funding Report
Appendix 7.2 -	Schools Budget Allocation (2013/14)
Appendix 8 -	The Housing Revenue Account Medium Term Strategy
Appendix 9.1 -	Current Capital Programme (2012-13 to 2014-15)
Appendix 9.2 -	Indicative schemes to be funded from external sources 2013-14 to 2015-16
Appendix 9.3 -	Summary of Proposed Capital Programme 2012-13 to 2015-16

#### **Annex 4: Overview and Scrutiny Committee response to the Mayor's Initial Budget proposals 2013/14** 167 - 224

**Annex 5: Amended recommendations agreed at the Cabinet Meeting on 13th February 2013** 225 - 256

**Annex 6: Treasury Management - report of the Interim Corporate Director Resources** 257 - 282

# Agenda Item 2

## **DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER**

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

### **Interests and Disclosable Pecuniary Interests (DPIs)**

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

### **Effect of a Disclosable Pecuniary Interest on participation at meetings**

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

**Further advice**

For further advice please contact:-

Isabella Freeman, Assistant Chief Executive (Legal Services), 020 7364 4801; or  
John Williams, Service Head, Democratic Services, 020 7364 4204



## APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to the Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>

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**LONDON BOROUGH OF TOWER HAMLETS**  
**BUDGET COUNCIL MEETING**  
**WEDNESDAY 27<sup>th</sup> FEBRUARY 2013**  
**BUDGET AND COUNCIL TAX 2013/14**  
**REPORT OF THE CABINET MEETING, 13<sup>TH</sup> FEBRUARY 2013 AND**  
**BUDGET PROPOSALS OF THE MAYOR AND EXECUTIVE**

## 1. SUMMARY

- 1.1 This report sets out the proposals of the Mayor and Executive for the Council's Budget and Council Tax 2013/14, as agreed at the Cabinet Meeting on 13<sup>th</sup> February 2013.

## 2. RECOMMENDATIONS

- 2.1 In accordance with the decisions of the Mayor in Cabinet as set out at section 5 below, the Council is **recommended**:-

**General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013/14-2015-16**

- (a) To agree a General Fund Revenue Budget of £297.806m and a Council Tax (Band D) of £885.52 for 2013-14 as set out in the motion attached at Annex 1 to this report.

**Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2013-14**

- (b) To adopt:
- The Treasury Management Strategy Statement set out in sections 6-11 of the report of the Interim Corporate Director Resources at Annex 6 to this report
  - The Annual Investment Strategy set out in section 12 of the report at Annex 6.
  - The Minimum Revenue Provision Policy Statement set out in section 13 of the report at Annex 6, which officers involved in treasury management must then follow.

### **3. CABINET MEETING, 13<sup>TH</sup> FEBRUARY 2013**

- 3.1 The Cabinet Meeting received the report of the Interim Corporate Director Resources on the General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013-16, together with a supplementary report providing further information on the announcement of the final Local Government Funding Settlement.
- 3.2 In considering the information in the reports, the Mayor and Cabinet took into account the comments of the Overview and Scrutiny Committee (OSC) on the Mayor's initial budget proposals for 2013/14 (which had been published in the 9<sup>th</sup> January Cabinet agenda), as agreed by the OSC at two extraordinary meetings on 21<sup>st</sup> and 22<sup>nd</sup> January 2013 and a concluding session at the ordinary meeting on 5<sup>th</sup> February.
- 3.3 The Cabinet Meeting also considered an additional paper setting out the Mayor's amended recommendations in relation to the budget proposals. Following debate, those amended recommendations were agreed as set out at Annex 5 to this report, including the recommendation to Council on the General Fund Revenue Budget and Council Tax for 2013/14.
- 3.4 The amendments made to the budget proposals at the Cabinet meeting on 13<sup>th</sup> February have been subject to further scrutiny by the Overview and Scrutiny Committee at an extraordinary meeting on 18<sup>th</sup> February 2013.
- 3.5 Any comments of the OSC on the amendments, together with the response of the Mayor to those comments, will be circulated before the Council meeting.
- 3.6 Finally, the Cabinet on 13<sup>th</sup> February also considered the report of the Interim Corporate Director Resources on the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2013-14; and agreed recommendations to the Council in that regard.

### **4. DOCUMENTS ATTACHED**

- 4.1 The following documents are attached to this report for the Council's consideration:-

Annex 1: Budget Motion from Councillor Alibor Choudhury, Cabinet Member for Resources

Annex 2: Report of the Interim Corporate Director Resources: General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013-2016 (report updated following Cabinet Meeting on 13<sup>th</sup> February 2013)

Annex 3: Appendices 1 - 10 to the above report:-

- Appendix 1.1 - Summary of the Medium Term Financial Plan
- Appendix 1.2 - Detailed analysis of the Medium Term Financial Plan by Service Area
- Appendix 2 - Business Rates Retention
- Appendix 3 - Detailed analysis of projected budget revenue growth resulting from increased service demand and higher unit costs
- Appendix 4.1 - Approved savings schedule 2012-15
- Appendix 4.2 - New savings options schedule 2013-15
- Appendix 4.3 - New savings options (Detailed proformas)
- Appendix 5 - Accelerated Delivery (Detailed proformas)
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- Appendix 9.3 - Summary of Proposed Capital Programme 2012-13 to 2015-16

Annex 4: Overview and Scrutiny Committee response to the Mayor's Initial Budget Proposals 2013/14

Annex 5: General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013/16 – Amended recommendations agreed at the Cabinet meeting on 13<sup>th</sup> February 2013.

Annex 6: Report of the Interim Corporate Director Resources to the Cabinet on 13<sup>th</sup> February 2013: Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2013-14.

## 5. **DECISIONS OF THE CABINET, 13<sup>TH</sup> FEBRUARY 2013**

The Decisions of the Mayor in Cabinet are set out below:-

### **General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013/14-2015-16**

1. To agree that a General Fund Revenue Budget of £297.806m and a

Council Tax (Band D) of £885.52 for 2013-14 be recommended to Budget Council for consideration.

2. To note the following matters –

**a. Budget Consultation**

The summary provided of the budget consultation, which includes the comments and recommendations of the Overview and Scrutiny Committee.

**b. Funding**

The funding available for 2013-14 and the indications and forecasts for future years; and the introduction of the new local government funding system.

**c. Base Budget 2013-14**

The Base Budget for 2013-14 as £293.865m as detailed in Appendix 1.2.

**d. Growth and Inflation**

The risks identified from potential inflation and committed growth arising in 2013-14 and future years and as set out in Section 9 and in Appendix 3 to the report

**e. General Fund Revenue Budget and Medium Term Financial Plan 2013-14 to 2015-16**

The initial budget proposal and Council Tax for 2013-14 together with the Medium Term Financial Plan set out in Appendix 1 and the savings targets arising.

**f. Savings**

Savings items proposed to be included in budgets for 2013-14 and future years set out in Section 10 and in Appendices 4.

**g. Mayor's Priorities**

Initiatives to be included in the budgets for 2013-14 and 2014-15 set out in Section 10.3 and in Appendix 5.

**h. Capital Programme**

The capital programme to 2014-15, including the proposed revisions to the current programme as set out in section 14 and detailed in Appendix 9.

**i. Dedicated Schools Grant**

The position with regard to Dedicated Schools Grant as set out in section 12 and Appendix 7.

**j. Housing Revenue Account**

The position with regard to the Housing Revenue Account as set out in section 13 and Appendix 8.

**k. Financial Risks: Reserves and Contingencies**

Advice on strategic budget risks and opportunities as set out in section 11 and Appendices 6.1, 6.2 and 6.3.

**l. Reserves and Balances**

The position in relation to reserves as set out in the report and further detailed in Appendices 6.1 and 6.3, and officers' advice on the strategy for general reserves at 8.40.

3. To note the advice of the chief financial officer in relation to resources available to fund one-off priorities in the next two financial years.
4. To agree to utilise £1m of capital receipts to part fund the Faith Buildings initiative announced at Cabinet on 3rd October 2012 and adopt a capital scheme for this purpose.
5. To accept the following Accelerated Delivery proposals as set out in Appendix 5 of the pack:-
  - The Mayor's Higher Education Bursary at a cost of £1.260m over two years.
  - Borough-wide deep clean and education programme at a cost of £0.800m.
  - Roman Road Town Centre Improvements and Brick Lane Commercial District initiatives at a cost of £0.355m.
  - Measures to protect vulnerable residents in temporary accommodation from the impact of welfare reform at a cost of £1.000m

(These measures totalling £3.415m to be met from surplus earmarked reserves up to a value of £2.065m and the balance of £1.350m from additional savings identified during the budget process.)

6. To propose the following further measures, the details of which are included in the pro-forma papers attached to the amendment to the main report:-

- Free School Meals for reception and year 1 pupils in Tower Hamlets Primary Schools, free schools and academies for two academic years at a cost of £2.756m, to be funded from Public Health Grant.
- An additional 10 'THEOs' and additional CCTV surveillance for two years at a cost of £1.330m, to be funded from additional revenue savings identified during the budget process.
- Repair of pot holes at a cost of £0.200m to be funded from additional revenue savings identified during the budget process.
- Investment of £3.000m towards the provision of a multi-faith burial site for Tower Hamlets residents to be adopted as a scheme in the capital programme and funded from capital receipts.
- Measures to support cycling at a cost of £0.100m to be adopted as a scheme in the capital programme and funded from capital receipts.
- An additional £1.000m in capital grants for Faith Buildings to be adopted in the capital programme and funded from capital receipts.

### **Reasons for the decision**

The Council is under an obligation to set a balanced budget for the forthcoming year and to set a Council Tax for the next financial year by 7<sup>th</sup> March 2013. The setting of the budget is a decision reserved for Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with the Overview & Scrutiny Committee at this meeting to allow for due process. The announcements that have been made about Government funding for the authority require a robust and timely response to enable a balanced budget to be set.

### **Alternative options**

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

### **Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2013-14**

1. To recommend that Full Council adopt:-
  - 1.1. The Treasury Management Strategy Statement set out in sections 6-11 of the report of the Interim Corporate Director, Resources.



- 1.2. The Annual Investment Strategy set out in section 12 of the report.
  - 1.3. The Minimum Revenue Provision Policy Statement set out in section 13 of the report, which officers involved in treasury management must then follow.
2. To delegate to the Interim Corporate Director of Resources, after consultation with the Lead Member for Resources, authority to vary the figures in this report to reflect any decisions made in relation to the Capital Programme prior to submission to Budget Council.

### **Reasons for the decision**

It is consistent with the requirements of treasury management specified by CIPFA, to which the Council is required to have regard under the Local Government Act 2003 and regulations made under that Act, for the Council to produce three strategy statements to support the Prudential Indicators which ensure that the Council's capital investment plans are affordable, sustainable and prudent. The three documents that the Council should produce are:

- Treasury Management Strategy, including prudential indicators
- Investment Strategy
- Minimum Revenue Provision Policy Statement;

### **Alternative options**

The Council is bound by legislation to have regard to the CIPFA requirements for treasury management. If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that the Council's capital investment plans are affordable, sustainable and prudent. The strategies and policy statement put forward in the report are considered the best methods of achieving the CIPFA requirements. Whilst it may be possible to adopt variations of the strategies and policy statement, this would risk failing to achieve the goals of affordability, sustainability and prudence.

## **LOCAL GOVERNMENT ACT 1972 – SECTION 100D (AS AMENDED)**

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

<b>Brief description of "background paper"</b>	<b>Tick if copy supplied</b>	<b>If not supplied, name and telephone number of holder</b>
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No unpublished background papers were relied upon to a material extent in the preparation of this report.

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# Agenda Annex

## Annex 1

<b>BUDGET COUNCIL MEETING</b> <b>27<sup>nd</sup> February 2013</b> <b>COUNCIL TAX REQUIREMENT 2013/14</b>
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**BUDGET MOTION FROM COUNCILLOR ALIBOR CHOUDHURY, CABINET MEMBER FOR RESOURCES**

**I propose the following motion in relation to Agenda item 5: "Report of the Cabinet Meeting, 13<sup>th</sup> February 2013:-**

**That Council: -**

**General Fund Revenue Budget and Council Tax Requirement 2013/14**

1. Agree a General Fund revenue budget of £297.806m and a total Council Tax Requirement for Tower Hamlets in 2013/14 of £63,343,000 as set out in the table below.

Service	Revised Base 2012-13 £'000	Savings		Growth £'000	Adjustments £'000	Total Budget 2013-14 £'000
		Approved £'000	New £'000			
Education, Social Care and Wellbeing	183,651	(3,750)	(3,910)	21,326	(2,184)	195,133
Communities, Localities and Culture	78,855	(5,017)	(249)	5,417	(3,319)	75,687
Development & Renewal	20,192	(5,542)	0	1,720	(597)	15,773
Resources	11,811	(1,206)	(90)	1,250	(904)	10,861
Chief Executives	9,545	(187)	0	0	(909)	8,449
Public Health	0	0	0	29,982	0	29,982
<b>Net Service Costs</b>	<b>304,054</b>	<b>(15,702)</b>	<b>(4,249)</b>	<b>59,695</b>	<b>(7,913)</b>	<b>335,885</b>
<b>Other Net Costs</b>						
Capital Charges	10,010	0	(150)	1,000	0	10,860
Levies	2,415	0	(399)	0	0	2,016
Pensions	13,142	0	0	2,250	0	15,392
Other Corporate Costs	(19,022)	(1,669)	(460)	1,170	2,642	(17,339)
<b>Total Other Net costs</b>	<b>6,545</b>	<b>(1,669)</b>	<b>(1,009)</b>	<b>4,420</b>	<b>2,642</b>	<b>10,929</b>
Public Health	0	0	0	(31,382)	0	(31,382)
Core Grants	(14,312)	(32)	(11,179)	2,284	0	(23,239)
<b>Reserves</b>						
General Fund	0	0	0	0	0	0
Earmarked	(2,317)	(3,400)	0	0	2,024	(3,693)
General Fund (Smoothing)	(105)	0	0	0	2,717	2,612
<b>Inflation</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,760</b>	<b>5,760</b>
<b>Mayors Priorities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>934</b>	<b>0</b>	<b>934</b>
<b>Total Financing Requirement</b>	<b>293,865</b>	<b>(20,803)</b>	<b>(16,437)</b>	<b>40,777</b>	<b>(530)</b>	<b>297,806</b>
Government Funding	(211,835)	0	0	61,165	0	(150,670)
Retained Business Rates	0			(96,361)	0	(96,361)
Council Tax	(80,430)	(554)	0	17,641	0	(63,343)
Collection Fund Surplus	0	0	(1,645)	0	0	(1,645)
<b>Total Financing</b>	<b>(292,265)</b>	<b>(554)</b>	<b>0</b>	<b>78,806</b>	<b>0</b>	<b>(312,019)</b>

2. Agree a Council Tax for Tower Hamlets in 2013/14 of £885.52 at Band D resulting in a Council Tax for all other band taxpayers, before any discounts, and excluding the GLA precept, as set out in the table below:-

BAND	PROPERTY VALUE		RATIO TO BAND D	LBTH COUNCIL TAX FOR EACH BAND
	FROM £	TO £		
A	0	40,000	$\frac{6}{9}$	£590.35
B	40,001	52,000	$\frac{7}{9}$	£688.74
C	52,001	68,000	$\frac{8}{9}$	£787.13
D	68,001	88,000	$\frac{9}{9}$	£885.52
E	88,001	120,000	$\frac{11}{9}$	£1,082.30
F	120,001	160,000	$\frac{13}{9}$	£1,279.08
G	160,001	320,000	$\frac{15}{9}$	£1,475.87
H	320,001	and over	$\frac{18}{9}$	£1,771.04

3. Agree that for the London Borough of Tower Hamlets in 2013/14:-

(a) The Council Tax for Band D taxpayers, before any discounts, and including the GLA precept, shall be **£1,188.52** as shown below: -

	£
	(Band D, No Discounts)
LBTH	885.52
GLA	303.00
Total	1,188.52

(b) The Council Tax for taxpayers in all other bands, before any discounts, and including the GLA precept, shall be as detailed in the table below: -

<i><b>BAND</b></i>	<i><b>PROPERTY VALUE</b></i>		<i><b>RATIO TO BAND D</b></i>	<i><b>LBTH</b></i>	<i><b>GLA</b></i>	<i><b>TOTAL</b></i>
	<i><b>FROM</b></i> £	<i><b>TO</b></i> £				
A	0	40,000	<sup>6</sup> / <sub>9</sub>	590.35	202.00	792.35
B	40,001	52,000	<sup>7</sup> / <sub>9</sub>	688.74	235.67	924.41
C	52,001	68,000	<sup>8</sup> / <sub>9</sub>	787.13	269.33	1,056.46
D	68,001	88,000	<sup>9</sup> / <sub>9</sub>	885.52	303.00	1,188.52
E	88,001	120,000	<sup>11</sup> / <sub>9</sub>	1,082.30	370.33	1,452.63
F	120,001	160,000	<sup>13</sup> / <sub>9</sub>	1,279.08	437.67	1,716.75
G	160,001	320,000	<sup>15</sup> / <sub>9</sub>	1,475.87	505.00	1,980.87
H	320,001	and over	<sup>18</sup> / <sub>9</sub>	1,771.04	606.00	2,377.04

- 4 Approve the statutory calculations of this Authority's Council Tax Requirement in 2013/14, detailed in **Appendix A** to this motion, undertaken by the Chief Financial Officer in accordance with the requirements of Sections 31 to 36 of the Local Government Finance Act 1992.
- 5 Approve the Treasury Management Strategy Statement, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement as presented to Cabinet on 13 February 2013.
- 6 Approve the General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013-2016 as amended by the alternative options as agreed by the Mayor in Cabinet on 13 February and as set out in the attached report of the Mayor in Cabinet and summarised in the tables below.

### Summary Draft Medium Term Financial Plan 2013-16

	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
<b>Net Service Costs</b>	310,960	293,865	297,806	301,117
<b>Growth (Incl Public Health)</b>	6,005	40,398	4,536	2,755
<b>CLG Grants transferring into baseline</b>	0	23,717	0	0
<b>Savings</b>				
<b>Approved</b>	(23,656)	(20,771)	(6,577)	0
<b>New</b>		(5,258)	(115)	0
<b>Inflation</b>	4,100	5,760	6,342	7,000
<b>Core Grants (incl Public Health)</b>	(3,647)	(40,309)	(460)	(406)
<b>Earmarked Reserves (Directorates)</b>	103	(530)	(565)	0
<b>Funding Available for Mayoral Priorities</b>	0	934	150	(1,084)
<b>Total Funding Requirement</b>	<u>293,865</u>	<u>297,806</u>	<u>301,117</u>	<u>309,382</u>
<b>Government Funding</b>	(211,835)	(150,670)	(122,968)	(105,876)
<b>Retained Business Rates</b>		(96,361)	(98,763)	(100,232)
<b>Council Tax</b>	(80,430)	(63,343)	(64,927)	(66,550)
<b>Collection Fund Surplus</b>	0	(1,645)	0	0
<b>Total Funding</b>	<u>(292,265)</u>	<u>(312,019)</u>	<u>(286,658)</u>	<u>(272,658)</u>

Detailed analysis of the Medium Term Financial Plan by service area 2013/14 to 2015/16

Service	Base	Savings		Growth	Adjustments	Total	Savings		Growth	Adjustments	Total	Savings		Growth	Adjustments	Total
	2012-13 £'000	Approved £'000	New £'000				2013-14 £'000	Approved £'000				New £'000	2014-15 £'000			
Education, Social Care and Wellbeing	183,651	(3,750)	(3,910)	21,326	(2,184)	195,133	(1,960)	(50)	2,567	(710)	194,980	0	0	(909)	0	194,071
Communities, Localities and Culture	78,855	(5,017)	(249)	5,417	(3,319)	75,687	(350)	(65)	785	(565)	75,493	0	0	(222)	0	75,271
Development & Renewal	20,192	(5,542)	0	1,720	(597)	15,773	(1,534)	0	0	0	14,239	0	0	0	0	14,239
Resources	11,811	(1,206)	(90)	1,250	(904)	10,861	(230)	0	0	0	10,631	0	0	0	0	10,631
Chief Executives	9,545	(187)	0	0	(909)	8,449	0	0	0	0	8,449	0	0	0	0	8,449
Public Health	0	0	0	29,982	0	29,982	0	0	0	0	29,982	0	0	0	0	29,982
<b>Net Service Costs</b>	<b>304,054</b>	<b>(15,702)</b>	<b>(4,249)</b>	<b>59,695</b>	<b>(7,913)</b>	<b>335,885</b>	<b>(4,074)</b>	<b>(115)</b>	<b>3,352</b>	<b>(1,275)</b>	<b>333,773</b>	<b>0</b>	<b>0</b>	<b>(1,131)</b>	<b>0</b>	<b>332,642</b>
<b>Other Net Costs</b>																
Capital Charges	10,010	0	(150)	1,000	0	10,860	0	0	1,000	0	11,860	0	0	0	0	11,860
Levies	2,415	0	(399)	0	0	2,016	0	0	0	0	2,016	0	0	0	0	2,016
Pensions	13,142	0	0	2,250	0	15,392	0	0	2,200	0	17,592	0	0	2,000	0	19,592
Other Corporate Costs	(19,022)	(1,669)	(460)	1,170	2,642	(17,339)	(2,503)	0	(2,016)	0	(21,858)	0	0	1,886	0	(19,972)
<b>Total Other Net costs</b>	<b>6,545</b>	<b>(1,669)</b>	<b>(1,009)</b>	<b>4,420</b>	<b>2,642</b>	<b>10,929</b>	<b>(2,503)</b>	<b>0</b>	<b>1,184</b>	<b>0</b>	<b>9,610</b>	<b>0</b>	<b>0</b>	<b>3,886</b>	<b>0</b>	<b>13,496</b>
Public Health Grant	0	0	0	(31,382)	0	(31,382)	0	0	0	0	(31,382)	0	0	0	0	(31,382)
Core Grants	(14,312)	(32)	(11,179)	2,284	0	(23,239)	(2,000)	(1,000)	2,540	0	(23,699)	(2,000)	(1,000)	2,594	0	(24,105)
<b>Reserves</b>																
General Fund (Corporate)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Earmarked (Directorate)	(2,317)	(3,400)	0	0	2,024	(3,693)	0	0	0	710	(2,983)	0	0	0	0	(2,983)
General Fund (Smoothing)	(105)	0	0	0	2,717	2,612	0	0	0	0	2,612	0	0	0	0	2,612
Inflation	0	0	0	5,760	0	5,760	0	0	6,342	0	12,102	0	0	7,000	0	19,102
Funding Available for Mayoral Priorities	0	0	0	934	0	934	0	0	150	0	1,084	0	0	(1,084)	0	0
<b>Total Financing Requirement</b>	<b>293,865</b>	<b>(20,803)</b>	<b>(16,437)</b>	<b>40,777</b>	<b>(530)</b>	<b>297,806</b>	<b>(8,577)</b>	<b>(1,115)</b>	<b>13,418</b>	<b>(565)</b>	<b>301,117</b>	<b>(2,000)</b>	<b>(1,000)</b>	<b>12,349</b>	<b>0</b>	<b>309,382</b>
Government Funding	(211,835)	0	0	61,165	0	(150,670)	0	0	27,702	0	(122,968)	0	0	17,092	0	(105,876)
Retained Business Rates	0	0	0	(96,361)	0	(96,361)	0	0	(2,402)	0	(98,763)	0	0	(1,469)	0	(100,232)
Council Tax	(80,430)	(554)	0	17,641	0	(63,343)	0	0	(1,584)	0	(64,927)	0	0	(1,623)	0	(66,550)
Collection Fund Surplus	0	0	(1,645)	0	0	(1,645)	0	0	0	0	0	0	0	0	0	0
<b>Total Financing</b>	<b>(292,265)</b>	<b>(554)</b>	<b>0</b>	<b>78,806</b>	<b>0</b>	<b>(312,019)</b>	<b>0</b>	<b>0</b>	<b>26,118</b>	<b>0</b>	<b>(286,658)</b>	<b>0</b>	<b>0</b>	<b>15,469</b>	<b>0</b>	<b>(272,658)</b>

**LONDON BOROUGH OF TOWER HAMLETS  
COUNCIL 27<sup>th</sup> FEBRUARY 2013  
BUDGET & COUNCIL TAX STATUTORY CALCULATIONS**

**SETTING THE AMOUNT OF COUNCIL TAX FOR THE COUNCIL'S AREA**

1. That the revenue estimates for 2013/2014 be approved.
2. That it be noted that, at its meeting on 9<sup>th</sup> January 2013, Cabinet calculated 71,531 as its Council Tax base for the year 2013/2014 [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the "Act")]
3. That the following amounts be now calculated by the Council for the year 2013/14 in accordance with Section 31 to 36 of the Local Government Finance Act 1992 as amended and the Local Authorities (Alteration of Requisite Calculations) (England) Regulations 2011:
  - (a) £1,189,518,000 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of The Act. [Gross Expenditure]
  - (b) £1,126,175,000 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of The Act. [Gross Income]
  - (c) £63,343,000 Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Section 31A(4) of The Act, as its council tax requirement for the year. (Item R in the formula in Section 31B of The Act). [Council Tax Requirement]
  - (d) £885.52 Being the amount at 3(c) above (Item R), all divided by Item T (2 above), calculated by the Council, in accordance with Section 31B(1) of The Act, as the basic amount of its Council Tax for the year. [Council Tax]



**LONDON BOROUGH OF TOWER HAMLETS  
COUNCIL 27<sup>th</sup> FEBRUARY 2013  
BUDGET & COUNCIL TAX STATUTORY CALCULATIONS**

(e)	<b>VALUATION BAND</b>	<b>LBTH £</b>
	A	590.35
	B	688.74
	C	787.13
	D	885.52
	E	1,082.30
	F	1,279.08
	G	1,475.87
	H	1,771.04

Being the amount given by multiplying the amount at 3(d) above by the number which, in the proportion set out in Section 5(1) of The Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of The Act, as the amount to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. That it be noted that for the year 2013/14 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:-

<b>VALUATION BAND</b>	<b>GLA £</b>
A	202.00
B	235.67
C	269.33
D	303.00
E	370.33
F	437.67
G	505.00
H	606.00

**LONDON BOROUGH OF TOWER HAMLETS  
COUNCIL 27<sup>th</sup> FEBRUARY 2013  
BUDGET & COUNCIL TAX STATUTORY CALCULATIONS**

5. That, having calculated the aggregate in each case of the amounts at 3(d) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2013/14 for each of the categories of dwellings shown below:-

<b>VALUATION BAND</b>	<b>TOTAL COUNCIL TAX £</b>
A	792.35
B	924.41
C	1056.46
D	1188.52
E	1452.63
F	1716.75
G	1980.87
H	2377.04

6. New government regulation now requires a local authority to conduct a referendum where if compared with the previous year, they set council tax increases that are “excessive”. Under current legislation and in accordance with principles approved under Section 52ZB Local Government Finance Act 1992, the Council tax set by the London Borough of Tower Hamlets for 2013/14 is not deemed to be excessive.

# Agenda Annex

<b>Committee:</b> Cabinet	<b>Date:</b> 13 <sup>th</sup> February 2013	<b>Classification:</b> Unrestricted	<b>Annex 2</b>
<b>Report of:</b> Interim Corporate Director of Resources  <b>Originating officer(s):</b> Alan Finch, Service Head, Financial Services, Risk and Accountability		<b>Title:</b> General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013-2016  <b>Wards Affected:</b> ALL	

<b>Lead Member</b>	Cllr Alibor Choudhury (Cabinet Member for Resources)
<b>Community Plan Theme</b>	One Tower Hamlets
<b>Strategic Priority</b>	Ensuring Value for Money across the Council

## 1. SUMMARY

1.1. This report sets out proposals which form part of the draft Medium Term Financial Plan (MTFP) covering the three year period from 2013-14 to 2015-16. It includes a revised assessment in each of the next three years of the General Fund, Dedicated Schools Grant (DSG), Housing Revenue Account (HRA) and the Capital Programme including:

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

A summary of the projected General Fund budget for each of the three years is shown in Appendix 1.1 with a more detailed service analysis in Appendix 1.2.

1.2. The draft MTFP has been prepared against a backdrop of an uncertain national economic position. Whilst there are some recent signs of recovery, the UK economy remains below the level of output that was recorded before the credit crunch, and the sustained period over which Gross Domestic Product (GDP) has remained below its peak is the longest for over a hundred years. Recent figures indicate that the public spending deficit is not reducing in line with the government's plans. At the same time the government is proposing major changes to the way public services are both delivered and financed in the future with a significant transfer of risk to local authorities.

- 1.3. In the Autumn Statement on 5<sup>th</sup> December, the Chancellor of the Exchequer confirmed that the Government would maintain the same pace of spending cuts for three further years beyond the end of the current Spending Review, into 2017-18. In addition, it was announced that local government spending would be reduced by a further 2% in 2014/15. For Tower Hamlets this is likely to mean that over the seven years of the austerity period, from the emergency budget in the Autumn of 2010 to 2017/18, the Council's General Fund budget, excluding schools, will have been cut by around 50% in real terms. The savings agreed by the Council so far takes us to around the half-way point of this programme. The settlement announcement on 19<sup>th</sup> December, while it differed in detail from expectations, confirmed the Government's commitment to reducing funding for local government.
- 1.4. The MTFP, of necessity, includes a number of key planning assumptions which will need to be closely tracked as part of the Council's established financial and performance monitoring process. This will ensure that any significant variances are quickly identified together with appropriate mitigating actions.

## **2. RECOMMENDATIONS**

The Mayor in Cabinet is recommended to:

- 2.1 Agree that a General Fund Revenue Budget of £297.806m and a Council Tax (Band D) of £885.52 for 2013-14 be referred to budget council for consideration.
- 2.2 Consider and comment on the following matters -

### **a. Budget Consultation**

The summary provided of the budget consultation, which includes the comments and recommendations of the overview and scrutiny committee.

### **b. Funding**

The funding available for 2013-14 and the indications and forecasts for future years (section 8) and note the introduction of the new local government funding system (Appendix 2).

### **c. Base Budget 2013-14**

The Base Budget for 2013-14 as £293.865m as detailed in Appendix 1.1.

### **d. Growth and Inflation**

The risks identified from potential inflation and committed growth arising in 2013-14 and future years and as set out in Section 9 and in Appendix 3.

**e. General Fund Revenue Budget and Medium Term Financial Plan 2013-14 to 2015-16**

The initial budget proposal and Council Tax for 2013-14 together with the Medium Term Financial Plan set out in Appendix 1 and the savings targets arising.

**f. Savings**

Savings items proposed to be included in budgets for 2013-14 and future years set out in Section 10 and in Appendices 4.

**g. Mayors Priorities**

Initiatives to be included in the budgets for 2013-14 and 2014-15 set out in Section 10.3 and in Appendix 5.

**h. Capital Programme**

The capital programme to 2014-15, including the proposed revisions to the current programme as set out in section 14 and detailed in Appendix 9.

**i. Dedicated Schools Grant**

The position with regard to Dedicated Schools Grant as set out in section 12 and Appendix 7.

**j. Housing Revenue Account**

The position with regard to the Housing Revenue Account as set out in section 13 and Appendix 8.

**k. Financial Risks: Reserves and Contingencies**

Advice on strategic budget risks and opportunities as set out in section 11 and Appendices 6.1, 6.2 and 6.3.

**l. Reserves and Balances**

The position in relation to reserves as set out in the report and further detailed in Appendices 6.1 and 6.3, and officers' advice on the strategy for general reserves at 8.40.

### **3. REASONS FOR THE DECISIONS**

The Council is under an obligation to set a balanced budget for the forthcoming year and to set a Council Tax for the next financial year by 7<sup>th</sup> March 2013. The setting of the budget is a decision reserved for Council. The Council's Budget and Policy Framework requires that a draft budget is issued for consultation with the Overview & Scrutiny Committee at this meeting to allow for due process.

The announcements that have been made about Government funding for the authority require a robust and timely response to enable a balanced budget to be set.

### **4. ALTERNATIVE OPTIONS**

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

### **5. BACKGROUND**

- 5.1. The Council's integrated financial and business planning process is the key mechanism for reviewing plans and strategies to ensure priorities are being met and that resources are allocated effectively to underpin their achievement. The process culminates in changes to the budget and medium term financial strategy that delivers a revised Community Plan and Strategic Plan.
- 5.2. The draft Medium Term Financial Plan (MTFP) as presented to Cabinet on 20th June 2012 showed that the budget was for practical purposes balanced for the first two years of the MTFP, 2013-14 and 2014/15. The report also projected forward a further two years and it was indicated that further savings were likely to be necessary for the period 2015/16- 2016/17.
- 5.3. Since the June meeting further announcements have been made by the government, which are set out in detail in the report. In particular, in July the government set out revised spending control totals for 2013/14 and provisional figures for later years which made it clear that the funding available for next financial year would be less than previously anticipated. It was also announced that a considerable amount of previously non-ringfenced grant distributed via the Early Intervention Grant would in future be ringfenced within the Dedicated Schools Grant. The revised planning assumptions are set out in detail in the

report below and additional savings options are now being presented as part of the consultation and scrutiny process.

5.4. The main body of the report is in 11 Sections:

Strategic Approach (Section 6)  
Medium Term Financial Plan & Proposed Budget (Section 7)  
Financial Resources (Section 8)  
Budget Growth Pressures (Section 9)  
Budget Process and Savings Proposals (Section 10)  
Risks and Opportunities (Section 11)  
Schools Funding (Section 12)  
Housing Revenue Account (Section 13)  
Capital Programme (Section 14)  
Treasury Management Strategy (Section 15)  
Consultation (Section 16)

5.5. The key planning assumptions that support the draft MTFP are set out below and in the attached Appendices (as listed in Section 24 below).

## **6. STRATEGIC APPROACH**

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

6.2. Notwithstanding the need to manage within a very challenging financial context, the Council remains focused on delivering its key policy objectives. Specifically the Mayor has made clear those priorities that he wishes to see reflected in the allocation of Council resources, namely: improving the condition of social housing; increasing the supply of affordable social housing (particularly family sized housing); maintaining the provision of services for young people; delivering programmes of skills development, employment and enterprise activity; maintaining support to vulnerable adults; minimising the impact on resident household budgets and; protecting investment in activity that promotes community safety.

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

A Council that will:

- employ a workforce that fully reflects the community it serves;

- ensure its staff are never paid below the London living wage;
- minimise job losses and promote career development;
- fully open its supply chain to local suppliers
- support the work of our community partners in the delivery of services.

6.4. There are five key strands to delivering savings which have been developed through the budget process:

- A leaner workforce: with a particular focus on rationalising senior management; stripping out duplication and bureaucracy; and creating a flatter, more generic operational structure designed both to enable the progression of talented employees and to be more acutely focused on serving the needs of our residents.
- Smarter Working: with a particular focus on the vacation of Anchorage House in 2013; more localised patterns of working; better use of new technology to enable council officers to do their jobs more effectively and at less cost and; opening up opportunities for residents to access our services in ways that reflect the realities of their lives be that in their homes, on-line, over the phone or in our offices and one stop shops.
- Better utilisation of our assets: with a particular focus on underutilised buildings being put to better use and, where not possible, disposed of to support the council's capital programme and a root and branch review of our treasure management and capital planning arrangements.
- Income Optimisation: with a particular focus on ensuring that charges are set fairly and in a manner that protects our most vulnerable residents; ensuring money owed to us is collected in a timely and efficient manner; and on a review of our commercial charges.
- Better Buying: with a particular focus on supporting local businesses to access the council's supply chain, ensuring a continuing role for the third sector in the delivery of services and ensuring that private sector contractors give value for money and deliver efficiency savings where appropriate, whilst working within the values and ethos of the council.

6.5. Given the scale of the financial challenge facing the Council in the coming years it has also been necessary to consider cost reduction and resource prioritisation proposals. This is being done having regard to the needs of service users and residents more generally. Accordingly public engagement and consultation has already started so that views and opinions can be canvassed and debated and used to inform the final decisions of Council.



## **7. MEDIUM TERM FINANCIAL PLAN & PROPOSED BUDGET**

7.1. The revised Medium Term Financial Plan is set out at Appendix 1.1, and the detail by service area at Appendix 1.2. The detailed figures and assumptions incorporated in these tables are explained in detail in the report. The figures assume a Council budget requirement of £297.806m for 2013/14 and a Council Tax at Band D of £885.52.

7.2. As approved by the Cabinet in February, and despite changes to a number of items which have emerged since that time, the budget remains balanced for 2013/14 and 2014/15. As reported to the Cabinet in June, although no Government figures have been published to this effect, it is now widely anticipated that an austerity policy will continue into 2015/16 and beyond. The Chancellor announced in the Autumn Statement that this trend will continue until 2017/18, which is two years beyond the end of the current MTFP.

It should be noted that the MTFP indicates that a savings target of £24.2m in the year 2015/16. If forecasts that austerity may last nearly to the end of decade are correct, this could be followed by further years in which savings targets of £20m-£30m a year need to be addressed.

7.3. The Council's strategy of using reserves to smooth the delivery of savings also provides time to develop and implement savings proposals which will reduce costs while doing as much as possible to preserve services. This strategy needs to be kept under review but remains affordable.

7.4. The Mayor is working with the Corporate Management Team to devise a strategy to manage the budget gap from 2015/16 onwards. CMT has advised that it will commission businesses cases from the relevant corporate boards to:

- a. Take a fresh look at our spend as an organisation. This will include:
  - Looking at workforce efficiency, including management layers and spans of control.
  - Undertaking a series of scoping exercises to look at the use of information management to improve efficiency.
  - Further review third party spend, to be led by the Competition Board, to test the capacity for alternative and better value sourcing options.
- b. Look at the spend across the borough and public sector. This will include:
  - Joint working with businesses, other public sector organisations and the third sector and to investigate joint funding and joint procurement opportunities as well as to reduce duplication.

Officers will undertake the work bearing in mind the priorities and principles established by the Mayor.

The business cases will inform the medium term financial planning through the normal processes.

## **8. FINANCIAL RESOURCES**

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

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

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

### **Retained Business Rates and RSG**

8.3. From 2013/14, the needs-related Formula Grant, which was the main non-ringfenced grant supporting the General Fund, will be abolished. In its place, the Local Government Finance Act 2012 introduces a system whereby future increases in funding will be governed by the Council's own performance in generating business rates income.

8.4. Until this year, business rates collected within the Borough have been paid in full to the Government which has used the income to fund Formula Grant. In effect this means business rates collected throughout the country have been reallocated between all authorities on the basis of need. From 2013/14 onwards, business rates will be distributed between the Government, the GLA and Tower Hamlets according to complex new arrangements. A fuller explanation of the new arrangements and the impact they may have on future planning is set out at Appendix 2.

8.5. In effect the only way a local authority can increase its main non-ringfenced funding from 2013/4 onwards will be to collect more business rates from local businesses or by increasing Council Tax. Since the Government will continue to set the rates poundage annually, in effect an increase in business rates can only realistically come about by increasing the 'business rates taxbase' (i.e. the value of commercial and other non-domestic properties paying rates in the Borough).

8.6. It is also clear that the rates retention scheme will not be as generous to growing authorities as was first hoped.

- The Government has indicated that it will continue to set national control totals for local government funding and, in effect, scale back the amount of business rates it allows authorities to keep in line with national economic policy. Business Rates Retention will not be an 'escape route' from Government austerity.
- The Government has announced that it will be top slicing business rates at a national level by 50%, which will continue to be redistributed to authorities as Revenue Support Grant (RSG). In London the GLA will take 40% of what is left. This will mean that we could only ever have access to 30% of the growth in business rates locally, which dampens the 'incentive' effect the Government intends the scheme to have.

8.7. Notwithstanding these limitations, the MTFP assumes that growth in business rates of around £3.2m above the Government estimated amount will be achieved in 2013/14. Clearly this income is not guaranteed and depends upon collection performance, economic conditions and decisions of the Valuation Office, but provision for these risks have been factored into the calculation. In the longer term, it is hoped that significant development, including in Canary Wharf, City Fringe and Spitalfields, Blackwall Reach and the Lea Valley will continue to give us a larger share of the money that is available than Formula Grant would have done.

8.8. The final local government settlement providing authority-by-authority figures for 2013/14 was announced on February 4<sup>th</sup>.

8.9. The overall level of non-ringfenced funding available to the Council is shown in the table below and are reflected in the draft MTFP. No figures have been announced for 2015/16.

	<b>2012-13 Adjusted £million</b>	<b>2013-14 £million</b>	<b>2014-15 £million</b>
Start-up funding allocation	252.101	243.867	219.022
Non ringfenced core grants	17.006	21.581	24.041
<b>Total</b>	<b>269.107</b>	<b>265.448</b>	<b>243.063</b>
Annual Change in £m		-3.659	-22.385
Annual Change %		-1.4%	-8.4%

The 'Start-up funding allocation' represents the funding level set by the Government as the starting point for the new funding system, including the Government's assumption of retained business rates.

8.10. The detailed income allocations and estimates for the period of the MTFP are as follows (estimated figures for 2015/16);

	<b>2013-14 £million</b>	<b>2014-15 £million</b>	<b>2015-16 £million</b>
Forecast business rates income	96.361	98.763	100.232
Top up/ tariff	4.228	4.358	4.467
Revenue Support Grant	146.442	118.610	101.409
<b>Total funding</b>	<b>247.031</b>	<b>221.731</b>	<b>206.108</b>

- 8.11 Government figures are based around a baseline funding figure which has been calculated on the basis of an updated Formula Grant methodology for 2013/14. The intention is to ensure that no authority loses out relative to all the others as at the 1<sup>st</sup> April 2013; that is to say, each authority will receive the same share of the funding available for 2013/14 that it would have received if the Formula Grant had remained in place. However, funding baseline figures are based on the 2013/14 control totals and therefore include Government funding cuts.
- 8.12 As indicated above, at this stage the grant figures represent figures provided for consultation by the Government and represent best estimates from the government data currently available. The MTFP may need to be adjusted in the future as and when firm figures are available.

#### Grants Rolled Up Into Baseline Funding

- 8.13. Six grants will cease to be distributed as separate grants in 2013/14 and will be 'rolled up' into the spending baseline for the start of the new rates retention system. In addition, the Government is removing funding from the settlement in respect of central education services provided by local authorities. This funding will in future be included within schools funding to the extent that it provides services for the authorities' own schools.

<b>GRANTS TRANSFERRING INTO SPENDING BASELINE</b>	<b>2012/13 Allocation £'000</b>	<b>2013/14 Indicative £'000</b>
Council Tax Freeze Grant 2011/12 (4 years)	1,968	1,968
Early Intervention Grant	21,291	15,034
Learning Disabilities & Health Reform	1,823	1,889
Preventing Homelessness	1,925	1,740
Local Flood	274	147
	<b>27,281</b>	<b>20,778</b>
Council Tax Support Grant	-	20,422
Central Education Funding	-	(5,473)
<b>TOTAL GRANT TRANSFERS</b>	<b>27,281</b>	<b>35,727</b>

- 8.14. The normal way of dealing with grants that transfer into mainstream funding within the MTFP is to increase the base budget in line with the amount of grant

transferring. This is the assumption that has been made in the MTFP in relation to these six grants, with the following two exceptions.

- 8.15. Council Tax Support funding partially replaces the loss of Council Tax income arising from the implementation of the local Council Tax support scheme with effect from April 2013. Previously, Council Tax benefit was fully funded by the Government. It is estimated that the funding made available by the Government for the Council Tax support scheme in 2013/14 will be approximately 90% of the scheme cost. Provision was made in the MTFP in last year's budget to cover the loss of income.
- 8.16. In the case of Early Intervention Grant (EIG), the Government has reduced the funding it is making available as a non-ringfenced grant and has transferred £6.444m to Dedicated Schools Grant to help fund school places for two year olds. This is effectively a Government cut; since it reduces the non-ringfenced funding the authority has for non-schools activities funded by EIG, such as Children's Centres and Connexions by 25%. This amounts to an additional £4.908m as set out in the table. In view of the scale of this cut and at the request of the Mayor in recognition of the importance of these services, a growth item has been added to the MTFP in addition to the £15.034m transfer in grant, to cover the costs of education services no longer funded by Government grant.

	<b>Current budget 2012/13 £m</b>	<b>Anticipate d funding 2013/14 £m</b>	<b>Shortfall in non ringfenced funding £m</b>
Non-ringfenced	19.942	15.034	-4.908
Two Year Olds (EIG transferring to DSG)	1.349	6.444	
	<b>21.291</b>	<b>21.478</b>	

- 8.17. With effect from 2013/14, the Government has decided that academies and local education authority schools will receive funding on the same basis with respect to central local authority services. Consequently, local authorities mainstream funding will be reduced and funding transferred into a separate grant to fund central education services for schools. The amount transferring is £5.473m and this has been absorbed into the base budget.

### **Core Grants**

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

Residual Core Grants - non ringfenced

- 8.19 The following table sets out the remaining non-ringfenced core grants the Council is expected to receive in 2013/14, together with forecast figures for later years. Non-ringfenced grants are those that the authority can apply to any purpose within the General Fund and, sometimes, more widely than that.

<b>NON-RINGFENCED CORE GRANTS</b>	<b>2012/13 Allocation £'000</b>	<b>2013/14 Indicative £'000</b>	<b>2014/15 Indicative £'000</b>	<b>2015/16 Indicative £'000</b>
Council Tax Freeze Grant 2012/13	1,968	-	-	-
2013/14		633	633	-
New Homes Bonus Year 1	4,287	4,287	4,287	4,287
Year 2	5,822	5,822	5,822	5,822
Year 3	-	5,961	5,961	5,961
Year 4	-	-	3,000	3,000
Year 5		-		3,000
Local Lead Flood	274	128	128	
Council Tax Support – one off implementation grant	-	540	-	-
Housing Benefits Administration	4,655	4,210	4,210	4,210
<b>TOTAL NON- RINGFENCED</b>	<b>17,006</b>	<b>21,581</b>	<b>24,041</b>	<b>26,280</b>

Council Tax Freeze Grant

- 8.20 In October the government announced that if Councils do not increase Council Tax for 2013-14 then they will receive grant funding for two years equivalent to the additional revenue that would have been raised from a 1% Council Tax increase: for Tower Hamlets, this equates to £633,000 subject to confirmation in the final settlement and is covered in more detail below at 8.31. The Council Tax Freeze Grant for 2012/13 was for one year only and falls out in 2013/14.

New Homes Bonus (NHB)

- 8.21. The principle behind the New Homes Bonus is to reward those authorities who increase the housing stock either through new build or bringing empty properties back into use. Each additional band D equivalent property attracts grant funding equivalent to the band D tax rate and the funding lasts for six years.
- 8.22. In 2011/12 the Council was allocated £4.287m per year for six years, and in 2012/13 a further £5.822m. The first £11m of this grant has been set-aside to

support investment in Decent Homes. The balance of the funding has been included with other un-ringfenced core grants in supporting the on-going delivery of general fund services.

- 8.23. For 2013-14 the Government has provisionally announced an allocation of £5.961m. The MTFP assumes that the number of properties making up the Council tax base will continue to grow with additional grant funding of £3.000m per annum from 2014-15 onwards (as shown in the table above).

#### Council Tax Support Supplement

- 8.24. In October 2012, during the consultation process for new local Council Tax Support scheme, the Government announced additional funding to provide a Council Tax Support Supplement to those authorities which agree to certain conditions to limit the impact of new localised schemes on benefit recipients, including ensuring that those who would be on 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their council tax liability. Tower Hamlets had already designed its scheme to meet these criteria and therefore should be entitled to claim a share of the additional funding. The indicative amount, which has been included in the MTFP, is £540,000. However, the funding is only available for one year.

#### Housing Benefits Administration

- 8.25 Housing Benefits Administration Grant from DWP will reduce by £445,000 in 2013/14, among other things to represent the cost of the Council Tax Support scheme for which DWP is no longer responsible. This amount has been provided for in the MTFP.

#### Residual core grants – Ringfenced

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

<b>RINGFENCED CORE GRANTS</b>	<b>2012/13 Allocation £'000</b>	<b>2013/14 Indicative £'000</b>
Community Safety	232	-
Support for Social Care Benefiting Health (from the NHS)	5,050	5,243
Public Health	N/A	31,382
Dedicated Schools Grant	305,000	310,815
<b>TOTAL RINGFENCED</b>	<b>310,282</b>	<b>347,440</b>

- 8.27. Support of Social Care (SSC) funding is dependent on a Section 256 agreement between the Council and Tower Hamlets PCT for the provision of specific services. For these reasons SSC has not been included as part of the funding available to support on-going general fund services.
- 8.28. With effect from 1<sup>st</sup> April 2013, local authorities take over responsibility for public health provision from the NHS. A ring-fenced grant of £31.382m will be provided to fund these activities in 2013/14. In the long term the MTFP has been constructed on the basis that the costs of public health services will be contained within that sum. However, work is continuing to assimilate the transferred services and responsibilities into the Council's structure and contractual arrangements. Furthermore some services transferring are demand led. In the long term it is hoped that there will be on-going financial benefits to the transfer of public health, but the scale of this will only become clear with time. In addition, the grant settlement that has been announced is only for two years and it is not known what the longer term prospects for funding will look like. In the meantime, officers advise that £1.4m can be released from the grant on a one-off basis in each of the first two years (2013/14 and 2014/15) for allocation to the Council's own public health initiatives.
- 8.29. The largest single grant received by the authority is Dedicated Schools Grant (DSG), which is ringfenced to fund school budgets and services that directly support schooling. Further detail on the DSG is set out in Section 12 below.

#### Other Grant Adjustment – Academies

- 8.30. In 2011/12 and 2012/13, the Government began to reduce local education authorities grant settlements to provide funding for academies. This was done by top slicing Formula Grant pro-rata to total grant. It was subsequently recognised that this did not reflect the number of Academies in each LEA area and the Government decided to refund the grant deducted to local authorities as a one-off repayment. £975,000 has been refunded this year in relation to 2011/12 and an estimated further £900,000 will be returned next year in relation to 2012/13. This funding has been included in the MTFP on a one-off basis.

#### **Council Tax**

- 8.31 Given the government announcement to provide one-off grant funding to those authorities that freeze Council Tax for 2013-14 (see 8.20 above), it is assumed that the authority will set its Council tax at 0% and receive the grant. The amount is estimated at £633,000. However, as this funding is only available for two years (2013-14 and 2014/15) Members will need to weigh up the benefits from Council Tax increases in the future in terms of additional funding to



support on-going service provision against the financial strain that such increases may place on residents, particularly in the current economic climate.

- 8.32. In fact, the draft MTFP assumes there will be no increase in Council Tax throughout the financial planning period. However, this is based on spending and funding assumptions which are more likely to change in relation to later years so this position will need to be reviewed each year together with the Council's overall financial position and the future demand for services.
- 8.33. In previous years the Council Tax income figure included notional income received from those receiving Council Tax Benefits. As a result of the implementation of the Council Tax support scheme, the income shown in the Council's budget in future will represent only income from Council Tax receivable and will exclude discounts granted to those on Council Tax Support. The MTFP therefore shows a reduction in Council Tax income between 2012/13 and 2013/14. This is partially made up by additional baseline funding.
- 8.34. The Council Tax base for the area is continuing to increase at a high rate and this is proving very beneficial in offsetting the level of savings required. The MTFP assumes that the number of homes on which Council Tax is being paid will continue to increase by 2.5% per year, although this will of course need to be kept under review.
- 8.35. Council Tax collection is higher than anticipated in 2012/13 and this will mean that there will be an accumulated surplus in the Collection Fund at the end of the current financial year. Surpluses of this nature are shared between the Borough and the GLA and Tower Hamlets' share is estimated at £1.645m. This has been included in the MTFP as income as a one-off amount.
- 8.36. At Cabinet on the 9<sup>th</sup> January, it was decided to make a number of changes in discretionary discounts for Council Tax relating to empty properties and second homes in the Borough. These discounts will encourage efficient use of property in the Borough by encouraging underused accommodation back into full use and ensure that wealthy second home owners are not subsidised. It is estimated that this will raise an additional £877,000 in Council Tax in 2013/14.
- 8.37. The Localism Act 2011 introduces a power for the Secretary of State to require a local referendum if a local authority wishes to increase its Council Tax above a certain level. Ministers have indicated that for 2013-14 a Council Tax increase of 2% or more would be regarded as excessive and would spark a referendum. If it is proposed to make such a decision, further detailed advice will be provided.

## Reserves

8.38 The Council holds a number of reserves which can be categorised as follows:

- \* General (Non-earmarked) Reserves: these are held to cover the net impact of risks and opportunities and other unforeseen emergencies.
- \* Earmarked (Specific) Reserves: these are held to cover specific known or predicted financial liabilities.
- \* Other Reserves: these are reserves which relate to ring-fenced accounts which cannot be used for general fund purposes (e.g. Housing Revenue Account and Schools)

A summary of the Council's reserves and associated risk analysis is attached at Appendix 6. This also shows the projected movement on the reserves for both the current financial year 2012-13 and 2013-16.

8.39 It is projected that the Council will have non-earmarked General Fund Reserves of £32.9million as at 31<sup>st</sup> March 2013. This is greater than projected in the Medium Term Financial Plan previously reported due to budget contingencies not being required in 2012/13 to cover off additional spending, and a net overspend on Directorate budgets as reported in the Quarter 2 monitoring report.

8.40 This level of General Fund Reserves is within the range required to smooth the impact of grant reductions over the first two years of the MTFP and to under-write financial risks facing the Council over the next three years. The strategy established in previous budget years to utilise general reserves to smooth the impact of savings remains valid, subject to the level of reserves never falling below the recommended minimum level of £20m. The MTFP has been designed to achieve this but spending and income levels will need to be constantly scrutinised to ensure this strategy remains achievable.

8.41 There are no budgeted contributions to reserves from 2013/14 onwards and therefore all risks and costs arising will to be met from existing reserves or from approved budgets. This position will need to be kept under review as we move forward and it is possible that officers will recommend further allocations to reserves if budget risks increase. In the event that General Fund Reserves fall below the recommended minimum value, prompt action would be required to increase the level of reserves to a safe level. This will need to be kept under review.

## **9. BUDGET PRESSURES**

### **Service Demand and Unit Cost Pressures**

- 9.1. The Council's budget monitoring reports over the first six months of 2012-13 have highlighted a net overspend on Directorate budgets of £482,000 . These budget pressures will continue over the financial planning period and therefore need to be reflected in the new base budgets against which savings decisions will be considered.
- 9.2. A schedule detailing the budget pressures in each service area is attached as Appendix 3. Over the three year planning period the growth pressures excluding inflation total some £15.7m. The main pressures in 2013/14 are summarised below.
- Adult Social Care (£1.5m) – a higher demand for services, including in learning disabilities with children transitioning into adult social care.
  - Communities, Localities and Culture (£0.9m) – resulting from the increased cost of waste disposal to landfill sites and the escalating cost of the government's Freedom Pass Scheme.
  - Changes to benefits system (£1.0m) – reflecting a reduction in Housing Benefit Subsidy resulting from system changes introduced by DWP.
  - Employer Pension Contributions (£1.25m) – this reflects the results of the actuarial triennial valuation completed in 2010 following which the Council approved an additional £1.25m per annum be transferred to the Pension Fund to reduce the Fund deficit.
  - Auto Enrolment (£1.0m) - this concerns the required to automatically enrol all staff in the Pension scheme, which will take place in June 2013. It is assumed that around 20% of staff currently not a member of the scheme will remain in the scheme which will increase employer's contributions by approximately £1.2m in a full year.
  - Capital Financing Charges (£1m) - the second year of additional investment in the Council's properties.
- 9.3. The impact of welfare benefits reform on Council services is still currently being assessed and there is no specific financial provision within the budget for the impact of this. The Government has now announced that for most authorities the welfare benefit cap will be introduced in September 2013. The financial impact will arise if families currently in private rented or temporary accommodation are no longer able to afford to pay their rent above the imposed cap and present as homeless to the Council, in which case the cost of housing them may fall to the

authority Work is being undertaken by the Housing Options team to assess the impact and whether this is likely to be a permanent or temporary, but the latest figures suggest that the cost could be as much as £5-7m. The impact could be a permanent pressure on the budget, or partly temporary if welfare reform discourages people who cannot afford to live in the Borough from settling in the area. If costs arise to this amount they could not be contained within existing budget provisions and would need to be covered off by reserves and contingencies in 2013/14. There would then need to be a savings exercise for 2014/15 both to cover the growth in the budget if it is deemed to be permanent and to reinstate the level of general reserves used in 2013/14 so that a sustainable minimum level of general reserves could be maintained at £20m. Alternatively the cost could potentially be reduced by changes to local homelessness policy. An additional savings target of £10m-£14m in 2014/15 is therefore possible. Costs will need to be kept under review and the MTFP includes a provision of £1m to cover the potential costs of welfare reform. In addition the Mayor's budget proposals include £1m towards addressing this issue in relation to the most vulnerable people in the greatest housing need. A Cabinet paper on measures to be taken will be presented in the New Year.

## **Inflation**

- 9.4. In addition to the specific service demand pressures the other single most significant financial risk facing the Council is the impact of inflation.
- 9.5. The Government's projections for Consumer Price Index (CPI) inflation which are reflected in the MTFP are 2.5% in 2012-13, and 2.0% per annum thereafter. Most of the Council's contracts for goods and services which span more than one year contain inflation clauses and although service directorates have been successful in negotiating annual increases which are below inflation this will be a difficult position to maintain, especially if inflation remains at its current level for a long period.

A sum of £1.019m is expected to be unallocated from the inflation contingency in 2012/13 because the Adults, Health & Wellbeing Directorate has advised that it does not require this funding. This will contribute to unallocated contingencies in 2012/13 and reduces the level of additional funding required for inflation in 2013/14.

- 9.6 In relation to staff pay, the Government has sought to impose a pay cap in 2013 of 1% and has reduced funding in the local Government settlement accordingly. , The Council remains part of the national negotiating arrangements and the initial response of the Local Government Employers' to this year's pay claim is that, while there is some sympathy for an appropriate pay offer, this should be linked to reform of terms and conditions. . The MTFP therefore anticipates that staffing

costs will increase by 1% in each year of the three-year plan. Provision has been made for the payment of the London Living Wage to Council staff.

- 9.7 In total a provision of £19.1m has been built into the draft MTFP to cover the projected impact of inflation on the unit cost of existing services. Given the scale of this additional cost and the risks associated with higher than budgeted levels of inflation over the planning period, it will be essential that the adequacy of this provision is kept under constant review.

## **10. SAVINGS**

- 10.1. In previous years' budget processes the Council has already approved a number of revenue investments and savings for 2013/14 and 2014/15 sufficient to balance the budget in these two financial years. These total £30.8m. Schedules of the savings approved by Full Council in February 2012 are detailed in Appendices 4.1.

A number of savings previously put forward in 2014/15 are not being progressed at this time due to issues encountered during implementation. These relate in the main to Adults, Health and Wellbeing and Children Schools and Families and amount to £2.899m in 2013/14. Alternative savings have been put forward

- 10.2. In addition to the need to identify replacement savings for those not being progressed, and notwithstanding the balanced budget position, it is important that the authority continues to review its costs in the light of tightening resources. As part of the on-going budget review process officers have therefore developed new savings proposals totalling a further £5.373m over the three year planning period (£2.899m to replace those lost, plus £2.474m additional savings) and these are summarised in Appendix 4.2 with detailed savings proformas in Appendix 4.3. This includes a small number of additional savings identified since the January report to cabinet.

- 10.3. The additional savings of £2.474m are over and above those required to balance the budget in 2013/14 and 2014/15 and are available for allocation to other priorities. Accordingly the Mayor has proposed to allocate additional funding to the following initiatives in the 2013/14 budget.

- \* A strategy for promoting tourism and inward investment in the whole of the Borough, and including a Town Centre Manager for Roman Road and a scheme for Brick Lane to boost the local economy and local businesses.
- \* A Borough-wide deep clean
- \* A bursary scheme of £1,500 each for 400 young people to support the costs of university.

- \* As set out above, a £1m programme of measures to support vulnerable people affected by welfare benefit reform.

Detailed proformas have been provided in Appendix 5.

- 10.4. While the budget for 2014/15 is also balanced, by utilising surplus reserves, the MTFP shows that an additional £24.2m savings are expected to be delivered to maintain a balanced budget in 2015/16 with the likelihood of further savings on a similar trajectory in the years following end of the current MTFP. This is based on the Chancellor's announcement that austerity is expected to continue beyond the next General Election.
- 10.5. Given the scale of the organisational changes necessary to achieve this level of savings resources will be required to deliver change on this scale and provision has been made in earmarked reserves for invest to save funding, which will need to be kept under review over the period. Consideration will also need to be given to identifying additional potential areas for budget reductions in the event of either major slippage in the transition process or to changes in the level of savings that can be achieved from individual service proposals.
- 10.6. In addition, Government policy in relation to local government finance continues to develop and further announcements can be anticipated during the course of next year. There will need to be an ongoing process to mitigate these risks and help prepare for the further savings required in later years. This will be reported to Cabinet as part of the regular budget monitoring process.

## **11. RISKS AND OPPORTUNITIES**

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

### **Risks**

#### **General Economic Factors**

- Higher than projected levels of inflation

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

#### **Increases in Service Demand**

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

#### **Efficiencies and Savings Programme**

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

#### **Opportunities**

- New freedoms and flexibilities
- Review of Public Health delivery to take advantage of transfer.
- Growth in local taxbase for both housing and businesses.

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

- 11.4. An assessment of the possible impact of these risks and opportunities is shown in the risk analysis in Appendix 6. This will form the basis of an on-going review of Reserves and Contingencies and indicates a net financial impact between £20m and £45m over the planning period. This has therefore been reflected in the recommended level of unearmarked General Fund Reserves that need to be maintained and equates to between 5% and 7.5% of gross expenditure (excluding schools and housing benefit payments).

## **12. SCHOOLS FUNDING**

Schools funding is principally provided via Dedicated Schools Grant and Pupil Premium. Funding is ringfenced to schools and its allocation is largely based on

the decisions of the Schools Forum. Appendix 7 sets out the details of the schools settlement and reforms for 2013/14.

### **13. HOUSING REVENUE ACCOUNT**

- 13.1 April 2012 saw the commencement of HRA self-financing. A one-off adjustment was made to the housing debt of each council to reflect the value of their housing business over 30 years; in the case of Tower Hamlets, £236.2m of our housing debt was redeemed. Under Self-Financing, the Council retains all rental income, but must finance all costs relating to council housing – both revenue and capital.
- 13.2 When valuing each authority's housing business, the government assumed that authorities would continue to follow rent restructuring guidelines and aim to achieve rent convergence in 2015/16. It was also assumed that, having achieved rent convergence, authorities would increase rents by RPI + 0.5% each year thereafter. The HRA budget report elsewhere in this agenda asks members to agree the HRA draft budget 2013/14 and the Medium Term Financial Plan 2013-2016.
- 13.3 Indicative modelling of the HRA over 30 years indicated that the Authority could finance the projected capital programme, including Decent Homes, but would need to borrow up to its debt cap, and use the revenue surpluses that were forecast to be generated in the early years of Self-Financing in order to do so.
- 13.4 Appendix 8 shows an indicative summary HRA medium-term financial plan for 2013/14 to 2015/16. A more detailed report on the 2013/14 HRA budget will be provided to Cabinet in February.
- 13.5 There are a number of risks to the HRA in the short to medium term; in particular the reinvigorated Right to Buy scheme and the impact on HRA income of the various forthcoming Welfare Reforms. The HRA First Budget report elsewhere on this agenda provides more details on these risks, and the HRA Second Budget report will provide details of the 2013/14 savings put forward to mitigate these risks.

### **14. CAPITAL PROGRAMME**

- 14.1. The current capital programme is set out at Appendix 9. The programme has been amended during the year to take account of decisions taken by the Council, Mayor and officers, including the application of additional grant resources that have become available,
- 14.2. The Council's capital strategy was last updated in February 2011. It sets out the priorities and objectives for using capital resources in the context of rapid demographic growth, with consequential impact on new social infrastructure,



particularly housing and schools but within an environment of reducing resources. The last national spending review reduced the level of capital grants from government by 45% while increasing the cost of borrowing for public authorities. As national grant funding decreases there will be an increasing reliance on local funding to bridge the gap between investment need and available resources.

- 14.3. Further proposals, including a programme for 2015/16, will be developed through the Council's Asset and Management Board and reported to Members in due course. It is good practice for the Council to have a fully developed forward capital programme in order to plan the strategic use of resources, including procurement of capital schemes, which can be a protracted process.
- 14.4. There are currently unallocated local resources of £7.5m generated from capital receipts. Against this sum, officers have been advised of potentially £2.2m worth of repairs to infrastructure requiring urgent attention. Details of this will be considered through the Asset Management Board and reported in due course. In the meantime, £5.3m is available for local priorities subject to the capital strategy.
- 14.5. The Poplar Baths/ Dame Colet housing and regeneration scheme partly utilises the £30m General Fund capital provision set aside in last year's budget process for education, housing and regeneration projects. £20m of the £36m estimated cost of the scheme relates to the General Fund and £16m to the HRA. However the introduction of self-financing to the HRA in April 2012 produced a windfall benefit to the General Fund in the form of lower capital financing charges amounting to £2.1m a year, and this funding is available to fund up to £26m in additional General Fund provision if Members so choose.

## **15. TREASURY MANAGEMENT STRATEGY**

- 15.1. The Treasury Management Strategy Statement was recently revised by Audit Committee and Full Council in accordance with the CIPFA Treasury Management Code of Practice. The Statement sets out the proposed strategy with regard to borrowing, the investment of cash balances and the associated monitoring arrangements. .
- 15.2. The key factor underpinning the current strategy is that short term interest rates are expected to remain very low for at least the next twelve months in contrast to medium and long term rates. This means that there will be a "cost of carry" if funds are borrowed in advance of capital expenditure being incurred. Therefore the Council anticipates continuing to run a strategy of keeping cash balances low and investing short term, so only borrowing when required.

- 15.3. Some limited amendments to the Council's lending limits, the period over which monies could be placed on deposit and the type of investment 'product' that can be used were agreed in order to provide some further investment capacity and increase the return on investment without any increase in risk. These proposals were put forward having taken advice from the Council's treasury management advisers and were deemed prudent enough to ensure the credit rating of approved counterparties are commensurate with the level and term of investments
- 15.4. The proposed prudential indicators set out in the Treasury Management Strategy are based on the capital programme as detailed in Section 14 above and Appendix 9. Prudential indicators may need to be revisited subject to Government capital funding announcements and decisions relating to the capital programme and if necessary revised. Any revisions to the indicators will need to be approved by Full Council.

## **16. CONSULTATION**

### **Public and Partnership Consultation**

- 16.1. Since the budget strategy for the three years from 2012-2015 was established in last year's budget process, public consultation has not been necessary on last year's scale.
- 16.2. The key findings and comments across all of the above channels included:
  - Ensuring vulnerable people get the support they need
  - Potential use of reserves to meet savings targets
  - Support for community groups on the Isle of Dogs
  - Discussion on the future of East End Life
  - Support for selling unused buildings
  - Support for delayering management
  - Support for better value from contracts
- 16.3. Two budget roadshow events have been held; one in Bow before Christmas and a second in Whitechapel in January. Among the issues raised were the importance of youth provision (which was raised at both events), community safety, charging people who can afford to pay for services, High Street regeneration, housing and welfare benefits reform, home care for the elderly, public health, support for small start-up businesses and the future of fire stations in the borough.
- 16.4. The approach to consultation has been developed in conjunction with colleagues in the Equalities team. In essence there are three levels of consultation:

**Level 1:** Those proposals where the change proposed is likely to have limited impact on equality between local people, it is proposed that the public have an opportunity to comment on the proposal as part of the Council's wider consultation exercise/publicity being managed by the Communications team (this will include information on the proposal on the website).

**Level 2:** Where the proposal is likely to have a limited impact on a specific section of the community or group it is proposed consultation will target the particular group in question. Consultation may include a one-off session/focus group or targeted advertisement in East End Life.

**Level 3:** Where it is proposed that we make a substantial and significant change to a service, formal consultation would need to be undertaken with the service user group affected.

- 16.5. The views of local partners are key elements to include when seeking to deliver a budget that meets the needs and aspirations of Tower Hamlets. A Budget Congress will be held with local partners on 4<sup>th</sup> February, and the outcome will be reported to the next Cabinet meeting.
- 16.6. During January it is proposed to promote the budget consultation via the website and East End Life. There will also be a questionnaire published in East End Life.

### **Budget and Policy Framework**

- 16.7. The Council's Budget and Policy Framework, as set out in its constitution, requires the cabinet to submit initial budget proposals to the Chair of Overview & Scrutiny Committee and to allow 10 working days for a response before considering final proposals.
- 16.8. The decisions taken by Cabinet tonight will constitute its initial proposals. These will be considered by the Overview & Scrutiny Committee in February before the Council meets to consider the Mayor's final budget proposals.

Any further results of consultation or feedback will be reported to the Council meeting.

### **17. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

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

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

- 18.1. The Council is required each year to set an amount of council tax. The obligation arises under section 30 of the Local Government Finance Act 1992 (“the 1992 Act”) and must be done by 11 March each year for the following year. In order to set council tax, the Council must calculate the budget requirement in accordance with section 32 of the 1992 Act. This requires consideration of estimated revenue expenditure in carrying out Council functions, estimated payments into the general fund, allowances for contingencies and required financial reserves, amongst other things.
- 18.2. Both the setting of council tax for a financial year and calculation of the budget requirement are matters that may only be discharged by the full council. This is specified in section 67 of the 1992 Act. The Council’s Constitution reflects the statutory requirement. Article 4 of the Council’s Constitution specifies that approving or adopting the budget is a matter for Full Council. The Budget and Policy Framework Procedure Rules in Part 4 of the Constitution specify the procedure to be followed in developing the budget.
- 18.3. Before calculating the budget requirement, the Council is required by section 65 of the 1992 Act to consult with persons or bodies who the Council considers representative of persons who are required to pay non-domestic rates under the Local Government Finance Act 1988. The procedure in the Budget and Policy Framework Procedure Rules requires the Executive to publish its timetable for making proposals for adoption of the budget and its arrangements for consultation. There must be consultation with the Overview and Scrutiny Committee. The report summarises the outcome of the budget consultation for consideration by the Mayor in Cabinet.
- 18.4. In circumstances where the Council is calculating the budget requirement, the chief finance officer (the Corporate Director of Resources) is required by section 25 of the Local Government Act 2003 to report on the following matters: the robustness of the estimates made for the purposes of the calculations; and the adequacy of the proposed financial reserves. The Council is required to have regard to the chief finance officer’s report before calculating the budget requirement. The report provides information from the chief finance officer about these matters.
- 18.5. The Council is obliged by section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is consistent with sound financial management and the Council’s obligation under section 151 of the Local Government Act 1972 for the Council to adopt and monitor a medium term financial plan. The medium term financial plan informs the budget process and may be viewed as a related function.

- 18.6. The report provides information about risks associated with the medium term financial plan and the budget. This is consistent with the Council's obligation to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit (England) Regulations 2011 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. The maintenance and consideration of information about risk, such as is provided in the report, is part of the way in which the Council fulfils this duty.
- 18.7. The report provides details of the revised capital programme. The capital program does not form part of the determination of the budget requirement for the purposes of section 32 of the Local Government Finance Act 1992, but is nevertheless a closely related matter and it is appropriate for information to be provided about it at this time. Before the capital programme is agreed, there will be a need to ensure that projects are capable of being carried out within the Council's statutory functions and that any required capital finance will meet the requirements of Part 1 of the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.
- 18.8. The report deals with the application of the dedicated schools grant (DSG). The financing of maintained schools is dealt with in Chapter IV of Part II of the School Standards and Framework Act 1998. The Council is required to allocate a budget share to every maintained school and this is progressively calculated by a prescribed process that requires determination of the LEA budget, the Council's schools budget, the individual schools budget and the maintained schools' budget share. For the financial year commencing 1 April 2012, detailed provision is to be made in the School and Early Years Finance (England) Regulations 2013 regarding the determination of these budgets. At the date of preparing this report, the 2013 Regulations had been the subject of consultation, but had not yet been made. Officers will need to ensure that the proposed application of the DSG complies with the 2013 Regulations when made.
- 18.9. When considering the medium term financial plan and budget, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. Information is contained in the report relevant to these considerations.

## **19. ONE TOWER HAMLETS CONSIDERATIONS**

- 19.1. The Mayor's priorities to support vulnerable people; delayer management; develop a workforce that more closely reflects our community and; tackle the issues which drive inequality in the Borough, including poor housing, employment and community safety, have shaped the approach officers have taken to identifying savings opportunities. Throughout the process of developing individual

saving proposals, officers have assessed the potential for these proposals to affect equality between people, both residents and staff, through:

- Completing an initial screening assessment of all savings proposals to identify those which are likely to have a direct impact on services received by residents or on the number or grade of staff in a specific service;
- Undertaking an equality analysis of those savings proposals which the screening suggested could have an impact on residents or staff to identify the effect of the proposed changes on equality between people from different backgrounds.

19.2. Screenings, assessments and equality analyses for each savings proposal have been prepared and all equality analyses have been published on the Council's website. Consultation on those proposals which have been subject to an equality analysis is being undertaken between January and February 2013. The outcome of this consultation will be incorporated into equality analyses of savings proposals prior to the publication of the budget papers for Full Council in February 2013.

19.3. The steps outlined above have been adopted to ensure that the Council's commitment to tackling inequality informs decision making throughout the budget review process and to support transparency. The process also fulfils the Council's obligations under the Equality Act 2010 to show due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people who share specific protected characteristics, including age, disability, gender, marriage and civil partnership, pregnancy and maternity, race, religion/belief, sexual orientation and transgender identity.

## **20. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

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

## **21. RISK MANAGEMENT IMPLICATIONS**

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

## **22. CRIME AND DISORDER REDUCTION IMPLICATIONS**

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

## 23. **EFFICIENCY STATEMENT**

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

## 24. **APPENDICES**

Appendix 1.1	Summary of the Medium Term Financial Plan
Appendix 1.2	Detailed analysis of the Medium Term Financial Plan by Service Area
Appendix 2	Business Rates Retention
Appendix 3	Detailed analysis of projected budget revenue growth resulting from increased service demand and higher unit costs
Appendix 4.1	Approved savings schedule 2012-15
Appendix 4.2	New savings options schedule 2013-15
Appendix 4.3	New savings options (Detailed proformas)
Appendix 5	Accelerated Delivery (Detailed proformas)
Appendix 6.1	Reserves and Balances
Appendix 6.2	Risk Evaluation
Appendix 6.3	Projected Movement in Reserves
Appendix 7.1	Schools Funding Report
Appendix 7.2	Schools Budget Allocation (2013/14)
Appendix 8	The Housing Revenue Account Medium Term Strategy
Appendix 9.1	Current Capital Programme (2012-13 to 2014-15)
Appendix 9.2	Indicative schemes to be funded from external sources 2013-14 to 2015-16
Appendix 9.3	Summary of Proposed Capital Programme 2012-13 to 2015-16

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

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

Brief description of "Background Paper"

None

Alan Finch, London E14, 2BG. 0207 7364 4915

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Summary Draft Medium Term Financial Plan 2013-16

	2011-12 £'000	2012-13 £'000	2013-14 £'000	2014-15 £'000	2015-16 £'000
<b>Net Service Costs</b>		310,960	293,865	297,806	301,117
<b>Growth (incl Public Health)</b>		6,005	40,398	4,536	2,755
<b>CLG Grants transferring into baseline</b>		0	23,717	0	0
<b>Savings</b>					
Approved		(23,656)	(20,771)	(6,577)	0
New			(5,258)	(115)	0
<b>Inflation</b>		4,100	5,760	6,342	7,000
<b>Core Grants (incl Public Health)</b>		(3,647)	(40,309)	(460)	(406)
<b>Earmarked Reserves (Directorates)</b>		103	(530)	(565)	0
<b>Funding Available for Mayoral Priorities</b>		0	934	150	(1,084)
<b>Total Funding Requirement</b>		<u>293,865</u>	<u>297,806</u>	<u>301,117</u>	<u>309,382</u>
<b>Government Funding</b>		(211,835)	(150,670)	(122,968)	(105,876)
<b>Retained Business Rates</b>			(96,361)	(98,763)	(100,232)
<b>Council Tax</b>		(80,430)	(63,343)	(64,927)	(66,550)
<b>Collection Fund Surplus</b>		0	(1,645)	0	0
<b>Total Funding</b>		<u>(292,265)</u>	<u>(312,019)</u>	<u>(286,658)</u>	<u>(272,658)</u>
<b>Budget Gap (excl use of Reserves)</b>		1,600	(14,213)	14,459	36,724
<b>Unallocated Contingencies</b>		(8,017)			
<b>General Fund Reserves</b>		6,417	14,213	(14,459)	(12,551)
<b>Unfunded Gap</b>		0	0	0	24,173
<b>Balance on General Fund Reserves (£000s)</b>	<b>31/03/2012</b>	<b>31/03/2013</b>	<b>31/03/2014</b>	<b>31/03/2015</b>	<b>31/03/2016</b>
	26,380	32,797	47,010	32,551	20,000

## Detailed analysis of the Medium Term Financial Plan by service area 2013/14 to 2015/16

Service	Base 2012-13		Savings Approved		Growth Adjustments		Total 2013-14		Savings Approved		Growth Adjustments		Total 2014-15		Savings Approved		Growth Adjustments		Total 2015-16	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Education, Social Care and Wellbeing	183,651	(3,750)	(3,910)	21,326	(2,184)	(1,960)	(50)	2,567	(710)	(1,960)	(50)	2,567	(710)	194,980	0	0	(909)	0	0	194,071
Communities, Localities and Culture	78,855	(5,017)	(249)	5,417	(3,319)	(350)	(65)	785	(565)	(350)	(65)	785	(565)	75,493	0	0	(222)	0	0	75,271
Development & Renewal	20,192	(5,542)	0	1,720	(597)	(1,534)	0	0	0	(1,534)	0	0	0	14,239	0	0	0	0	0	14,239
Resources	11,811	(1,206)	(90)	1,250	(904)	(230)	0	0	0	(230)	0	0	0	10,631	0	0	0	0	0	10,631
Chief Executives	9,545	(187)	0	0	(909)	(187)	0	0	0	0	0	0	0	8,449	0	0	0	0	0	8,449
Public Health	0	0	0	29,982	0	0	0	0	0	0	0	0	0	29,982	0	0	0	0	0	29,982
<b>Net Service Costs</b>	<b>304,054</b>	<b>(15,702)</b>	<b>(4,249)</b>	<b>59,695</b>	<b>(7,913)</b>	<b>(4,074)</b>	<b>(115)</b>	<b>3,352</b>	<b>(1,275)</b>	<b>(4,074)</b>	<b>(115)</b>	<b>3,352</b>	<b>(1,275)</b>	<b>333,773</b>	<b>0</b>	<b>0</b>	<b>(1,131)</b>	<b>0</b>	<b>0</b>	<b>332,642</b>
<b>Other Net Costs</b>	<b>10,010</b>	<b>0</b>	<b>(150)</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>	<b>0</b>	<b>11,860</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,860</b>
Capital Charges	2,415	0	(399)	0	0	0	0	0	0	0	0	0	0	2,016	0	0	0	0	0	2,016
Levies	13,142	0	0	2,250	0	0	0	2,200	0	0	0	2,200	0	17,592	0	0	2,000	0	0	19,592
Pensions	(19,022)	(1,669)	(460)	1,170	2,642	(2,503)	0	(2,016)	0	(2,503)	0	(2,016)	0	(21,858)	0	0	1,886	0	0	(19,972)
Other Corporate Costs	6,545	(1,669)	(1,009)	4,420	2,642	(2,503)	0	1,184	0	(2,503)	0	1,184	0	9,610	0	0	3,886	0	0	13,496
<b>Total Other Net costs</b>	<b>0</b>	<b>(14,312)</b>	<b>(32)</b>	<b>(11,179)</b>	<b>(31,382)</b>	<b>(32)</b>	<b>(11,179)</b>	<b>(31,382)</b>	<b>0</b>	<b>(31,382)</b>	<b>0</b>	<b>(31,382)</b>	<b>0</b>	<b>(31,382)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31,382)</b>
<b>Public Health Grant</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,284</b>	<b>0</b>	<b>(31,382)</b>	<b>0</b>	<b>2,540</b>	<b>0</b>	<b>(2,000)</b>	<b>(1,000)</b>	<b>2,540</b>	<b>0</b>	<b>(23,699)</b>	<b>0</b>	<b>(2,000)</b>	<b>(1,000)</b>	<b>2,594</b>	<b>0</b>	<b>(24,105)</b>
<b>Core Grants</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Reserves</b>	<b>0</b>	<b>(2,317)</b>	<b>(3,400)</b>	<b>0</b>	<b>2,024</b>	<b>(3,400)</b>	<b>0</b>	<b>0</b>	<b>710</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,963)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,963)</b>
General Fund (Corporate)	(105)	0	0	0	2,717	0	0	0	0	0	0	0	0	2,612	0	0	0	0	0	2,612
Earmarked (Directorate)	0	0	0	5,760	0	0	0	6,342	0	0	0	6,342	0	12,102	0	0	7,000	0	0	19,102
General Fund (Smoothing)	0	0	0	934	0	0	0	150	0	0	0	150	0	1,084	0	0	(1,084)	0	0	0
Inflation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Funding Available for Mayoral Priorities</b>	<b>293,865</b>	<b>(20,803)</b>	<b>(16,437)</b>	<b>40,777</b>	<b>(530)</b>	<b>(20,803)</b>	<b>(16,437)</b>	<b>13,418</b>	<b>(565)</b>	<b>(8,577)</b>	<b>(1,115)</b>	<b>13,418</b>	<b>(565)</b>	<b>301,117</b>	<b>(2,000)</b>	<b>(1,000)</b>	<b>12,349</b>	<b>0</b>	<b>0</b>	<b>309,382</b>
<b>Total Financing Requirement</b>	<b>(211,835)</b>	<b>0</b>	<b>0</b>	<b>61,165</b>	<b>(96,361)</b>	<b>0</b>	<b>0</b>	<b>27,702</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,702</b>	<b>0</b>	<b>(122,968)</b>	<b>0</b>	<b>0</b>	<b>17,092</b>	<b>0</b>	<b>0</b>	<b>(105,876)</b>
<b>Government Funding</b>	<b>0</b>	<b>(80,430)</b>	<b>(554)</b>	<b>17,641</b>	<b>0</b>	<b>(554)</b>	<b>0</b>	<b>(1,584)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,584)</b>	<b>0</b>	<b>(98,763)</b>	<b>0</b>	<b>0</b>	<b>(1,469)</b>	<b>0</b>	<b>0</b>	<b>(100,232)</b>
<b>Retained Business Rates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(64,927)</b>	<b>0</b>	<b>0</b>	<b>(1,623)</b>	<b>0</b>	<b>0</b>	<b>(66,550)</b>
<b>Council Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Collection Fund Surplus</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Financing</b>	<b>(292,265)</b>	<b>(554)</b>	<b>0</b>	<b>78,806</b>	<b>0</b>	<b>(554)</b>	<b>0</b>	<b>26,118</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,118</b>	<b>0</b>	<b>(286,658)</b>	<b>0</b>	<b>0</b>	<b>15,469</b>	<b>0</b>	<b>0</b>	<b>(272,658)</b>

## THE NEW BUSINESS RATES RETENTION SYSTEM

### Current System

The current system allocates the majority of non-schools funding by means of Formula Grant. Formula Grant comprises a so-called '4 Block Model' as follows;

Relative Needs Assessment	A formula which considers the relative needs of authorities based on such factors as population, deprivation, local area costs, population density etc.
Relative Resource Assessment	A formula which considers the relative resources of authorities based on their capacity to raise Council Tax locally.
Central Allocation	A single capitation figure that provides a small minimum allocation per head of population to each authority.
Damping	An adjustment that limits changes to the overall grant in any one year through a minimum reduction called the grant floor.

Formula Grant is largely funded at national level through the National Non Domestic Rates, which is collected by local authorities and handed over in full to the Government. The Government then redistributes this 'pot' on the basis of the Formula Grant formulae. Thus every local authority is funded at a level which is totally independent of the amount of business rates it collects.

In previous years, to fund Formula Grant the national business rates pot has been supplemented by money from the Treasury. Over the years this sum has reduced and the Government's austerity targets has seen it diminish to nothing.

Tower Hamlets has always been a high needs authority, and was previously also a low resources authority, although this has gradually changed as growing prosperity in parts of the Borough has bought a lot of new homes and a corresponding increase in Council Tax income.

The damping element applies only to some authorities but is important in Tower Hamlets. When the Formula Grant allocation was revised in 2007, a large number of authorities, including Tower Hamlets, would have lost considerable amounts of grant. The damping mechanism was intended to ensure that the impact of this was phased in. In practice this means that since 2007, Tower Hamlets' annual increase in Formula Grant has been at the minimum level of increase each year (the 'grant floor') and has not kept pace with its increase in population.

Thus the old system has not been particularly kind to Tower Hamlets over recent years.

### **New System**

The principle behind the new system of funding to be introduced from 2013/14 onwards is that the Government intends it to encourage local authorities to grow their own business rates base by allowing them to benefit from future growth in the business rates income generated within the area. The extent to which the final scheme achieves this is controversial.

The essential difference in the new system is as follows;

<b>Current System</b>	<b>New System</b>
100% of business rates paid across to Government and redistributed through Formula Grant.	<p>50% of business rates paid to Government</p> <p>20% paid to the Greater London Authority (GLA share)</p> <p>30% retained by Tower Hamlets.</p> <p>Tower Hamlets as a top up authority is allowed to retain its share (i.e. 30%) of business rates <u>growth</u> each year.</p>

Many local authorities will find that they are only able to retain a small proportion of any business rates growth, after the 50% share has been allocated to the Government, the precepting authority (which in London is the GLA) has received its share and the levy has been applied.

The Government will continue to set the rate at which business rates will be levied, which will continue to be an increase in line with inflation; local authorities will have no power to increase rates in their area. Growth in business rates can therefore only come from new or regenerated buildings.

This means that the incentive effect is somewhat diminished, although it is the case that the only way the Council's main funding from Government can increase in future years (other than for inflation) will be from retaining a proportion of business rates growth. There will, for example, be no additional unringfenced grants for a growing population.

### Baseline Funding Level

The starting point (“baseline”) of the new system will be fixed at the level of funding the Council would have received if Formula Grant had operated in 2013/14. This is not the same as the amount of funding it is receiving this year, because the Government will apply the formula to the lower spending control total for 2013/14 from the Spending Review, as adjusted. Business Rates Retention therefore does not mean that austerity no longer applies.

The 50% share of business rates that goes to the Government will be used to fund a range of other grants, including a sum to be allocated as Revenue Support Grant (RSG) which effectively tops up each authority to the baseline funding level. However the Government is then in a position to withdraw RSG as it reduces national control totals year by year.

### Tariff or Top-up

At local level, the difference between each authority’s baseline funding level and the authority’s baseline share of the business rates at the outset (in Tower Hamlets’ case, the 30% share) is adjusted by a transfer to or from the Government.

If the Council’s baseline business rates is higher than the baseline funding level, the authority pays a ‘tariff’ to the Government for the difference. If, on the other hand, the baseline funding level is higher, the authority receives a ‘top-up’ from the Government. This is the adjustment that is intended to ensure that no authority either gains or losses as at Day 1. The Council has been confirmed as a top up authority.



The tariff or top-up is then fixed, adjusted only for inflation, until the scheme is ‘reset’, which is expected to happen once every seven to ten years. At the reset, the baseline funding level and therefore the top-up or tariff would be recalculated.

### Safety Net

The scheme is also subject to a 'safety net' whereby the Government will protect an authority with additional payments if its rates income drops below 92.5% of its baseline funding level as updated for inflation. This means that an authority's rates income needs to fall quite a long way before a safety net payment is made.

At a national level, safety nets are expected to be funded from the levy paid by growth authorities to the Government. Thus to a limited extent there is a transfer from growing authorities to authorities where business rates are shrinking.

### Summary

The new system is complex, as this short explanation demonstrates, and does not fully incentivise local authorities to grow their business rates base. However the only way that the main unringfenced funding for a local authority can increase for the foreseeable future is by growing the business rates or Council Tax. This changes the relationship between local authorities and Government in a fundamental way; local government funding will be less about the begging bowl and more about attention to the local economy.

Tower Hamlets is an area in which both Council Tax and business rates income have grown strongly and look likely to continue to grow for some time. Given that the old system has not been particularly kind to Tower Hamlets, the new system should provide opportunities for the Borough that would be unlikely to have emerged otherwise.

# **APPENDIX 3**

## **GROWTH BIDS SCHEDULE AND PROFORMAS**

Summary of Growth Bids - 2013/14 - 2015-16

REF	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
	£000's	£000's	£000's	£000's
Adults, Health & WellBeing				
GRO AHWB 1-13	587	616	647	1850
GRO AHWB 2-13	868	955	1,050	2873
	<b>1455</b>	<b>1571</b>	<b>1697</b>	<b>4723</b>

REF	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
	£000's	£000's	£000's	£000's
Communities, Localities & Culture				
GRO CLC 1-13	601	0	0	601
GRO CLC 2-13	310	320	538	1168
	<b>911</b>	<b>320</b>	<b>538</b>	<b>1769</b>

REF	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
	£000's	£000's	£000's	£000's
Children Schools & Families & AHWB				
GRO CSF 1-13	-150	-20	-90	-260
GRO CSF 2-13	-713	-410	0	-1123
	713	410	0	1123
	<b>-150</b>	<b>-20</b>	<b>-90</b>	<b>-260</b>

REF	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
	£000's	£000's	£000's	£000's
Resources				
GRO RES 1-13	1,000	0	0	1000
	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>1,000</b>

REF	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
	£000's	£000's	£000's	£000's
Corporate Costs				
Capital Charges	1,000	1,000	0	2,000
Pension Costs	1,250	2,000	2,000	5,250
Auto Enrolment - Pension Fund	1,000	200	0	1,200
Welfare Benefit Reform Contingency	1,000	-1,000	0	0
Inflation	5,760	6,342	7,000	19,102
	<b>10,010</b>	<b>8,542</b>	<b>9,000</b>	<b>27,552</b>
<b>Total Growth Bids (All directorates)</b>	<b>13,226</b>	<b>10,413</b>	<b>11,145</b>	<b>34,784</b>



**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO AHWB 1-13**

<b>TITLE OF ITEM:</b>	Demographic Growth Pressures – Older People with Dementia		
<b>DIRECTORATE:</b>	Adults Health & Wellbeing		
<b>SERVICE AREA:</b>	Commissioning & Strategy	<b>LEAD OFFICER:</b>	Deborah Cohen
<b>FINANCIAL INFORMATION:</b>	Ekbal Hussain		

	Contingency / Budget allocation	Bid (Base is 2012/13 budget)		
	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Employees (FTE)				
Employee Costs				
Other Costs	20,848	587	616	647
Income				
<b>TOTAL</b>	20,848	587	616	647

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

**DESCRIPTION & JUSTIFICATION**

**Growth Calculation:**

The growth bid estimates that there will be 23 new cases of dementia in 2013/14.

15 of these cases will be placed in specialized residential care within the borough and this will cost £429k (average cost of in-borough placements are £28.6k per annum).

A further 5 will be placed in out of borough placements suitable for addressing the specialized care needs of patients with dementia, costing and estimated £169k (average cost of out of borough placements are £33.8k per annum).

And a further 3 clients will choose to remain in the community at a total cost of £150k (at an average cost of £50k per annum).

All clients are expected to receive a registered nursing care contribution (RNCC) from the NHS of £109.00 per week and clients will be expected to make an average of £115.00 per week towards their care. This is estimated to generate £161k per annum.

In addition it is expected that three clients will choose not to move into residential care and therefore choose to remain in the community at a cost of £49,957. These clients are not expected to contribute towards their care as the Authority does not charge for community based services.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
GRO AHWB 1-13**

Over the next 20 years, the population of Tower Hamlets is projected to increase significantly, and there will also be an increase in the number of older people living in Tower Hamlets. Life expectancy is expected to increase and those living longer are likely to develop more complex health conditions such as dementia which require more expensive social care support.

In addition to dementia, the Tower Hamlets JSNA Summary Report 2011 provides local evidence of other drivers that are expected to increase demand for adult social such as changes in demographics, increase in rates of depression and more people living alone.

While the impact of the drivers of demand described above, are difficult to quantify, cases of dementia can be more easily identified and cost implications quantified. Thus the current growth bid focuses on addressing cost pressures resulting from an increase in the number of people with dementia.

Locally, between 2010/11 and 2011/12, the NHS report that there has been an increase in the number of people registered as having dementia in primary care from 464 to 578, and this is part of an upwards trajectory which is expected to continue over the next few years, and an increase in referrals to community dementia services from 190 to 335. Both of these pieces of data point towards an increase in the number of people with dementia and while not all of these cases will immediately end up requiring residential or nursing care, a significant number will do so at some point in the future.

Many of these cases are people currently receiving social care services and thus the diagnosis of dementia increases the level of support they require, giving rise to one set of growth pressure. However, the more significant growth pressure comes from new clients not previously in receipt adult social care. The growth bid estimates that there will be 23 new cases of dementia in 2013/14. 15 of these cases will be placed in specialized residential care within the borough and this will cost £429k. A further 5 will be placed in out of borough placements suitable for addressing the specialized care needs of patients with dementia, costing and estimated £169k. And a further 3 clients will choose to remain in the community at a total cost of £150k.

Clients in residential placements are expected to make a contribution towards the cost of care and the above profile of clients are estimated to make a total contribution of £161k reducing the council growth requirement from £748k to £587k.

Table 1 below, based on Dementia UK prevalence estimates applied to 2011 census, provides projections of Older People with Dementia between 2012 -2020.

**Table 1: Projections of Older People with Dementia between 2012- 2020.**

<b>People aged 45 and over predicted to have dementia</b>	<b>2012</b>	<b>2015</b>	<b>2020</b>
People aged 90+	176	208	273
People aged 65+	1,068	1,102	1,194
People aged 45+	1,105	1,143	1,241

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
GRO AHWB 1-13**

**1. RISKS AND IMPLICATIONS:**

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

The Council has a legal duty to provide support services to people whose needs fall within the "Critical" and "Substantial" bands of the national Fair Access to Care Services eligibility framework.

The general increase in the population, a greater number of older people living longer and the higher incidence of people with dementia all lead to larger number of residents in need of adult social care which needs to be funded by the council.

In particular, the increasing number of clients with dementia represents an unavoidable growth/cost pressure for the council. Most clients with dementia will meet the eligibility criteria.

**2 VALUE FOR MONEY/EFFICIENCY**

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

The Councils Adults, Health and Wellbeing commissioning plan agreed by cabinet in September 2012 is designed to ensure social care contracts are re-commissioned over the next three years to secure value for money.

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

The development of extra care housing as an alternative to institutional care, at an average annual cost of £9,676 per service user against £28,600 per institutional placement, is another efficiency driver.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO AHWB 2-13**

<b>TITLE OF ITEM:</b>	Learning Disability Transition Clients		
<b>DIRECTORATE:</b>	Adults Health & Wellbeing		
<b>SERVICE AREA:</b>	Commissioning & Strategy	<b>LEAD OFFICER:</b>	Deborah Cohen
<b>FINANCIAL INFORMATION:</b>	Ekbal Hussain		

	Contingency / Budget allocation	Bid (Base is 2012/13 budget)		
	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Employees (FTE)				
Employee Costs				
Other Costs	17,460	868	955	1,050
Income				
<b>TOTAL</b>	17,460	868	955	1,050

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

**DESCRIPTION & JUSTIFICATION**

**Growth Calculation:**  
In the 2013/2014, it is forecast that 40 learning disability clients will transfer from the Children Schools and Families Directorate to Adults Health and Wellbeing. The cost of these clients is anticipated to be £868,000. The average care package for this group of clients is £24k.

Detailed workings on the number of clients that will transfer to the Directorate over the next three years and their costs is an ongoing routine. It is forecast that the number of clients will increase by 5% for 2013/2014, 2014/2015 and 2015/16 coupled with a year on year increase in cost by approximately 10%.

Tower Hamlets Joint Service Needs Assessment Report indicates that the borough has a higher than average prevalence of disability and long term conditions and the changes in demographics predicted within the borough over the next 10 years suggests that this trend is set to continue. *There are currently approximately 740 learning disability clients on the councils register and it is forecast (based on past experience) that the number of clients will increase by 5% each year.*

The council's community learning disability service transition records indicate that there will be between 36-40 new clients in 2013/14 and additional care packages will cost around £868k (£763k known and £105k estimate) and this forms the basis of the directorate growth bid for 2013/14.

A majority of service users with learning disabilities transfer to adult services from the age of approximately 18 years and continue to receive services through to old age and thus there is a very low turnover of clients and costs represent a long term growth.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
GRO AHWB 2-13**

In 2012/13 the directorate was awarded growth of £750k to fund the cost of clients transferring from CSF to AHWB. The actual commitment on new clients during 2012/13 is £957k. Approximately £375k of this actual commitment relates to six individuals who are placed in out of borough residential placements costing between £40k and £93k.

**1. RISKS AND IMPLICATIONS:**

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

The Council has a legal duty to provide support services to people whose needs fall within the "Critical" and "Substantial" bands of the national Fair Access to Care Services (FACS) eligibility framework. The social care needs of these new learning disability clients will generally fall within the FACS eligibility criteria and the council has little option but to meet these costs.

Thus should the funding not be approved and the level of growth estimated materializes, the council could find itself in a position where it has unfunded commitments.

**2 VALUE FOR MONEY/EFFICIENCY**

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

As noted in previous years, rising costs in this area reflect a national and ongoing trend, and much of the available data is summarised in a report commissioned by the Association of Directors of Adult Social Services in October 2005. Local authority spending on learning disability services rose by 96% between 1995/6 and 2003/4. In the same period, NHS spending fell. 'Between 2001 and 2021, on a conservative estimate, there will be a 36% increase in the numbers of adults with learning disabilities aged over 60 in England. There will be an 11% increase in the total number of adults with learning disabilities'. The number of people with learning disabilities using Social Services increased nationally between 2001 and 2004 by 15%, and the numbers in residential and nursing care rose by 35% between 1997 and 2004.

The annual review process that takes place between Children's and Adults services during May to October is used to generate the data. The identification of the future number of potential adult service users is based on a view of the needs of the year nine children (age 13- 14). Between the ages of 15-16 a more detailed assessment is undertaken which indicates which services might be needed and then some estimated costs are apportioned. The estimated costs for care packages for an individual in a full year can range from a minimum of £1,503 to £112,900 (taken from costs for those aged 20 in 2008/09) and therefore are examined on an annual basis to ensure services are provided to meet eligible need.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/CLC/01/13**

<b>TITLE OF ITEM:</b>	Freedom Pass		
<b>DIRECTORATE:</b>	Communities, Localities & Culture		
<b>SERVICE AREA:</b>	Public Realm	<b>LEAD OFFICER:</b>	Jamie Blake

**FINANCIAL INFORMATION:**

	Contingency / Budget allocation	Bid (Base is 2012/13 Budget)		
		2012/13 £'000	2013/14 £'000	2014/15 £'000
Employees (FTE)				
Employee Costs				
Other Costs	7,802	601	0	0
Income				
<b>TOTAL</b>	7802	601	0	0

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

**DESCRIPTION & JUSTIFICATION**

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

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

1. TfL state the overall Freedom Pass Cost for London
2. London Councils (LC) receive a DfT Grant towards the Freedom Passes (about 11% of total cost)
3. This gets deducted off the total cost to calculate the deficit remaining

LC has in the past apportioned the deficit to boroughs based on both usage data (bus and underground) in proportion to Special Grant. This is now based on usage and the Special Grant is part of the Formula Grant methodology.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
GRO/CLC/01/13**

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

This methodology indicates that the costs of Concessionary Fares for LBTH in 2012/13 will be £7.802m, an increase of £0.526m on the 2011/12 cost.

For 2013/14 the London Councils' Transport and Environment Committee have recently agreed a different way of apportioning costs of the Concessionary Fares scheme using more comprehensive usage data obtained over the past two years. London Councils' calculations indicate that the proportion of the deficit to be charged to LBTH will reduce meaning that this Authority will therefore benefit from the amended arrangements. However, due to representations made by various south London boroughs the change will be 'damped' by a phasing mechanism over the next three years and so the full impact will not be felt until the end of that three year period.

The outcome of the above is that London Councils have calculated the base charge for LBTH in 2013/14 as £ 8.403m, an increase of £ 0.601m on the budgeted figure for 2012/13. The charge will then reduce still further over the next three years. However it is important to note that these apportionments take no account of inflation. Historically LBTH suffers high levels of inflation with regard to concessionary fares and so no reduction in budget is currently factored into this growth bid for those years.

The reliance on the Parking Reserve to fund the provision in the past has depleted the Reserve and therefore there is a need to fund this gap as growth, as approved previously.

**1. RISKS AND IMPLICATIONS:**

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

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

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/CLC/01/13**

**2 | VALUE FOR MONEY/EFFICIENCY**

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

The authority has no individual control over the amount of money levied upon it to fund the Freedom Pass scheme.

Arguably the Freedom Pass scheme represents value for money in offering enhanced mobility to traditionally less mobile members of the community and enhances sustainable travel by encouraging the use of public transport.



**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
GRO/CLC/02/13**

<b>TITLE OF ITEM:</b>	Transportation, treatment and disposal of waste (including recycle materials)		
<b>DIRECTORATE:</b>	Communities, Localities & Culture		
<b>SERVICE AREA:</b>	Public Realm	<b>LEAD OFFICER:</b>	Simon Baxter / Fiona Heyland

	Contingency / Budget allocation	Bid (Base is 2012/13 Budget)			
		2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Employees (FTE)					
Employee Costs					
Other Costs	9,809	310	320	538	
Income					
<b>TOTAL</b>	9,809	310	320	538	

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

**DESCRIPTION & JUSTIFICATION**

The Waste Strategy which includes the determining of the long term waste strategy of the Council is yet to be finalised. In the short to medium term the Council will continue to rely on the ability of Veolia to secure spare operating capacity at existing waste facilities and the use of the Rainham landfill site. Therefore each year the Council will continue to face the burden of the £8 Landfill Tax escalator for waste going to landfill.

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

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

- that Landfill Tax will continue to increase by £8 per tonne. The Government has announced that Landfill Tax will continue to rise until it reaches £80 per tonne in 2014/15
- that the Municipal Solid Waste (MSW) tonnage will continue to increase by 0.5% each year. This is an assumed risk which will need to be monitored and reviewed over the MTFP
- that the recycling rates in 2012/13 and 2013/14 will remain at circa 32% unless a policy of compulsory recycling is introduced
- It is anticipated, based on current data that in 2013/14 the cost will grow by £0.310M

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/CLC/02/13**

**1. RISKS AND IMPLICATIONS:**

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

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

- Change in growth of MSW tonnage
- Government announcement regarding Landfill Tax

**2 VALUE FOR MONEY/EFFICIENCY**

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

The Landfill tax escalator is a tax that is outside the control of the Council. Whilst other options are pursued to mitigate the tax, the landfill tax will continue to be payable on all waste disposed through landfill. This proposal continues to provide the best option currently available and carried the least risk.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/CSF/01/13**

<b>TITLE OF ITEM:</b>	Home – School Travel		
<b>DIRECTORATE:</b>	Children, Schools and Families		
<b>SERVICE AREA:</b>	G78 Pupil Support	<b>LEAD OFFICER:</b>	Terry Bryan

**FINANCIAL INFORMATION:**

	Contingency / Budget allocation	Bid (Base is 2012/13 Budget)		
	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Employees (FTE)		0	0	0
Employee Costs		0	0	0
Other Costs		-150	-20	-90
Income		0	0	0
To Reserves				
<b>TOTAL</b>	0	<b>-150</b>	<b>-20</b>	<b>-90</b>

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

**NB All funded from reserves**

**DESCRIPTION & JUSTIFICATION**

**Growth Calculation:**

This growth bid was agreed at Cabinet for the 2012/13 budget setting round. The figures have been updated for activity and cost changes since autumn 2011.

Pupil Transport commitments had been significantly under-budgeted, but in-year, on-going growth was agreed for 2011/12 and this addressed the underlying issue.

There is currently £1.060m in the budget for pupil transport and, on the basis of the expected profile of costs, this was due to increase by a further £80k in 2013/14, but start to reduce from 2014/15 onwards.

The significant costs arise because of the increased demand on school places, with available school places not being in the areas where demand is greatest. Commitments to transport existing pupils are being honoured and some parents are taking up the option of travel assistance, rather than direct transport. Demand for places remains high, but new admissions policies will assist in getting more pupils in local schools. This is a complex situation and officers have updated the figures, but there remain uncertainties about whether strategies for managing the expected demand will be entirely successful (ie whether new places will be built, whether the new admissions arrangements will avoid having pupils and places mismatched entirely). The risks of further demand beyond that identified here will remain.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
GRO/CSF/01/13**

The current of number of pupils being provided with travel assistance is 350 (308 receiving school bus transport and 42 receiving travel support in the form of a travel pass issued to the parent/child), with annualised spending of £0.946m. It is projected that by the spring of 2013 this number will rise by an additional 43 reception children (see Table 1). This would increase spend to £1,019,354

**Table 1 – Projected number of reception aged children that will require school bus transport by spring 2013**

Area	No of Children out of School	Vacancies	Variance
Bethnal Green	6	8	2
Bow & Poplar	65	24	-41
Isles of Dogs	4	2	-2
Stepney	15	0	-15
Wapping	1	1	0
<b>Grand Total</b>	<b>91</b>	<b>35</b>	<b>-56</b>

**Table 2:** provides a snapshot of the current unit cost of school bus transport at £15 per child per school day. This cost has been determined by applying a formula based on number of children; schools; size and cost of the transport vehicles. (See **Table 2** at the end of this pro forma)

**Table 3:** Estimated number of pupils likely to require Travel Assistance from 2012/13 through to 2015/16 School Year (See **Table 3** at the end of this pro forma)

**Table 4:** Projected cost of over four financial year period. The total annual cost projection is based on a current average of cost £2,950.18 per pupil in receipt of school bus transport, plus £900 per pupil/parent in receipt of a school travel pass (One thirds of academic year and two thirds of the next).

**Table 4: Four Year Cost Projections**

Financial Year	MTFP budget profile (2011)	Revised Forecast Cost (2012)	Difference
2012-13*	£1.060m	£1.019m	<b>-£0.041m</b>
2013-14**	£1.140m	£0.993m	<b>-£0.147m</b>
2014-15**	£1.040m	£0.872m	<b>-£0.168m</b>
2015-16**	£0.980m	£0.720m	<b>-£0.260m</b>

*\*Projection for 2012-13 is based on the actual spend for summer term 2012 (April to August at £307,912) and two thirds of the remaining projected cost for 2012-13 academic year. The costs for 2012-13 will be lower if the blip classes are not in place.*

*\*\*Projection for 2013-16 is based on one thirds of academic year and two third of the next.*

Obviously, if the Authority is unable to successfully continue its strategy of providing places in the areas where this is most demand these projections will need be significantly revised (upwards).

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/CSF/01/13**

**1. RISKS AND IMPLICATIONS:**

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

Projections can be revised, based on the immediate impact of the new travel policy and the impact of the recent increases to the provision of places in north east of the borough i.e. Bonner (Mile End), Clara Grant, CET and (possibly) Marion Richardson. However, most of these increases are 'one off' blip classes. Although the projected spend is lower for this year, we still have a significant number of children that we need to secure places for. Unless further permanent school place increases to match the continuing and projected demand in the north east of the borough can be found robust medium term projections may be difficult to produce.

The average cost of school bus transport was determined by a formula based on the number of children; schools; size and cost of the vehicles. The revised per pupil cost of £2,950 is set out in Table 2 at the end of the pro forma. The new rate is 9.3% higher than the rate of £2,700 per pupil determined for 2012/13. The average cost of travel support is £900 per pupil.

**2 VALUE FOR MONEY/EFFICIENCY**

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

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

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

Spending money on transport, when the authority's duty is to provide travel assistance may be regarded as a generous arrangement, but precedents have been set and change will require Member decision on policy.

The underlying shortfall in the transport budget was agreed for 2011/12 and 2012/13 budgets on an on-going basis.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
GRO/CSF/01/13**

**Table 2** – Snapshot of school bus transport recipients (October 2012)

School Name **	Number Children	Number of Vehicles	Cost per Day	Estimated Annual Cost (196 School Days)	Average cost per child per day
Bangabandhu	5	1	£ 84.00	£ 16,464.00	£ 16.80
Ben Johnson	4	1	£ 84.00	£ 16,464.00	£ 21.00
Canon Barnett	39	3	£ 136.00	£ 79,968.00	£ 10.46
Canon Barnett	9	2	£ 84.00	£ 32,928.00	£ 18.67
Cayley	2	1	£ 60.00	£ 11,760.00	£ 30.00
Christ Church	43	2	£ 136.00	£ 53,312.00	£ 10.46
Christ Church	17	3	£ 136.00	£ 79,968.00	£ 24.00
Columbia	6	1	£ 136.00	£ 26,656.00	£ 22.67
Elizabeth Selby/Lawdale	10	1	£ 136.00	£ 26,656.00	£ 13.60
Globe	5	1	£ 84.00	£ 16,464.00	£ 16.80
Globe	2	1	£ 60.00	£ 11,760.00	£ 30.00
Hague / Osmani	3	1	£ 60.00	£ 11,760.00	£ 20.00
Harry Gosling	13	1	£ 136.00	£ 26,656.00	£ 10.46
Hermitage	20	2	£ 136.00	£ 53,312.00	£ 13.60
Hermitage	4	1	£ 84.00	£ 16,464.00	£ 21.00
Hermitage	3	1	£ 60.00	£ 11,760.00	£ 20.00
John Scurr	5	1	£ 84.00	£ 16,464.00	£ 16.80
Manorfield/Woolmore	3	1	£ 60.00	£ 11,760.00	£ 20.00
Marner	1	1	£ 60.00	£ 11,760.00	£ 60.00
Mowlem	2	1	£ 60.00	£ 11,760.00	£ 30.00
Old Palace	2	1	£ 60.00	£ 11,760.00	£ 30.00
Osmani	13	1	£ 136.00	£ 26,656.00	£ 10.46
Shapla	5	1	£ 84.00	£ 16,464.00	£ 16.80
Smithy School	5	1	£ 84.00	£ 16,464.00	£ 16.80
Smithy School	1	1	£ 60.00	£ 11,760.00	£ 60.00
St Anne's	3	1	£ 60.00	£ 11,760.00	£ 20.00
St Matthias	13	1	£ 136.00	£ 26,656.00	£ 10.46
St Matthias	4	1	£ 84.00	£ 16,464.00	£ 21.00
St Pauls Whitechapel	7	1	£ 136.00	£ 26,656.00	£ 19.43
St Peter's	1	1	£ 60.00	£ 11,760.00	£ 60.00
Stewart Headlam	23	2	£ 136.00	£ 53,312.00	£ 11.83
Stewart Headlam	3	1	£ 60.00	£ 11,760.00	£ 20.00
Thomas Buxton	32	3	£ 136.00	£ 79,968.00	£ 12.75
Thomas Buxton	5	1	£ 84.00	£ 16,464.00	£ 16.80
William Davis	12	1	£ 136.00	£ 26,656.00	£ 11.33
<b>Total</b>	<b>308</b>	<b>45</b>	<b>£ 3,328.00</b>	<b>£ 908,656.00</b>	<b>£ 15.05</b>

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

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/CSF/01/13**

**Table 3:** Estimated number of pupils likely to require Travel Assistance from 2012/13 through to 2015/16 School Year

Year Group	Snapshot - October 2012			2012/13 (1st Sep - 31st Mar)			2013/14			2014/15			2015/16		
	Bus Transport	Travel Support	Total Receiving Transport	Bus Transport	Travel Support	Total Receiving Transport	Bus Transport	Travel Support	Total Receiving Transport	Bus Transport	Travel Support	Total Receiving Transport	Bus Transport	Travel Support	Total Receiving Transport
Nursery	1	0	1	1	0	0	0	0	0	0	0	0	0	0	0
Reception	7	3	10	47	6	53	0	0	0	0	0	0	0	0	0
Year 1	31	6	37	31	6	37	47	6	53	0	0	0	0	0	0
Year 2	63	16	79	63	16	79	28	9	37	47	6	53	0	0	0
Year 3	84	7	91	84	7	91	55	24	79	28	9	37	47	6	53
Year 4	56	2	58	56	2	58	80	11	91	55	24	79	28	9	37
Year 5	43	4	47	43	4	47	55	3	58	80	11	91	55	24	79
Year 6	23	4	27	23	4	27	41	6	47	55	3	58	80	11	91
<b>Total</b>	<b>308</b>	<b>42</b>	<b>350</b>	<b>348</b>	<b>45</b>	<b>393</b>	<b>306</b>	<b>59</b>	<b>365</b>	<b>265</b>	<b>53</b>	<b>318</b>	<b>210</b>	<b>50</b>	<b>260</b>

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/CSF/02/13**

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

<b>FINANCIAL INFORMATION:</b>				
	<b>Contingency / Budget allocation</b>	<b>Bid (Base is 2012/13 Budget)</b>		
		<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
<b>Employees (FTE)</b>				
<b>Employee Costs</b>				
<b>Other Costs</b>		-713	-410	
<b>Income</b>				
<b>To Reserves</b>		+713	+410	
<b>TOTAL</b>		0	0	

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

**NB All funded from reserves**

<b>DESCRIPTION &amp; JUSTIFICATION</b>	
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**Growth Calculation:** [ Use this box to illustrate the empirical assumptions built into this bid and how they relate to historic/ developing trends]

The Mayor's Bursary was introduced for two academic years from September 2011. Original estimates of uptake were based on 2,473 total students in the previous Year 11, with an expected 89% staying on at school or college and 85% of those being eligible for support. In addition, there would be a £40k annual administration charge. This suggested that 1,871 would be eligible for a £400 annual payment.

In the first academic year, total spend so far has been £0.305m, rather than the estimated £0.749m i.e. 41%. There are three principal reasons for this lower than expected cost:

- a) Claimant numbers were lower by 500; there were only 1,700 claimants, including 85 who failed residency and level of income criteria;
- b) 351 claimants did not qualify because they were already in receipt of the national Education Maintenance Allowance in its final year of operation, a situation that will not recur; and
- c) Almost 40% of the otherwise eligible claimants did not receive a payment because their attendance was not good enough (minimum attendance is required to be 95%)

Only 760 individuals have been eligible for a payment in 2011/12 academic year. The growth allocation for future years can now be recalculated on the basis of the experience of the first year of operation.



**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
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Financial year	2011/12	2012/13		2013/14		TOTAL	
Year	Jan 12 Actual	April 12 Provisional (Note 1)	Jan 13 Estimated (Note 2)	April 13 Estimated	Jan 14 (Note 3)		
Year 12	650	875	976	976			
Year 13			976	976			
Year 14							
Total eligible	650	875	1,952	1,952			
Admin cost	£0.020m	£0.020m	£0.020m	£0.020m			
Total cost (i.e. eligible x £200 per instalment)	£0.130m	£0.175m	£0.390m	£0.390m			
Revised Financial Year cost	£0.150m	£0.605m		£0.410m		£1.165m	
Original Financial year cost	£0.374m	£1.123m		£0.748m		£2.245m	
Underspend against original estimate	-£0.224m	-£0.518m		-£0.338m		-£1.080m	

The table above illustrates the estimated position for the cost of the grant element and administration costs, comparing the actual costs for 2011/12 and the forecast cost for the remainder of the two academic year period with the comparison against the original figures. The estimated underspend of the reserves is £1.080m by the end of the second academic year.

Note 1: There are more transactions in the second half of 2011/12 academic year because some late claimants would have had backdated payments.

Note 2: 976 assumes 61% of an estimated 1,600 otherwise eligible students will be entitled to a payment.

Note 3: If the Council were to extend the scheme for a third year, there are estimated to be 293 additional (Year 14) students and this would suggest a total number of 2,244 eligible students. With £40k administration cost, this would suggest an extra academic year would cost £0.938m. Given the underspend so far, and subject to the risks suggested below, an additional year would look affordable within the funding originally set aside for this initiative.

**1. RISKS AND IMPLICATIONS:**

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

Educational attainment has risen to above national averages at GCSE. Improvements at post 16 have reached national norms. The reduction in the government's funding support post-16 will have a further detrimental effect on the ability of young people to remain in education. Without Discretionary Funding students from low income families struggle to support their needs for basic subsistence, travel, and ability to purchase learning materials and specialist equipment.

Educational improvement at all levels and the ability to secure employment in the future is a Strategic Priority

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
GRO/CSF/02/13**

The decision of central government to end the EMA scheme and replace it with a targeted support scheme will have a serious financial impact on students in school sixth forms and FE colleges who could have expected an EMA of £30 per week in the 2011/12 academic year.

Transitional arrangements have been put into place by the Young Peoples Learning Agency (YPLA) to compensate students who received an EMA in 2009/10 of any value or an EMA of £30 in the 2010/11 academic. These students will continue to receive a weekly payment in lieu of their EMA, but this ceases from the start of academic year 2012/13.

On the financial risks, the costs are driven by the numbers of eligible students. Overall numbers of eligible students cannot be guaranteed from year to year. Original estimates of eligible students have proven to be too generous in the first year. Improvements or changes to the attendance criteria (95%) would mean that many more individuals would be eligible for payment.

**2 | VALUE FOR MONEY/EFFICIENCY**

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

The 16-19 FE Award would be a grant scheme aimed at long term residents of Tower Hamlets who would have received a £30 EMA if the scheme had continued and who are not eligible for a weekly payment under the YPLA's transitional arrangements for continuing students.

Students would be required to be settled in the UK/EEA and to have lived in Tower Hamlets for three years before the start of the course.

The 16-19 FE Award will only be considered where a student's household income is less than £20,871 in the 2010/11 financial year.

The award will consist of two payments of £200 paid to the student in the Spring and Summer terms. The supposition is that students will receive any YPLA support they are entitled to in the Autumn term.

The release of payments will be triggered by a positive indication from a school or college that a student has reached accepted levels of attendance, and progress towards their targets.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/RES/01/13**

**TITLE OF ITEM:** Housing Benefit Subsidy Income Adjustment

**DIRECTORATE:** Resources – Housing General Fund

**SERVICE AREA:** Benefits **LEAD OFFICER:** Steve Hill

**FINANCIAL INFORMATION:**

	Contingency / Budget allocation	Bid (Base is 2012/13 Budget)			
		2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Employees (FTE)					
Employee Costs					
Other Costs	249,924	1,000			
Income	(249,429)				
<b>TOTAL</b>	495	1,000			

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

**DESCRIPTION & JUSTIFICATION**

Over the last few years, overall gross housing benefit expenditure incurred by the Council has been reduced by the treatment of overpayment of benefit. Simplistically, the Council has been the beneficiary of additional funding from the recovery of HB overpayments in-year and through the treatment of categories of overpayments where the Council received 40% subsidy income for these overpayments. During this time the budget has been created based on these assumptions.

With the introduction of the new Atlas II software by the DWP in 2012 the levels of overpayments have significantly reduced because the software is now able to adjust HB claims in "real-time" and is informing the Council to changes directly from the DWP. Therefore, the Council by becoming more efficient in its HB processing arrangements has led to a reduction in the levels of HB overpayment income it has been able to maximise as in previous years.

Because of these changes, the assumptions made in the creation of these budgets are no longer valid and as a result there is now a predicted shortfall of £1M (0.03% of the overall budget) in 2012-13 and there will be a permanent on-going gap in the base budget in future years.

These changes could not have been anticipated with the introduction of the new software as there was no previous experience of its impact on HB processing time and the net changes to levels of recovery of overpayments income and there subsequent treatment within the HB subsidy claim.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/RES/01/13**

**1. RISKS AND IMPLICATIONS:**

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

There is a predicted shortfall in the current Housing Benefits budget of approx. £1M unless this growth bid is agreed. The service cannot continue to contain these budget pressures for benefit expenditure because of the changes arising from the introduction of more efficient HB processing claims and a less beneficial grant subsidy environment for maximising income.

**2 VALUE FOR MONEY/EFFICIENCY**

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

The additional budget will provide VFM in addressing the predicted shortfall in the budget and ensuring that it balances and also accommodate the changes to the original assumptions made of levels of HB expenditure, grant subsidy payable, HB eligibility and levels of bad debt provision and income. The additional budget will also enable the HB service to continue to meet the Performance Indicators targets that it has for processing claims within ten days.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
GRO/CORP/01/13

<b>TITLE OF ITEM:</b>	Pension Fund Contributions		
<b>DIRECTORATE:</b>	All		
<b>SERVICE AREA:</b>	All	<b>LEAD OFFICER:</b>	Alan Finch

<b>FINANCIAL INFORMATION:</b>				
	<b>Contingency / Budget allocation</b>	<b>Bid (Base is 2012/13 Budget)</b>		
	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
<b>Employees (FTE)</b>				
<b>Employee Costs</b>	15,250	NIL	2,000	2,000
<b>Other Costs</b>				
<b>Income</b>				
<b>TOTAL</b>	15,250	NIL	2,000	2,000

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

**DESCRIPTION & JUSTIFICATION**

**Growth Calculation:**

A report from the Council's actuary in August 2012 which models the effect of the introduction of the new Local Government Pension Scheme from April 2014 suggests that based on current understanding and market conditions the Scheme's future contribution rate will increase from 17.3% to 21.3%. This would equate to a £3m cost to the General Fund which if phased in over the period of the next actuarial valuation (2014-2017), would equate to an increase of £1m a year.

This makes no provision for an increase in the cost of servicing past service deficit. A notional £1m a year is included for this.

The actual amount that the Council needs to set aside will be dependent upon the actuarial valuation which takes place next year.

The growth requested is in addition to previously agreed growth for 2013/14 of £1.25m.

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

**Item Ref. No:  
GRO/CORP/01/13**

<b>1.</b>	<b>RISKS AND IMPLICATIONS:</b>
<p><b>Why is this expenditure inescapable and what are the consequences/ risks if funding is not approved? If it is demanded provide details of the increase in client numbers and the basis of any projections.</b></p>	
<p>The authority is required by legislation to provide a pension scheme to staff under the terms of the Local Government Pension Scheme and to manage this as part of a separate ring-fenced Pension Fund which is required to be self-financing over its life.</p> <p>The fund is currently thought to be between 60-70% funded. (It was 74%funded at the time of the last actuarial valuation, since when market conditions have deteriorated) Since employee contributions are fixed, this means that employer contributions or investment returns will need to be higher in future to recover much of this deficit.</p> <p>The authority needs to ensure that it sets aside sufficient funding based on the earnings of its employees to fund their future pensions. It is also required to ensure that past service by scheme members is also properly funded.</p> <p>The Local Government Pension Scheme is to be reformed from 2014 to reduce the future cost of the scheme, primarily by changing the way pension benefits accrue to staff and deferring the age of retirement for younger scheme members. The new scheme protects past service Modelling by the actuary. This shows that the impact of the new scheme on Tower Hamlets will initially be to reduce the cost by just under 1%. However this impact is swamped by the impact of deteriorating market condition on the value of the Fund's assets and the assessment of its liabilities.</p> <p>The figure here does not include the impact of auto-enrolment, which becomes law from October 2012 onwards and affects the Council with effect from April 2013. Currently around half of all staff are members of the local government pension scheme. It is not known to what extent auto-enrolment will encourage staff to join the LGPS but this could introduce an additional cost.</p>	
<b>2</b>	<b>VALUE FOR MONEY/EFFICIENCY</b>
<p><b>Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/ inspection judgements</b></p>	
<p>The Local Government Pension Scheme from 2014 will remain a relatively attractive scheme which should continue to attract high caliber staff into local government. The Council has a policy of employing a workforce that reflects the local community.</p> <p>The assessment in this paper is based on current staffing numbers and does not reflect, for example, the impact of potential insourcing of services currently provided at arms length to the Council.</p>	

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/CORP/02/13**

**TITLE OF ITEM:** Pension Fund Auto-enrolment

**DIRECTORATE:** Corporate

**SERVICE AREA:** Corporate Finance

**LEAD OFFICER:** Alan Finch

**FINANCIAL INFORMATION:**

	Contingency / Budget allocation	Bid (Base is 2012/13 Budget)		
	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Employees (FTE)				
Employee Costs	20,700	1,000	200	
Other Costs				
Income				
<b>TOTAL</b>	20,700	1,000	200	

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

**DESCRIPTION & JUSTIFICATION**

In June 2013, the authority will automatically enrol all its eligible staff into the Local Government Pension Scheme (LGPS), in accordance with new legislation. The LGPS attracts higher employer's contributions than the state second pension, so there will be a cost to the Council for each member of staff who opts to join.

All new joiners are already entered into the pension scheme automatically and have to opt out if they do not wish to belong. It is therefore anticipated that the majority of staff auto-enrolled will opt out again and this estimate assumes that 20% will decide to remain in the scheme. This figure will be reviewed in the light of experience.

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

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

**COMMITTED / UNAVOIDABLE GROWTH BID  
BUDGET 2013/14- 2015/16**

Item Ref. No:  
**GRO/CORP/02/13**

**1. RISKS AND IMPLICATIONS:**

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

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

**2 VALUE FOR MONEY/EFFICIENCY**

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

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



## APPROVED SAVINGS 2012/13 to 2014/15

Ref No.	Directorate	Current Name	2012/13 Year 2 £'000	Revised 2012/13 Year 2 £'000	2013/14 Year 3 £'000	Revised 2013/14 Year 3 £'000	2014/15 Year 4 £'000	Revised 2014/15 Year 4 £'000	TOTAL £'000	Revised TOTAL £'000
AHWP/1	Adults Health & Wellbeing	Promoting Independence and reducing demand for domiciliary care through Reablement	1,349	649	842	100	0	0	2,191	749
AHWP/2	Adults Health & Wellbeing	Better use of Supported Housing	630	630	940	940	0	0	1,570	1,570
AHWP/3	Adults Health & Wellbeing	Modernising Learning Disability Day Services	600	600	600	600	0	0	1,200	1,200
AHWP 1 (2012)	Adults Health & Wellbeing	Physical Disability Day Opportunities Budget efficiency	51	51	20	20	0	0	71	71
AHWP 2 (2012)	Adults Health & Wellbeing	Mental Health Supported Accommodation	0	0	200	200	600	600	800	800
AHWP 3 (2012)	Adults Health & Wellbeing	Use of Telecare	250	0	250	0	300	300	800	300
AHWP 4 (2012)	Adults Health & Wellbeing	Reorganisation of Children Schools and Families & Adults Health and Wellbeing	150	150	150	150	0	0	300	300
AHWP 5 (2012)	Adults Health & Wellbeing	LD residential and supported living efficiencies via collaborative work with neighbouring Boroughs	0	0	300	100	0	0	300	100
AHWP 6 (2012)	Adults Health & Wellbeing	Housing Link Phase 2	100	48	105	0	0	0	205	48
AHWP 7 (2012)	Adults Health & Wellbeing	Improving the quality of the hostels sector and managing reduction of the number of bed spaces	0	0	690	690	0	0	690	690
AHWP 8 (2012)	Adults Health & Wellbeing	More Effective Income Control	75	75	25	25	0	0	100	100
AHWP 9 (2012)	Adults Health & Wellbeing	Supporting People Framework Agreement	175	175	225	225	0	0	400	400
AHWP 10 (2012)	Adults Health & Wellbeing	Additional Adults, Health and Wellbeing Opportunity 13/14	0	0	200	0	0	0	200	0
AHWP 11 (2012)	Adults Health & Wellbeing	Various savings each of less than £50k	0	0	40	40	0	0	40	40
CE 1 (2012)	Adults Health & Wellbeing	Strategy, Policy and Performance: Management Restructure and Public Health	0	0	0	100	0	100	0	200
		<b>Total (Adults Health &amp; Wellbeing)</b>	<b>3,380</b>	<b>2,378</b>	<b>4,587</b>	<b>3,190</b>	<b>900</b>	<b>1,000</b>	<b>8,867</b>	<b>6,568</b>
CE 1 (2012)	Chief Executive	Strategy, Policy and Performance: Management Restructure and Public Health	200	200	100	0	100	0	400	200
CE 2 (2012)	Chief Executive	Various savings each of less than £50k	103	103	0	0	0	0	103	103
		<b>Total (Chief Executive)</b>	<b>303</b>	<b>303</b>	<b>100</b>	<b>0</b>	<b>100</b>	<b>0</b>	<b>503</b>	<b>303</b>
CLC/1	Communities Localities & Culture	Parking Driving Change through enhanced Performance	1,000	1,000	0	0	0	0	1,000	1,000
CLC/2	Communities Localities & Culture	Highways income and efficiencies opportunities	400	400	50	50	0	0	450	450
CLC/4	Communities Localities & Culture	Review of Supervised Adventure Play Activities	50	50	0	0	0	0	50	50
CLC/5	Communities Localities & Culture	Community Safety/Environmental Control Service Rationalisation - Restructure/Redesign of Directorate Enforcement Functions	422	422	0	0	150	150	572	572
CLC/7	Communities Localities & Culture	Commercial Waste Income Opportunities	350	350	400	400	0	0	750	750
CLC 1 (2012)	Communities Localities & Culture	Northumberland Wharf Commercial Lease	0	0	300	300	0	0	300	300
CLC 2 (2012)	Communities Localities & Culture	Depot Consolidation	55	55			200	200	255	255
CLC 3 (2012)	Communities Localities & Culture	New Income Generation - Bulk Waste	150	150	0	0	0	0	150	150
CLC 4 (2012)	Communities Localities & Culture	Service Efficiencies, Capital Schemes	375	375	0	0	0	0	375	375
CLC 5 (2012)	Communities Localities & Culture	Pay and Display Review	275	275	0	0	0	0	275	275
CLC 6 (2012)	Communities Localities & Culture	Parking Permits Review	0	0	235	235	0	0	235	235
CLC 7 (2012)	Communities Localities & Culture	Corporate Events in Parks	0	0	90	90	0	0	90	90
CLC 8 (2012)	Communities Localities & Culture	Advertising Opportunity	0	0	600	600	0	0	600	600
CLC 9 (2012)	Communities Localities & Culture	Ideas Store Stock Fund	0	0	200	200	0	0	200	200
CLC 10 (2012)	Communities Localities & Culture	Various savings each of less than £50k	100	100	70	70	0	0	170	170
		<b>Total (Communities, Localities and Culture)</b>	<b>3,177</b>	<b>3,177</b>	<b>1,945</b>	<b>1,945</b>	<b>350</b>	<b>350</b>	<b>5,472</b>	<b>5,472</b>
CSF/2	Children, Schools & Families	Family wellbeing model	0	0	200	200	0	0	200	200
CSF/4	Children, Schools & Families	Pupil Transport efficiency review	150	150	100	100	0	0	250	250
CSF/5	Children, Schools & Families	Review of Extended Schools Services	180	180	0	0	0	0	180	180
CSF/6	Children, Schools & Families	Redesign of parent support and advice to reflect need	50	50	40	40	0	0	90	90
CSF 1 (2012)	Children, Schools & Families	Open buildings for community hire	100	100	0	0	0	0	100	100
CSF 2 (2012)	Children, Schools & Families	Move to a traded basis for Parent Support Services	0	0	0	0	205	205	205	205
CSF 3 (2012)	Children, Schools & Families	Saving in procurement of placements for looked after children	0	0	0	0	500	500	500	500
CSF 4 (2012)	Children, Schools & Families	Consolidation of information systems- Single View of a Child	0	0	5	5	255	255	260	260
CSF 5 (2012)	Children, Schools & Families	Various savings each of less than £50k	50	50	0	0	0	0	50	50

Ref No.	Directorate	Current Name	2012/13 Year 2 £'000	Revised 2012/13 Year 2 £'000	2013/14 Year 3 £'000	Revised 2013/14 Year 3 £'000	2014/15 Year 4 £'000	Revised 2014/15 Year 4 £'000	TOTAL £'000	Revised TOTAL £'000
		<b>Total (Children, Schools &amp; Families)</b>	<b>530</b>	<b>530</b>	<b>345</b>	<b>345</b>	<b>960</b>	<b>960</b>	<b>1,835</b>	<b>1,835</b>
D&R/1	Development & Renewal	Transformation of front end to back office functions through planning digitisation	186	186	0	0	0	0	186	186
D&R/2	Development & Renewal	Corporate Subscriptions Deletion	50	50	0	0	0	0	50	50
D&R 1 (2012)	Development & Renewal	Statement of Community Involvement (SCI) & Other Consultation changes	75	75	0	0	0	0	75	75
D&R 2 (2012)	Development & Renewal	Further Saving from Anchorage House	0	0	2,701	2,701	1,534	1,534	4,235	4,235
CLC 2 (2012)	Development & Renewal	Depot Consolidation	95	95	0	0	0	0	95	95
D&R 3 (2012)	Development & Renewal	Various savings each of less than £50k	90	90	0	0	0	0	90	90
		<b>Total (Development &amp; Renewal)</b>	<b>496</b>	<b>496</b>	<b>2,701</b>	<b>2,701</b>	<b>1,534</b>	<b>1,534</b>	<b>4,731</b>	<b>4,731</b>
RES 1 (2012)	Resources	Phased Closure of Council's Cash Office Facility	70	70	80	80	0	0	150	150
RES 2 (2012)	Resources	Insurance - negotiate cheaper premiums in Consortium with other London Boroughs	0	0	125	125	0	0	125	125
RES 3 (2012)	Resources	Future Sourcing Project	2,500	2,500	500	500	230	230	3,230	3,230
RES 4 (2012)	Resources	Rationalisation of One Stop Shops	0	0	202	202	0	0	202	202
RES 5 (2012)	Resources	Various savings each of less than £50k	60	60	0	0	0	0	60	60
		<b>Total (Resources)</b>	<b>2,630</b>	<b>2,630</b>	<b>907</b>	<b>907</b>	<b>230</b>	<b>230</b>	<b>3,767</b>	<b>3,767</b>
CORP 1 (2012)	Corporate	Reduction in Contribution to General Fund Reserve	3,000	3,000	0	0	0	0	3,000	3,000
CORP 2 (2012)	Corporate	Reduction in Corporate Contingency Provision	0	0	1,434	1,434	0	0	1,434	1,434
CORP 3 (2012)	Corporate	Contribution to Improvement & Efficiency Reserve	0	0	2,900	2,900	0	0	2,900	2,900
CORP 4 (2012)	Corporate	Insurance and Risk Management Provisions	0	0	500	500	1,300	1,300	1,800	1,800
CORP 5 (2012)	Corporate	Reduction in Severance Provisions	200	200	0	0	1,203	1,203	1,403	1,403
CORP 6 (2012)	Corporate	Capital Financing Charges	1,000	1,000	0	0	0	0	1,000	1,000
CORP 7 (2012)	Corporate	Optimisation Investment / Treasury Management Strategy	445	445	0	0	0	0	445	445
CORP 8 (2012)	Corporate	Various savings each of less than £50k	17	17	0	0	0	0	17	17
			<b>4,662</b>	<b>4,662</b>	<b>4,834</b>	<b>4,834</b>	<b>2,503</b>	<b>2,503</b>	<b>11,999</b>	<b>11,999</b>
ALL/1	All Directorates	Directorate Supplies & Service Efficiencies	776	776	639	639	0	0	1,415	1,415
		<b>Total (All Directorates)</b>	<b>776</b>	<b>776</b>	<b>639</b>	<b>639</b>	<b>0</b>	<b>0</b>	<b>1,415</b>	<b>1,415</b>
<b>PROGRAMME SAVINGS</b>										
BAM/1	Development & Renewal	Better Asset Management	481	481	418	418	0	0	899	899
		<b>Total (Better Asset Management)</b>	<b>481</b>	<b>481</b>	<b>418</b>	<b>418</b>	<b>0</b>	<b>0</b>	<b>899</b>	<b>899</b>
IO/1	Schools, Children & Families	Recharge Schools for Support Services	189	189	100	100	0	0	289	289
IO/3	Chief Executive	Shared Legal Services	50	50	50	50	0	0	100	100
IO/4	All directorates	Improved Income Collection, Debt Management and Fraud prevention	725	725	554	554	0	0	1,279	1,279
		<b>Total (Income Optimisation)</b>	<b>964</b>	<b>964</b>	<b>704</b>	<b>704</b>	<b>0</b>	<b>0</b>	<b>1,668</b>	<b>1,668</b>
LEAN/1	All Directorates	Management Streamlining & Agency Management Reduction	2,403	2,403	1,310	1,087	0	0	3,713	3,490
LEAN/2	All Directorates	Merging Communications, Publications and Participation and Consultation functions	100	100	0	0	0	0	100	100
LEAN/3	All Directorates	Strategy Policy and Performance (SPP)	340	340	0	0	0	0	340	340
		<b>Total (Lean)</b>	<b>2,843</b>	<b>2,843</b>	<b>1,310</b>	<b>1,087</b>	<b>0</b>	<b>0</b>	<b>4,153</b>	<b>3,930</b>
MOI/1	Resources	Managing our information	650	650	200	200	0	0	850	850
		<b>Total (Managing Our Information)</b>	<b>650</b>	<b>650</b>	<b>200</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>850</b>	<b>850</b>
SSP/1	All Directorates	Improve Contract pricing through Contract re-negotiation	273	273	358	181	0	0	631	454
SSP/2	Communities Localities & Culture	Better targeting of Street Cleansing and Refuse Collection contracts	375	375	825	825	0	0	1,200	1,200
SSP/4	Communities Localities & Culture	Integrated Public Realm Contract - Service Efficiencies	1,200	1,200	1,300	1,300	0	0	2,500	2,500
SSP/7	Adults Health & Wellbeing	Domiciliary Care Re- Commissioning	495	495	0	0	0	0	495	495
SSP/10	Communities Localities & Culture	Leisure Service Efficiencies	333	333	495	495	0	0	828	828
		<b>Total (Successful Strategic Partnership)</b>	<b>2,676</b>	<b>2,676</b>	<b>2,978</b>	<b>2,801</b>	<b>0</b>	<b>0</b>	<b>5,654</b>	<b>5,477</b>
SW/1	Resources	Smarter Working	0	0	2,340	2,340	0	0	2,340	2,340
		<b>Total (Smarter Working)</b>	<b>0</b>	<b>0</b>	<b>2,340</b>	<b>2,340</b>	<b>0</b>	<b>0</b>	<b>2,340</b>	<b>2,340</b>
		Various efficiency savings each below £50k	788	788	216	216	0	0	1,004	1,004
		<b>Total (Other)</b>	<b>788</b>	<b>788</b>	<b>216</b>	<b>216</b>	<b>0</b>	<b>0</b>	<b>1,004</b>	<b>1,004</b>
		<b>Total</b>	<b>24,356</b>	<b>23,354</b>	<b>24,224</b>	<b>22,327</b>	<b>6,577</b>	<b>6,577</b>	<b>55,157</b>	<b>52,258</b>

## NEW SAVING PROPOSALS 2013/14 - 2015/16

Ref.	Dir.	BACKGROUND INFORMATION - Description of Idea/Opportunity	2013/14 £'000	2014/15 £'000	2015/16 £'000	TOTAL £'000
AHWP 1 (2013)	Adults Health & Wellbeing	Office Supplies	46	0	0	46
AHWP 2 (2013)	Adults Health & Wellbeing	Vacancy Management	1,280	0	0	1,280
AHWP 3 (2013)*	Adults Health & Wellbeing	Provision of Transport for Clients	50	50	0	100
<b>Total (Adults Health &amp; Wellbeing)</b>			<b>1,376</b>	<b>50</b>	<b>0</b>	<b>1,426</b>
CLC 1 (2013)	Communities Localities & Culture	Roll out of Generic Working and Enhanced Deployment Methods	154	0	0	154
CLC 2 (2013)	Communities Localities & Culture	Improvement of Procurement of Office Supplies	70	0	0	70
CLC 3 (2013)	Communities Localities & Culture	Rationalising and Rebalancing Increase Market Fees	0	65	0	65
CLC 4 (2013)*	Communities Localities & Culture	Cease Contribution to Spitalfields	25	0	0	25
<b>Total (Communities, Localities and Culture)</b>			<b>249</b>	<b>65</b>	<b>0</b>	<b>314</b>
CSF 1 (2013)	Children, Schools & Families	Office Supplies	51	0	0	51
CSF 2 (2013)	Children, Schools & Families	Vacancy Management	2,298	0	0	2,298
CSF 3 (2013)	Children, Schools & Families	Integration of new Education Social Care and Wellbeing Directorate	100	0	0	100
CSF 4 (2013)*	Children, Schools & Families	Better targeting of teacher training bursaries	50	0	0	50
CSF 5 (2013)*	Children, Schools & Families	Registration Recharge to DSG	35	0	0	35
<b>Total (Children, Schools &amp; Families)</b>			<b>2,534</b>	<b>0</b>	<b>0</b>	<b>2,534</b>
RES 1 (2013)	Resources	L&D - Agilysis Training	90	0	0	90
<b>Total (Resources)</b>			<b>90</b>	<b>0</b>	<b>0</b>	<b>90</b>
CORP 1 (2013)	Corporate	Audit Fees	185	0	0	185
CORP 2 (2013)	Corporate	London Pension Fund Authority Levy	399	0	0	399
CORP 3 (2013)	Corporate	Review of staff travel allowances	275	0	0	275
CORP 4 (2013)	Corporate	Treasury Management Investment Income	150	0	0	150
<b>Total (Corporate Costs &amp; Capital Financing)</b>			<b>1,009</b>	<b>0</b>	<b>0</b>	<b>1,009</b>
<b>Grand Total</b>			<b>5,258</b>	<b>115</b>	<b>0</b>	<b>5,373</b>

\* For Items less than £50k, no detailed proformas have been included

# **APPENDIX 4.3**

## **NEW SAVINGS OPTIONS (DETAILED PRO – FORMAS)**

**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

Item Ref. No:  
**SAV/AHWB/01/13**

<b>TITLE OF SAVINGS OPTION:</b> Office supplies					
<b>DIRECTORATE:</b> Adults Health and Wellbeing					
<b>SERVICE AREA:</b> All			<b>LEAD OFFICER:</b> Isobel Cattermole		
<b>FINANCE CONTACT:</b> Ekbal Hussain					
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>					
<b>Employee Costs</b>					
<b>Other Costs</b>	2,299	46			46
<b>Income</b>					
<b>TOTAL SAVINGS</b>	2,299	46			46
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>NO</b>					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
<b>1.</b>	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>We are proposing to reduce controllable office supplies budgets by 2%, over and above the existing savings target of not giving inflationary increases. This will require budget managers to exercise prudent budget management avoiding unnecessary purchases and reviewing the value for money of office supplies expenditure. The reduction is set at a level that the directorate believes is prudent given the prevailing rate of inflation.</p>					

2.	<b>Service implications of saving:</b>																																																					
There are no service implications identified at this stage .																																																						
3.	<b>Actions required to achieve saving:</b>																																																					
Office supplies budgets will be reduced by 2%. Impact to be monitored via existing budget and performance management processes.																																																						
4.	<b>Potential implications for staff, contractors, partners, assets and other Directorates:</b>																																																					
Please indicate financial impact on other directorates (show cost increases as +ve and decreases as -ve)																																																						
No impact on other directorates																																																						
<table border="1"> <thead> <tr> <th data-bbox="137 846 651 913">Directorate</th> <th data-bbox="651 846 818 913">2013/14</th> <th data-bbox="818 846 994 913">2014/15</th> <th data-bbox="994 846 1166 913">2015/16+</th> <th data-bbox="1166 846 1334 913">TOTAL</th> </tr> </thead> <tbody> <tr> <td data-bbox="137 913 651 954">Adults Health &amp; Wellbeing</td> <td data-bbox="651 913 818 954"></td> <td data-bbox="818 913 994 954"></td> <td data-bbox="994 913 1166 954"></td> <td data-bbox="1166 913 1334 954"></td> </tr> <tr> <td data-bbox="137 954 651 987">Chief Executive's</td> <td data-bbox="651 954 818 987"></td> <td data-bbox="818 954 994 987"></td> <td data-bbox="994 954 1166 987"></td> <td data-bbox="1166 954 1334 987"></td> </tr> <tr> <td data-bbox="137 987 651 1021">Children, Schools and Families</td> <td data-bbox="651 987 818 1021"></td> <td data-bbox="818 987 994 1021"></td> <td data-bbox="994 987 1166 1021"></td> <td data-bbox="1166 987 1334 1021"></td> </tr> <tr> <td data-bbox="137 1021 651 1055">Schools (DSG Funded)</td> <td data-bbox="651 1021 818 1055"></td> <td data-bbox="818 1021 994 1055"></td> <td data-bbox="994 1021 1166 1055"></td> <td data-bbox="1166 1021 1334 1055"></td> </tr> <tr> <td data-bbox="137 1055 651 1088">Communities, Localities and Culture</td> <td data-bbox="651 1055 818 1088"></td> <td data-bbox="818 1055 994 1088"></td> <td data-bbox="994 1055 1166 1088"></td> <td data-bbox="1166 1055 1334 1088"></td> </tr> <tr> <td data-bbox="137 1088 651 1122">Development and Renewal</td> <td data-bbox="651 1088 818 1122"></td> <td data-bbox="818 1088 994 1122"></td> <td data-bbox="994 1088 1166 1122"></td> <td data-bbox="1166 1088 1334 1122"></td> </tr> <tr> <td data-bbox="137 1122 651 1155">Housing Revenue Account</td> <td data-bbox="651 1122 818 1155"></td> <td data-bbox="818 1122 994 1155"></td> <td data-bbox="994 1122 1166 1155"></td> <td data-bbox="1166 1122 1334 1155"></td> </tr> <tr> <td data-bbox="137 1155 651 1189">Resources</td> <td data-bbox="651 1155 818 1189"></td> <td data-bbox="818 1155 994 1189"></td> <td data-bbox="994 1155 1166 1189"></td> <td data-bbox="1166 1155 1334 1189"></td> </tr> <tr> <td data-bbox="137 1189 651 1234"><b>TOTAL</b></td> <td data-bbox="651 1189 818 1234"></td> <td data-bbox="818 1189 994 1234"></td> <td data-bbox="994 1189 1166 1234"></td> <td data-bbox="1166 1189 1334 1234"></td> </tr> </tbody> </table>					Directorate	2013/14	2014/15	2015/16+	TOTAL	Adults Health & Wellbeing					Chief Executive's					Children, Schools and Families					Schools (DSG Funded)					Communities, Localities and Culture					Development and Renewal					Housing Revenue Account					Resources					<b>TOTAL</b>				
Directorate	2013/14	2014/15	2015/16+	TOTAL																																																		
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Resources																																																						
<b>TOTAL</b>																																																						
<b>Notes</b>																																																						
5.	<b>Other risk factors which could prevent this saving being achieved following implementation</b>																																																					
Any significant increases in inflation will impact on our ability to deliver this saving without impacting on services.																																																						
6.	<b>Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?</b>																																																					
This proposal will encourage more prudent budget management whilst continuing high quality service provision. We will continue to monitor service delivery through established performance management processes, and will also be monitored externally.																																																						

**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

**Item Ref. No:  
SAV/AHWB/02/13**

<b>TITLE OF SAVINGS OPTION</b>		Vacancy Management			
<b>DIRECTORATE:</b>		AHWB			
<b>SERVICE AREA:</b>		All	<b>LEAD OFFICER:</b>		Isobel Cattermole
<b>FINANCE CONTACT:</b>		Ekbal Hussain			
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>	627	0			0
<b>Employee Costs</b>	25,680	1,280			1,280
<b>Other Costs</b>					
<b>Income</b>					
<b>TOTAL SAVINGS</b>	25,680	1,280			1,280
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>NO</b>					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
1.	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>At any one time, the staffing structure is not fully occupied and we will have a number of vacancies. At present staffing budgets are funded on the basis of a fully staffed structure, but this does not account for the level of vacancies. Whilst we are mindful that in many services- particularly those on the front line- short term measures will need to be put in place pending recruitment to vacancies (eg use of agency staff), most services are able to cope with vacancies during this process. The vacancy rate in AHWB varies between 9 and 15% with an average vacancy level of 11%- however from 2013-14 the directorate will be integrated with CSF and across the two directorates the rate varies between 6 and 10%, with an average monthly vacancy rate of 8%. With this in mind and bearing in mind that some vacancies will need to be covered in the short term, we are proposing a reduction in staffing budgets of 5% to encourage managers to reflect the actual situation in terms of staff vacancies.</p>					

<b>2.</b>	<b>Service implications of saving:</b>																																																		
<p>In discouraging managers from using short term cover for vacancies (eg agency staff) there will be an expectation that any additional workload can be absorbed in the short term. This may cause issues in some services particularly demand driven front line services. The Directorate will have to manage particular services carefully so as not to affect front line delivery. The proposed level of vacancy factor is below the actual vacancy levels, which will allow for some flexibility.</p> <p>As at October 2012, expenditure on filled posts is projected to be £6m under budget, which would indicate that this saving is comfortably achievable. However, when expenditure on agency staff is factored in the projected underspend reduces to £684k. This savings proposal would therefore require further reductions in the use of agency cover for vacancies, meaning that for short periods in some teams the workload would need to be absorbed. Across the directorate, agency spend would need to reduce by approximately £600k, which is approximately 7% of the current spend, or roughly 15 vacant posts at an average cost of £40k.</p> <p>This proposal would help to reduce staffing budgets whilst protecting staff from risk of redundancy.</p>																																																			
<b>3.</b>	<b>Actions required to achieve saving:</b>																																																		
<p>Staffing budgets will be reduced by 5%. Impact to be monitored via existing budget and performance management processes.</p>																																																			
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5.	<b>Other risk factors which could prevent this saving being achieved following implementation</b>
<p>If vacancy levels reduce significantly from current levels this may impact on our ability to deliver this saving.</p>	
6.	<b>Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?</b>
<p>This proposal will encourage more prudent budget management whilst continuing high quality service provision. We will continue to monitor service delivery through established performance management processes, and will also be monitored externally.</p>	

**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

**Item Ref. No:  
SAV/CLC/01/13**

<b>TITLE OF SAVINGS OPTION:</b> Roll out of Generic Working and Enhanced Deployment Methods					
<b>DIRECTORATE:</b> Communities, Localities & Culture					
<b>SERVICE AREA:</b> Public Realm/Safer Communities			<b>LEAD OFFICER:</b> Jamie Blake/ Andy Bamber		
<b>FINANCE CONTACT:</b> Stephen Adams					
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>		4			
<b>Employee Costs</b>		154			154
<b>Other Costs</b>					
<b>Income</b>					
<b>TOTAL SAVINGS</b>		154			154
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>NO</b> <b>YES</b> – Please complete the table below and also provide the reference no. of corresponding bid:					
	<b>Saving £000s (Incremental)</b>				
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>	
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
<b>1.</b>	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
The introduction of localised working within the locality hubs across the borough has enabled the directorate to move towards a genericised workforce.					
Currently Streetcare Officers and THEOs are managed separately within the Directorate. There are opportunities to review the operational management and duties of these teams in order to provide greater levels of joined up service delivery for residents whilst realising efficiency savings through generic working.					

There are currently 4 vacant posts within the two service areas (two of which are the substantive positions for seconded member of staff). These posts will be frozen in order to deliver the identified saving whilst a review is undertaken.

**2. Service implications of saving:**

Detailed service implications are not yet known as this is only a high level exercise defined to establish those areas of further work that could deliver the savings. This is being put forward as one of those areas.

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

The initial phase of the review will be completed by the end of October 2014. Consultation with staff and trade unions will commence in January 2015 with final implementation in the spring.

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

Please indicate financial impact on other directorates (show cost increases as +ve and decreases as -ve)

Directorate	2013/14	2014/15	2015/16+	TOTAL
Adults Health & Wellbeing				
Chief Executive's				
Children, Schools and Families				
Schools (DSG Funded)				
Communities, Localities and Culture				
Development and Renewal				
Housing Revenue Account				
Resources				
<b>TOTAL</b>				

**Notes**

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

The technical impact of the proposals may carry too many risks for critical service areas and it may not be possible following closer review.

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

Generic working is one of the most efficient ways to deliver council services. This review aims to extend generic working to maximise deployment flexibility of staff whilst reducing post numbers.

**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

Item Ref. No:  
**SAV/CLC/02/13**

<b>TITLE OF SAVINGS OPTION:</b>		Improvements to procurement of Office Supplies			
<b>DIRECTORATE:</b>		Communities, Localities & Culture			
<b>SERVICE AREA:</b>		Cross Directorate	<b>LEAD OFFICER:</b>		Service Heads
<b>FINANCE CONTACT:</b>		Stephen Adams			
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>					
<b>Employee Costs</b>					
<b>Other Costs</b>		70			70
<b>Income</b>					
<b>TOTAL SAVINGS</b>		70			70
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>NO</b> <b>YES</b> – Please complete the table below and also provide the reference no. of corresponding bid:					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
<b>1.</b>	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>CLC has a complex set of supplies and services needs given the wide diversity of front line services that it delivers. Whilst there may be some efficiencies still to be gained the impact would have to be carefully managed if the reduction is not to put up service costs elsewhere (e.g. project or programme delay)</p> <p>This proposal would result in general efficiencies being identified across the Directorate, specifically within running cost budgets (e.g. materials, equipment).</p>					

The current arrangement for managing running cost budgets is vested with individual Budget holders this proposal would push the responsibility to service heads who would oversee the process via their management teams.

**2. Service implications of saving:**

Subject to effective management the impact would be minimal.

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

Detailed budget management reviews targeting even greater efficiencies via supplies and service management are needed to develop this proposal and confirm the extent of potential savings. Alongside this a risk analysis would need to be completed along with an EQIA check.

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

Please indicate financial impact on other directorates (show cost increases as +ve and decreases as -ve)

Directorate	2013/14	2014/15	2015/16+	TOTAL
Adults Health & Wellbeing				
Chief Executive's				
Children, Schools and Families				
Schools (DSG Funded)				
Communities, Localities and Culture				
Development and Renewal				
Housing Revenue Account				
Resources				
<b>TOTAL</b>				

**Notes**

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

Medium term impacts on reactive services of reduced budgets elsewhere (e.g. maintenance) may drive up the need for supplies and services over time.

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

This proposal would require budget managers look to find further ways to improve the efficiency of their systems and processes specific to supplies and services budgets.

**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

**Item Ref. No:  
SAV/CLC/03/13**

<b>TITLE OF SAVINGS OPTION:</b>		Rationalising and Rebalancing Increase Market Fees.			
<b>DIRECTORATE:</b>		Communities, Localities & Culture			
<b>SERVICE AREA:</b>		Safer Communities	<b>LEAD OFFICER:</b>		Andy Bamber
<b>FINANCE CONTACT:</b>		Stephen Adams			
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>					
<b>Employee Costs</b>					
<b>Other Costs</b>					
<b>Income</b>			65		65
<b>TOTAL SAVINGS</b>			65		65
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>NO</b> <b>YES</b> – Please complete the table below and also provide the reference no. of corresponding bid:					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
<b>1.</b>	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The Market Trading Account contains some elements of income that can be transferred directly to the general fund. Provided a rebalancing of the Markets account takes place via an increase in fees which we could link to our market improvement programme (e.g. Whitechapel – HS 2012 - Roman Road – Portas etc) this transfer can take place. The income items transferred from the Markets account would then be in a position to be taken as an efficiency saving as it is no longer being used to balance the Markets trading account.</p>					

2.	<b>Service implications of saving:</b>																																																		
Market traders would be informed through the existing traders forums. Increase would be justified by the service improvements and the on going expansion of markets and pitch numbers.																																																			
3.	<b>Actions required to achieve saving:</b>																																																		
<p>Engagement with Traders.</p> <p>Formal cabinet process to increase charges specific to the Street Trading account.</p> <p>EqlA</p>																																																			
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**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

**Item Ref. No:  
SAV/CSF/01/13**

<b>TITLE OF SAVINGS OPTION:</b> Office supplies					
<b>DIRECTORATE:</b> Children Schools and Families					
<b>SERVICE AREA:</b> All			<b>LEAD OFFICER:</b> Isobel Cattermole		
<b>FINANCE CONTACT:</b> David Tully					
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>					
<b>Employee Costs</b>					
<b>Other Costs</b>	2,560	51			51
<b>Income</b>					
<b>TOTAL SAVINGS</b>	2.560	51			51
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>NO</b>					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
<b>1.</b>	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>We are proposing to reduce controllable office supplies budgets by 2%, over and above the existing savings target of not giving inflationary increases. This will require budget managers to exercise prudent budget management avoiding unnecessary purchases and reviewing the value for money of supplies and services expenditure. The reduction is set at a level that the directorate believes is prudent given the prevailing rate of inflation.</p>					



2.	<b>Service implications of saving:</b>																																																		
There are no service implications identified at this stage .																																																			
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**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

**Item Ref. No:  
SAV/CSF/02/13**

<b>TITLE OF SAVINGS OPTION:</b> Vacancy Management					
<b>DIRECTORATE:</b> Children, Schools and Families					
<b>SERVICE AREA:</b> All		<b>LEAD OFFICER:</b> Isobel Cattermole			
<b>FINANCE CONTACT:</b> David Tully					
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>	2,698	0			0
<b>Employee Costs</b>	45,969	2,298			2,298
<b>Other Costs</b>					
<b>Income</b>					
<b>TOTAL SAVINGS</b>	45,969	2,298			2,298
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>NO</b>					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
<b>1.</b>	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>At any one time, the staffing structure is not fully occupied and we will have a number of vacancies. At present staffing budgets are funded on the basis of a fully staffed structure, but this does not account for the level of vacancies. Whilst we are mindful that in many services- particularly those on the front line- short term measures will need to be put in place pending recruitment to vacancies (eg use of agency staff), most services are able to cope with vacancies during this process. The vacancy rate in CSF varies between 5 and 9% with an average vacancy level of 7%- however from 2013-14 the directorate will be integrated with AHWB and across the two directorates the rate varies between 6 and 10%, with an average monthly vacancy rate of 8%. With this in mind and bearing in mind that some vacancies will need to be covered in the short term, we are proposing a reduction in staffing budgets of 5% to encourage managers to reflect the actual situation in terms of staff vacancies.</p>					

<b>2.</b>	<b>Service implications of saving:</b>																																																		
<p>In discouraging managers from using short term cover for vacancies (e.g. agency staff) there will be an expectation that any additional workload can be absorbed in the short term. This may cause issues in some services particularly demand driven front line services. The Directorate will have to manage particular services carefully so as not to affect front line delivery e.g. in Children's Centres, social care and day nurseries. The proposed level of vacancy factor is below the actual vacancy levels, which will allow for some flexibility.</p> <p>As at October 2012, expenditure on filled posts is projected to be £4.2m under budget, which would indicate that this saving is comfortably achievable. However, when expenditure on agency staff is factored in the projected underspend reduces to £1.3m. This savings proposal would therefore require further reductions in agency spend of approximately £1m which is approximately 30% of the current spend, and equivalent to approximately 25 posts.</p>																																																			
<b>3.</b>	<b>Actions required to achieve saving:</b>																																																		
<p>Staffing budgets will be reduced by 5%. Impact to be monitored via existing budget and performance management processes.</p>																																																			
<b>4.</b>	<b>Potential implications for staff, contractors, partners, assets and other Directorates:</b>																																																		
<p>Please indicate financial impact on other directorates (show cost increases as +ve and decreases as -ve)</p> <p>No impact on other directorates.</p> <table border="1" data-bbox="134 1019 1334 1404"> <thead> <tr> <th>Directorate</th> <th>2013/14</th> <th>2014/15</th> <th>2015/16+</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr> <td>Adults Health &amp; Wellbeing</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Chief Executive's</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Children, Schools and Families</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Schools (DSG Funded)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Communities, Localities and Culture</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Development and Renewal</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Housing Revenue Account</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Resources</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><b>TOTAL</b></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Notes</b></p>		Directorate	2013/14	2014/15	2015/16+	TOTAL	Adults Health & Wellbeing					Chief Executive's					Children, Schools and Families					Schools (DSG Funded)					Communities, Localities and Culture					Development and Renewal					Housing Revenue Account					Resources					<b>TOTAL</b>				
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<b>TOTAL</b>																																																			
<b>5.</b>	<b>Other risk factors which could prevent this saving being achieved following implementation</b>																																																		
<p>If vacancy levels reduce significantly from current levels this may impact on our ability to deliver this saving.</p>																																																			
<b>6.</b>	<b>Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?</b>																																																		
<p>This proposal will encourage more prudent budget management whilst continuing high quality service provision. We will continue to monitor service delivery through established performance management processes, and will also be monitored externally.</p>																																																			

**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

**Item Ref. No:  
SAV/CSF/03/13**

<b>TITLE OF SAVINGS OPTION:</b>		Integration of Children, Schools and Families and Adults Health and Wellbeing Directorates			
<b>DIRECTORATE:</b>		Adults Health and Well-Being and Children Schools and Families			
<b>SERVICE AREA:</b>		All		<b>LEAD OFFICER:</b> Isobel Cattermole	
<b>FINANCE CONTACT:</b>		Ekbal Hussain/ David Tully			
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>	3,325	1.5			
<b>Employee Costs</b>	45,969				
<b>Other Costs</b>		100			100
<b>Income</b>					
<b>TOTAL SAVINGS</b>	45.969	100			100
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>NO</b>					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
<b>1.</b>	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>This proposal is for additional savings from the integration of the two directorates, over and above the £300k already reflected in the MTFP. The total combined saving (including the £300k already agreed) represents 1 corporate director and three senior manager posts. The saving will be delivered by integrating non-frontline directorate support services, and deleting 3 duplicate senior management posts (graded LPO7-8). There will be no direct impact on frontline services.</p>					

2.	<b>Service implications of saving:</b>																																																		
By better integrating non frontline support services and removing duplication we will be able to improve delivery whilst reducing cost.																																																			
3.	<b>Actions required to achieve saving:</b>																																																		
Phase 2 of Directorate integration will be completed by March 2013 and will review our support services to identify non frontline management posts that can be deleted. We have a number of vacancies in senior posts which should allow for the saving to be achieved without redundancy.																																																			
4.	<b>Potential implications for staff, contractors, partners, assets and other Directorates:</b>																																																		
<p>Please indicate financial impact on other directorates (show cost increases as +ve and decreases as -ve)</p> <p>No impact on other directorates.</p> <table border="1" data-bbox="137 831 1337 1216"> <thead> <tr> <th>Directorate</th> <th>2013/14</th> <th>2014/15</th> <th>2015/16+</th> <th>TOTAL</th> </tr> </thead> <tbody> <tr><td>Adults Health &amp; Wellbeing</td><td></td><td></td><td></td><td></td></tr> <tr><td>Chief Executive's</td><td></td><td></td><td></td><td></td></tr> <tr><td>Children, Schools and Families</td><td></td><td></td><td></td><td></td></tr> <tr><td>Schools (DSG Funded)</td><td></td><td></td><td></td><td></td></tr> <tr><td>Communities, Localities and Culture</td><td></td><td></td><td></td><td></td></tr> <tr><td>Development and Renewal</td><td></td><td></td><td></td><td></td></tr> <tr><td>Housing Revenue Account</td><td></td><td></td><td></td><td></td></tr> <tr><td>Resources</td><td></td><td></td><td></td><td></td></tr> <tr><td><b>TOTAL</b></td><td></td><td></td><td></td><td></td></tr> </tbody> </table> <p><b>Notes</b></p>		Directorate	2013/14	2014/15	2015/16+	TOTAL	Adults Health & Wellbeing					Chief Executive's					Children, Schools and Families					Schools (DSG Funded)					Communities, Localities and Culture					Development and Renewal					Housing Revenue Account					Resources					<b>TOTAL</b>				
Directorate	2013/14	2014/15	2015/16+	TOTAL																																															
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5.	<b>Other risk factors which could prevent this saving being achieved following implementation</b>																																																		
None identified.																																																			
6.	<b>Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?</b>																																																		
This proposal will reduce expenditure with no direct impact on frontline service provision.																																																			

**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

**Item Ref. No:  
SAV/RES/01/13**

<b>TITLE OF SAVINGS OPTION:</b>		Transfer of ICT training to Agilisys  <i>NB - proposal is subject to agreement of a detailed business case – discussions with Agilisys are on-going</i>			
<b>DIRECTORATE:</b>		Resources			
<b>SERVICE AREA:</b>		HR&WD	<b>LEAD OFFICER:</b>		Simon Kilbey
<b>FINANCE CONTACT:</b>		Martin McGrath			
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>	3.5				
<b>Employee Costs</b>	162	80			80
<b>Other Costs</b>	16	10			10
<b>Income</b>					
<b>TOTAL SAVINGS</b>	178	90			90
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>NO</b>					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
<b>1.</b>	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
ICT training is currently delivered from within HR&WD by a dedicated team					
The proposal is to outsource the responsibility for ICT training to Agilisys – aligning the service with the ICT delivery function, and shifting the emphasis to e-learning, supported by a smaller number of classroom interventions.					
The proposal would mean a reduced staffing overhead together with savings on course delivery (where procured externally) and reduced need for room booking.					
As a largely classroom based training offer, the current training arrangements are somewhat old-					

fashioned and this measure will allow them to be updated to include, for example, more online training better targeted to staff needs.

This is an outline proposal at early stages of development, and further detailed discussions will be needed with Agilisys in order to agree a detailed business case.

**2. Service implications of saving:**

ICT training would be commissioned through Agilisys by the Council rather than delivered in-house.

Managers and staff would be encouraged to increasingly take advantage of e-learning, so that ICT classroom training becomes the exception.

An extension to the contract with Agilisys would be required with appropriate monitoring activity taking place through the client team and HR/WD.

A full business case will be provided for any proposal and this will be considered by People Board. Other than the delivery method described above, there will be no service implications as a result of the saving, either directly for the service or the service provided to the rest of the organisation.

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

Agreement will be required with Agilisys regarding the proposed delivery model.

Development of e-learning solutions will need to take place.

Any change will be managed in line with the Council's organisational change processes, and this is a potential TUPE transfer, providing statutory protection for staff who transfer – we would aim to achieve this by April 2013 at the earliest. The Council would aim to negotiate TUPE on the same terms as the original Agilisys transfer (TUPE Plus).

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

Directorate	2013/14	2014/15	2015/16+	TOTAL
Adults Health & Wellbeing				
Chief Executive's				
Children, Schools and Families				
Schools (DSG Funded)				
Communities, Localities and Culture				
Development and Renewal				
Housing Revenue Account				
Resources	90			90
<b>TOTAL</b>	<b>90</b>			<b>90</b>

**Notes**

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

Balance of training is not fit for purpose for the Council, resulting in slippage i.e. reliance on purchase of classroom based solutions

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

Reduced cost of training provision – direct and overhead costs

The efficiency improvement will be measured through Contract monitoring with Agilisys, and through the PDR process i.e. whether individual and organisational development needs are being met in relation to ICT training

Modernised delivery of training and greater value for money



**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

Item Ref. No:  
**SAV/RES/01/13**

<b>TITLE OF SAVINGS OPTION:</b> Audit Fees					
<b>DIRECTORATE:</b> Resources					
<b>SERVICE AREA:</b> Corporate Finance			<b>LEAD OFFICER:</b> Alan Finch		
<b>FINANCE CONTACT:</b> Alan Finch					
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>	NIL				
<b>Employee Costs</b>					
<b>Other Costs</b>	462	185			
<b>Income</b>					
<b>TOTAL SAVINGS</b>	462	185			
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? NO					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
1.	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>As a result of the abolition of the Audit Commission and retendering of external audit work for all local authorities across England, core audit fees are reducing by 40%. In Tower Hamlets' case this amounts to £185,000 a year.</p> <p>Delivery of this saving relies upon the Council maintaining and managing its risk profile. The audit fee is based in part on the level of assurance the auditor is able to place on the authority's financial arrangements. If the authority's standards slip, the auditor may take the view that additional audit work is required and additional fees may be incurred.</p>					

**2. Service implications of saving:**

None. In general terms, the authority will need to continue to operate with the same level of financial assurance as it did before the new contract came into effect.

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

In principle, none. Discussions have yet to be had with the new auditor KPMG about how they will seek assurance in relation to the Council's financial controls, governance and systems and it may be that the auditor will expect the Council to do more to deliver this assurance than the previous auditor required. If this is the case there may be additional workload involved for key officers and some additional costs may be incurred.

The auditors also consider the overarching governance as this may impact on the financial governance of the Council. In this regard, the authority will need to maintain effective governance arrangements to demonstrate to the auditors, the Council conducts its business properly.

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

Directorate	2013/14	2014/15	2015/16+	TOTAL
Adults Health & Wellbeing				
Chief Executive's				
Children, Schools and Families				
Schools (DSG Funded)				
Communities, Localities and Culture				
Development and Renewal				
Housing Revenue Account				
Resources	185			
<b>TOTAL</b>	185			

**Notes**

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

Delivery of this saving relies upon the Council maintaining and managing its risk profile. Issues that could affect this assessment include;

- Detrimental changes to financial governance arrangements
- A negative value for money assessment
- Significant errors found in the Council's accounts, particularly those of a material nature
- A negative assessment of internal audit arrangements.

The authority is going through considerable financial change involving, among other things, planning for and delivering major savings targets, replacement of its main financial systems and reorganisation of the Finance team in April 2013 and the departure of the Chief Finance Officer in January 2013.

These issues will need to be managed appropriately to ensure that the Council's reputation with the auditor and therefore the assurance the auditor places on our financial arrangements is not impacted. If that happens additional audit costs are likely to be incurred.

6.	<b>Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?</b>
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There are no efficiency implications as such.

**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

Item Ref. No:  
**SAV/RES/02/13**

<b>TITLE OF SAVINGS OPTION:</b> Levies & Subscriptions					
<b>DIRECTORATE:</b> Resources					
<b>SERVICE AREA:</b> Corporate Finance			<b>LEAD OFFICER:</b> Alan Finch		
<b>FINANCE CONTACT:</b> Alan Finch					
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>	NIL				
<b>Employee Costs</b>					
<b>Other Costs</b>	2,628	399			
<b>Income</b>					
<b>TOTAL SAVINGS</b>	2,628	399			
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? NO					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
1.	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The London Pensions Fund Authority manages the pension fund for the former Greater London Council and Inner London Education Authority, many of whose services and staff transferred to the Boroughs in the 1980s and 1990s. The London Pensions Fund Authority raises an annual levy on all London Boroughs to cover expenditure on premature retirement compensation and other personnel matters for which it has responsibility for but cannot charge to the pension fund.</p> <p>In 2009, the LPFA advised the London Boroughs of a deficit on the Pensioner sub-Fund which is</p>					

that part of the LPFA Fund which covers former employees who are no longer contributing to the Fund.

Boroughs were advised that LPFA intended to increase the levy in order to recover the deficit and to lobby the Government to change the law to enable this to happen. The argument for doing this would be that since the functions undertaken by the former employees had transferred to the Boroughs, the Boroughs were responsible for the past liabilities. This position was contested by the Boroughs but Tower Hamlets began to set aside a provision against the possibility that a charge would be made.

However, to date, although LPFA continues to lobby, CLG has not responded to their request. In view of this, the risk appears to have receded and officers no longer believe that it is necessary to continue to set funding of £330k aside for this contingency.

The savings will therefore arise from cutting the funding that is set aside against the probability of a future call to fund the LPFA Pensioners sub-Fund.

London Borough Subscriptions for 2013/14 has reduced by £69k, resulting in a saving for 2013/14 budget. Other Levies are yet to be confirmed to determine total savings.

**2. Service implications of saving:**

None

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

None.

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

None

Directorate	2013/14	2014/15	2015/16+	TOTAL
Adults Health & Wellbeing				
Chief Executive's				
Children, Schools and Families				
Schools (DSG Funded)				
Communities, Localities and Culture				
Development and Renewal				
Housing Revenue Account				
Resources	None			
<b>TOTAL</b>	None			

**Notes**

5.	<b>Other risk factors which could prevent this saving being achieved following implementation</b>
<p>If the Regulations are changed to enable the LPFA to charge the deficit to the Boroughs, funding will need to be reinstated within the budget to allow those payments to be made. Similarly, increase in subscription and Levies will result in budget being reinstated.</p>	
6.	<b>Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?</b>
<p>None.</p>	

**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

**Item Ref. No:  
SAV/CORP/03/13**

<b>TITLE OF SAVINGS OPTION:</b> Review of staff travel allowances					
<b>DIRECTORATE:</b> Corporate					
<b>SERVICE AREA:</b> All			<b>LEAD OFFICER:</b> Simon Kilbey		
<b>FINANCE CONTACT:</b> Martin McGrath					
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
	<b>2012/13 £000</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>					
<b>Employee Costs</b>					
<b>Other Costs</b>		275			275
<b>Income</b>					
<b>TOTAL SAVINGS</b>		275			275
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? NO					
		<b>Saving £000s (Incremental)</b>			
		<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17+</b>
<b>Revenue Expenditure – REF ( )</b>					
<b>Capital Expenditure – REF ( )</b>					
<b>Total</b>					
<b>Nature of expenditure:</b>					
1.	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal: <b>This is a draft proposal at early stages.</b>  The proposal is to review travelcard and essential car user allowances. This is being pursued as a corporate policy with buy in from all directorates. The amount above is a conservative estimate of proposed savings.  We currently pay eligible staff £1,368 each to cover the cost of a zone 1-3 travelcard for work related travel. The proposal is to review this and reduce the payment to the equivalent of a zone 2-				

3 annual Oyster travelcard. This is on the basis that very little of the borough (only 1 underground station and 1 overground station) is in Zone 1 and therefore the vast majority of work related journeys would be covered by zones 2 and 3. The difference in cost per eligible staff member is £488. Some staff will see reductions in payments for travel allowances although any legitimate staff travel expenses to any zone 1 station will be reimbursed.

We are also proposing to review essential car user allowances that are given to members of staff which consist of a lump sum plus mileage allowances. Some of these staff may no longer be entitled to allowances following recent changes in the criteria and changes in their day to day work.

**2. Service implications of saving:**

There are no service implications identified at this stage.

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

A corporate review will be undertaken to assess the true cost to the council. The amount stated is a prudent estimate of the potential saving achievable in this area.

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

Please indicate financial impact on other directorates (show cost increases as +ve and decreases as -ve)

Some staff will see reductions in payments for travel allowances although there will continue to be a level of payment commensurate with their legitimate travel expenses.

Directorate	2013/14	2014/15	2015/16+	TOTAL
Adults Health & Wellbeing				
Chief Executive's				
Children, Schools and Families				
Schools (DSG Funded)				
Communities, Localities and Culture				
Development and Renewal				
Housing Revenue Account				
Resources				
<b>TOTAL</b>				

**Notes**

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

The review is subject to negotiations with trade unions in accordance with the council procedures.

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

This proposal will reduce expenditure with no impact on service provision.



**SAVING PROPOSALS  
BUDGET 2013/14 – 2015/16**

Item Ref. No:  
**SAV/CORP/04/13**

<b>TITLE OF SAVINGS OPTION:</b> Treasury Management: Investment Income					
<b>DIRECTORATE:</b> Resources					
<b>SERVICE AREA:</b> Corporate Finance			<b>LEAD OFFICER:</b> Alan Finch		
<b>FINANCE CONTACT:</b> Oladapo Shonola					
	<b>Current Budget</b>	<b>Saving £000s (Incremental)</b>			
<b>£'000</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>Total Savings</b>
<b>Employees (FTE)</b>		NIL			
<b>Employees</b>					
<b>Others</b>					
<b>Income</b>	2,395	150			
<b>TOTAL SAVINGS</b>	2,395	150			
<b>Revenue/Capital Costs:</b> Are there any revenue or capital costs associated with this proposal? <b>No</b>					
<b>1.</b>	<b>Outline/ details of savings proposal</b> , including indications of stage of development, and work and timescales needed to finalise proposal:				
<p>The Investment Strategy for 2013/14 proposes extending the range of banks with which the Council can invest in order to effectively manage the Council's investment of cash funds.</p> <p>Interest rates are currently historically low, driven by a bank base rate of 0.5%, and the creditworthiness of banks has been under intense scrutiny resulting in a large number of banks being downgraded. This has gradually reduce the number of banks and other institutions which are compliant with the Council's investment strategy limits. However, this restricted number of investment options itself creates a risk, because it does not allow the Council to spread its investments and has forced us to keep large sums in overnight money market investments wich deliver very little return.</p> <p>The strategy proposes reducing the credit rating that the Council will consider acceptable but places a lower cap on the fuinds that may be placed on lesser rated banks, which minimises the risk. All counterparties will remain of relatively good quality and within sovereign jurisdictions that can support banks at risk.</p> <p>The treasury management team have also recently refreshed the Council's cash flow model which allows them to predict more accurately when funds will be required and therefore invest for longer periods.</p> <p>A combination of these measures should increase the level of investment income that the Council can</p>					

generate, in spite of the relatively low interest rates and the expectation that these will not increase in the near future.	
<b>2.</b>	<b>Service implications of saving:</b>
There are no service implications. The treasury team will continue to manage investments on a day to day basis in accordance with current practice.	
<b>3.</b>	<b>Actions required to achieve saving:</b>
The introduction of the new investment strategy will enable the saving to be delivered without any special measures being taken.	
<b>4.</b>	<b>Potential implications for staff, contractors, partners, assets and other Directorates:</b>
None	
<b>5.</b>	<b>Other risk factors which could prevent this saving being achieved following implementation</b>
Financial investment always carries a measure of risk. Good treasury management practice identifies and measures these risks and undertakes investments on the basis of balancing risk and return. When public money is involved, it is also important to ensure that assets are relatively secure. The Council's investment is designed to ensure investments are undertaken without unnecessary risk. The ability to invest funds with a wider range of counterparties itself provides risk cover by ensuring that large sums are not deposited with one borrower.	
<b>6.</b>	<b>Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?</b>
The Council's new cash flow model will enable investments to be undertaken more efficiently and ensure that money is not invested for unnecessarily short periods.	

# **APPENDIX 5**

## **ACCELERATED DELIVERY (DETAILED PRO – FORMAS)**

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CSF/01**

<b>PART 1:</b>		
<b>TITLE OF ACCELERATED DELIVERY INITIATIVE:</b>	Mayor's Higher Education Bursary	
<b>COMMUNITY PLAN THEME:</b>		
<b>PRIORITY: (identify which)</b>	Education	
<b>DIRECTORATE:</b>	Education, Social Care and Wellbeing	
<b>SERVICE AREA:</b>	School Improvement Secondary (G26)	<b>LEAD OFFICER:</b> Di Warne
<b>SHORT DESCRIPTION OF ACTIVITY PROPOSED:</b>		
<p>It is proposed to award bursaries of £1,500 each to 400 young people to assist with the cost of attending colleges and universities providing designated course of higher education.</p> <p>It is estimated that the administrative costs associated with this initiative will cost around 5% of the award itself (i.e. beyond the £1,500).</p>		
<b>FINANCIAL INFORMATION:</b>		
Please give an indication of financial requirements to deliver the proposed acceleration. If this will be delivered within existing budgets, please indicate 'nil'.		
	<b>Resource requirements</b>	
	<b>2013//2014 £000</b>	<b>2014/2015 £000</b>
	Revenue	
	- General Fund	630
- HRA	-	-
Capital		
	630	630

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CSF/01**

<b>KEY DECISIONS ON MOBILISATION : Please indicate proposed approach to decision making on mobilisation of new initiative</b>	
<b>Cabinet Decision</b> (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).	Y Likely Cabinet for decision May 2013 making/announcement:
<b>Add-on to existing service or contract</b>	N Date effective from/to: September 2013 until August 2015 (2 academic years)
<b>Participatory Budgeting exercise</b>	N Indicative date:
<b>Other</b>	Budget allocation to be agreed as part of budget setting for 2013/14 financial year with a fully worked scheme to be considered by Cabinet in May 2013 for operation thereafter for a two-year period covering study from September 2013.

<b>OUTLINE TIMESCALE FOR DELIVERY</b>	
<b>Decision and/or resource allocation by:</b>	February 2013
<b>Mobilisation – initiative underway by:</b>	June 2013
<b>Key delivery milestones</b>	
By March 2013	Funding identified
By May 2013	Operational policy agreed by Cabinet
By September 2013	Initial bursary awards made
By August 2015	Scheme complete.

<b>DELIVERY RISKS Please indicate any risks which may delay or prevent delivery and mitigating measures to be taken</b>	
<b>Risk identified</b>	<b>Mitigating action</b>
There is a risk that not enough young people will apply and meet the qualifying criteria	The scheme will be designed with criteria that enable enough young people to apply  A publicity campaign will ensure applications are encouraged

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

Item Ref. No:  
GRO/CSF/01

**PART 2: Only required if additional resources required**

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

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

Description of Output (New homes, Security Cameras, Youth Workers)	Additional by end March 2014	Additional by Sept 2014	Additional by March 2015
Young people supported in taking designated courses of higher education.	400		

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

**Description of outcomes proposed:**

The bursary will encourage more young people to enter higher education.

Strategic Indicator (Council Strategic Indicator)	Current target 2013/14	Target with 13/14 additional spend	Current target 2014/15	Target 14/15 with additional spend

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

There is evidence that changes in the funding regime for higher education (HE), including the increase in tuition fees, are resulting in a reduction in entrants to universities and colleges providing higher education courses. Providing additional support will increase the number of entrants to HE and therefore improve employability prospects for young people. This in turn will reduce reliance on the welfare state and have economic benefits.

The final scheme will take account of value for money considerations, by targeting funding appropriately, managing the scheme efficiently and ensuring that the criteria used support the Authority's policy aspirations.

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

<b>PART 1:</b>													
<b>TITLE OF ACCELERATED DELIVERY INITIATIVE:</b>	Borough Wide Deep Clean												
<b>COMMUNITY PLAN THEME:</b>													
<b>PRIORITY: (identify which)</b>	Cleanliness												
<b>DIRECTORATE:</b>	Communities, Localities and Culture												
<b>SERVICE AREA:</b>	Public Realm												
<b>LEAD OFFICER:</b>	Jamie Blake												
<b>SHORT DESCRIPTION OF ACTIVITY PROPOSED:</b>													
<b>FINANCIAL INFORMATION:</b>	Please give an indication of financial requirements to deliver the proposed acceleration. If this will be delivered within existing budgets, please indicate 'nil'.												
	<b>Resource requirements</b>												
	<table border="1"> <tr> <td align="center">2013//2014 £000</td> <td align="center">2014/2015 £000</td> </tr> <tr> <td>Revenue</td> <td></td> </tr> <tr> <td>- General Fund</td> <td align="center">134</td> </tr> <tr> <td>- HRA</td> <td></td> </tr> <tr> <td>Capital</td> <td></td> </tr> <tr> <td></td> <td align="center">134</td> </tr> </table>	2013//2014 £000	2014/2015 £000	Revenue		- General Fund	134	- HRA		Capital			134
2013//2014 £000	2014/2015 £000												
Revenue													
- General Fund	134												
- HRA													
Capital													
	134												

Operation	Over a 12 month period
Additional "Hot Spot" Sweepers	£275,000
Graffiti / Chewing Gum Team	£95,000
Additional Litter Pickers Borough Team	£90,000
Heritage Parks – Additional Litter Pickers	£100,000.
FIFILI (find it fix it love it) Team	£95,000
Find it Fix it Love it Apprentice	£25,000
Education	£70,000.
Waste Disposal	£50,000.
<b>Total</b>	<b>£800,000.</b>

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

**Introduction**

It is well known that a clean and welcoming area will encourage businesses and attract wealth to any area, it has been known to reduce crime and improve local social environment whilst increasing health benefits.

Therefore we propose to continue to build upon the positive perceptions of the Borough achieved during the games by introducing more effective targeting of resources to further enhance the cleaning regimes across the borough combined with improved communication and the use of innovative equipment and methods.

**Deep Clean – “Hot Spot” Cleansing Activities –**

To ensure that the high standards that were achieved during the Olympics are maintained for the residents and visitors alike we will provide extra “deep clean” operations across the Borough. Whilst this resource will be used across the Borough particular hot spot areas spanning a range of cleansing issues have been identified for additional attention.

These will include:

- ❖ Isle of Dogs
- ❖ Chisenhale Road/Kennilworth Road area
- ❖ Cleveland Way/Cephas Street area
- ❖ Swanfield Street/Old Nicholl Street area
- ❖ Chicksand Street/Old Montague Street area
- ❖ Settles Street/Fieldgate Street area
- ❖ Harford Street/Ducket Street area
- ❖ Cannon Street/Bigland Street Area
- ❖ Whitechapel Hospital area
- ❖ Whitechapel Road area
- ❖ Brick lane area.

These resources will ensure that the borough is kept in good order and enhancing the visual amenity including both high footfall areas and the quieter district roads. The operation will also cover areas of private land, where we will look to recover costs against landowners

**Graffiti / Chewing Gum**

The Deep clean functions will be supported by an additional Graffiti / Chewing Gum Team who will also support the current crews in addressing the effects of environmental crime including fly posting, illegal signage and dumping of waste material.

**Additional Litter Pickers 90k**

Officers will also introduce a 3 man “litter picking squad” that can be deployed on a daily basis to different areas across the borough as and when required.

**Find it Fix it Love it-FiFiLi - £95,000 + 25k Local Apprenticeship**



**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

Two years ago we introduced two Find it Fix it teams. This initiative has had a major impact in areas which had previously been problematic for residents and attracted environmental crime such as fly tipping, dumping, graffiti and fly posting.

We are proposing to add an additional team to the current resource and this initiative will also include public participation through the use of the new FiFiLi mobile phone applications to report litter bin damage, dirty streets, fly posting and overflowing litter bins. This service will operate seven days a week. To guarantee that opportunities are created for local people there will also be the provision of one apprenticeship place in addition to the apprenticeship schemes offer by our cleansing partners.

**Heritage Parks – Additional Litter Pickers: - £100,000**

The Council's award winning parks are heavily used particularly during the summer and are also host to some spectacular events throughout the year drawing crowds of up to 40,000 at any one time. This resource will ensure that our parks and surrounding streets remain litter free during periods of high use through out the year by increasing litter picking staff during the summer period when visitor numbers are at their highest – specifically May to August from Friday to Sunday.

**Education - £70,000**

The Council needs to lead the way in promoting the Borough as a Clean and Green environment, establishing a raised awareness of environmental ASB and promoting a feeling of civic pride in residents minds.

This also plays a pivotal role in meeting the Mayoral priority to “improve cleanliness and the public realm” by aligning the perception and the reality of the condition of the borough and encouraging residents and businesses to adopt a more proactive approach to managing litter and waste.

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

<b>Cabinet Decision (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).</b>	N Likely Cabinet for decision making/announcement:
<b>Add-on to existing service or contract</b>	Y Date effective from/to:
<b>Participatory Budgeting exercise</b>	N Indicative date:
<b>Other</b>	Describe:

**OUTLINE TIMESCALE FOR DELIVERY**

<b>Decision and/or resource allocation by:</b>	April 2013
<b>Mobilisation – initiative underway by:</b>	May 2013
<b>Key delivery milestones</b>	
By December 2013	Summer parks cleansing delivered Education campaign developed and initiated
By March 2014	All services working to optimum Analysis of App penetration

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

By September 2014	Project review – lessons learnt
By March 2015	N/A

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

<b>Risk identified</b>	<b>Mitigating action</b>
Delay in decision making process would impact on delivery	Ensure that the action plan is clear and concise for members to make an immediate decision
Partners failing in achieving the aspirations of the council	Ensure that there is a robust monitoring regime and weekly tracker on outputs

**PART 2: Only required if additional resources required**

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

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

<b>Description of Output (New homes, Security Cameras, Youth Workers)</b>	<b>Additional by end March 2014</b>	<b>Additional by Sept 2014</b>	<b>Additional by March 2015</b>

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

**Description of outcomes proposed:**

<b>Strategic Indicator (Council Strategic Indicator)</b>	<b>Current target 2013/14</b>	<b>Target with 13/14 additional spend</b>	<b>Current target 2014/15</b>	<b>Target 14/15 with additional spend</b>

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

**PART 1:**

**TITLE OF ACCELERATED DELIVERY INITIATIVE:** Roman Road, Brick Lane, Bethnal Green and Burdett Road town centre and business area improvement initiatives

**COMMUNITY PLAN THEME:** A prosperous community

**PRIORITY: (identify which)** Fostering enterprise and entrepreneurship

**DIRECTORATE:** Development and Renewal

**SERVICE AREA:** Economic Development & Olympic Legacy      **LEAD OFFICER:** Andy Scott

**SHORT DESCRIPTION OF ACTIVITY PROPOSED:**

This growth bid is to support the delivery of four town centre improvement initiatives, focusing on the Roman Road, Brick Lane, Bethnal Green and Burdett Road areas. These will be two-year pilot projects in the first instance, but ensuring that the interventions deliver long-term sustainable improvements in the four locations will be a key objective of the schemes.

This proposal will build on the programme of investment and support which has been implemented in a number of town centres in recent years, focusing particularly on the markets around Tower Hamlets which are central to the character and success of many of the borough's town centres. This has included

- **Whitechapel** £2.3m investment in public realm and market infrastructure as part the High Street 2012 programme.
- **Petticoat Lane** Resurfacing of Goulston Street to create food court area and installation of gate to prevent traffic flow in market. In Wentworth Street, installation of feature gate at entrance to market, as well as new lamp columns, festive lighting and lamp post banners; further investment in public realm improvements also planned. Provision of pitch markings in Middlesex Street.
- **Chrisp Street** Proposals for new fruit/vegetable and hot food market, delivered as part of Portas Pilot healthy eating initiative. This pilot initiative aims to tackle vacancies on the market and increase the quality and variety of items on sale. Learning from this scheme will be rolled out to the other two markets within the Portas Pilot scheme, at Watney Market and Roman Road.
- **Watney Market** Consultation currently underway on improvements to public realm and market infrastructure, linked to the new Idea Store and related plans for public realm works at the market's Commercial Road entrance. Also part of the Portas Pilot healthy eating initiative.
- **Market Mile** The "Market Mile Walk" is a strategy to link the successful Sunday markets at Petticoat Lane, Brick Lane and Columbia Road, supported by marketing material and the delivery of new signage and a consistent, high quality public realm treatment.

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

The proposed initiatives for which funding is sought through this bid will aim in each location to:

- Increase footfall
- Offer targeted advice and support to local businesses
- Support alignment of retail offer with existing and potential customers
- Promote and support liaison and communication between local businesses of different types and sizes as well as with local community and consumer groups
- Reduce vacant units
- Secure additional funding resources to support the town centre areas

Although the aims of the initiatives are the same, the contexts, strengths and needs of the four sites may be quite different. It is therefore likely that different types of intervention will be required in the four locations in order to achieve the aims.

An early task in Roman Road and Brick Lane will be to commission and/or undertake a competitiveness audit to ensure that there is robust evidence of:

- the strengths and weaknesses of the respective town centres
- the characteristics and condition of their existing and potential markets
- the needs and wishes of key stakeholders, including existing local businesses and surrounding communities

The results of this competitiveness audit will then inform the development of a detailed action plan for the remainder of the two year programme in each location.

In Roman Road, a Town Centre Manager post (at PO4) will be created through the resources sought through this bid. The Town Centre Manager will drive and coordinate town centre improvement activity and enable an intensive focus which is responsive to the area's individual context and needs and aspirations of local stakeholders. To support the Town Centre Manager's work and assist with set-up costs, consultation, specialist commissioning and project delivery, the post will also require a small operational budget.

For Brick Lane, it is recognised that the existing diversity of businesses (in terms of type, size, and commercial health) as well as the varying markets they serve means that achieving the aims and objectives set out above will require a highly flexible approach. Consequently it is proposed that the resources sought through this bid should form a programme delivery fund which can be used to support the interventions proposed by the competitiveness audit. It is anticipated that the primary focus of the programme delivery fund will be to support project delivery, with flexibility retained to manage implementation.

At Bethnal Green and Burdett Road, the funding sought through this proposal will be used to deliver town centre management activity which adds value to the existing regeneration proposals for those locations. In Bethnal Green Road £2m has been secured for investment in improvements to the public realm and market, for delivery in 2014/15. Works will include provision of electricity and water to traders and extension of the pavement to accommodate market stalls, so they are not sited in the road as is currently the case. Options for extending the market to both sides of the road will also be explored. At Burdett Road the Council's

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

Markets Service is currently assessing options for the reestablishment of the former market, to support and complement the existing retail base. Town centre-focused interventions delivered through this bid will be coordinated with those initiatives in order to provide a resource for additional and complementary support.

These town centre improvement initiatives sit within the context of the Council's Enterprise Strategy, which was adopted in May 2012. The strategy sets out the Council's approach to encouraging and supporting enterprise and entrepreneurial activity to increase opportunity, prosperity and mobility in Tower Hamlets.

The Enterprise Strategy recognises the significant contribution that town centres have to make to the borough's economic development and regeneration. Typical town centre uses, particularly in the retail sector, can be more resilient to economic downturns, and generate flexible local jobs that are appropriate for a range of skills levels. Town centres also provide smaller office space, which is in short supply in the borough.

But the strategy also acknowledges that town centres in the borough face significant challenges, with few reaching the level of critical mass necessary for them to achieve their potential. Improving the performance of the borough's town centres, the strategy argues, has the potential to retain more spending locally, support a more diverse economy in Tower Hamlets, and increase the number and range of jobs available to residents.

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

	Resource requirements	
	2013//2014 £000	2014/2015 £000
<b>Revenue</b>		
- General Fund	205	150
- HRA		
<b>Capital</b>		
	<b>205</b>	<b>150</b>

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

<b>Cabinet Decision</b> (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).	N
<b>Add-on to existing service or contract</b>	N
<b>Participatory Budgeting exercise</b>	N

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

<b>Other</b>	Describe:
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<b>OUTLINE TIMESCALE FOR DELIVERY</b>	
<b>Decision and/or resource allocation by:</b>	March 2013
<b>Mobilisation – initiative underway by:</b>	June 2013
<b>Key delivery milestones</b>	
By December 2013	Appointment of Roman Road Town Centre Manager
By March 2014	Town centre/commercial district competitiveness audits and recommendations for Roman Road and Brick Lane complete. Action plan for interventions in Roman Road, Brick Lane, Bethnal Green and Burdett Road agreed
By September 2014	Implementation of recommended actions from competitiveness audit and action plans underway
By March 2015	Interim evaluation of town centre/commercial district support programmes

<b>DELIVERY RISKS Please indicate any risks which may delay or prevent delivery and mitigating measures to be taken</b>	
<b>Risk identified</b>	<b>Mitigating action</b>
Large number of current projects and initiatives focusing on Roman Road – including Portas Pilot, Town Team and High Street Innovation Fund – leads to uncoordinated and unfocused approach.	Coordination of regeneration activity in Roman Road will be key activity for Roman Road town centre manager.
Activities and interventions identified for Roman Road, Brick Lane, Bethnal Green and Burdett Road do not meet expectations of stakeholders.	Engagement of existing stakeholder groups from outset of delivery.
Ongoing economic downturn has negative impact on anticipated outcomes of town centre improvement initiatives.	While the Council's ability to influence the national and regional economic context is limited, the business and finance climate will be monitored and the proposed interventions can be adjusted to respond to any shift in circumstances.

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

**PART 2: Only required if additional resources required**

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

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

<b>Description of Output (New homes, Security Cameras, Youth Workers)</b>	<b>Additional by end March 2014</b>	<b>Additional by Sept 2014</b>	<b>Additional by March 2015</b>
Roman Road town centre manager employed	1	1	1
Town centre/commercial district competitiveness audit undertaken	2	2	2
Businesses engaged in consultation in relation to competitiveness audit	50	50	50
Roman Road business promotion events held	0	1	2
Businesses engaged in new Roman Road business network	0	25	25

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

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

**Description of outcomes proposed:**

Improved local satisfaction with Brick Lane commercial district and Roman Road town centre offer  
Increase in businesses participating in Roman Road business promotion events  
Improved networking and collaboration between businesses

NB 13/14 and 14/15 targets for relevant Council Strategic Indicator have not yet been set so it is not possible at this stage to define anticipated uplift. It should also be noted that the scale and limited geographical focus of the proposed initiatives is unlikely to have an impact on borough-wide resident satisfaction and the resident survey sample size at ward level may be too small to allow any meaningful conclusions to be drawn. It is proposed that any evaluation of town centre/commercial district support programmes will make a more targeted assessment of resident and business satisfaction with the commercial district/town centre offers.

<b>Strategic Indicator (Council Strategic Indicator)</b>	<b>Current target 2013/14</b>	<b>Target with 13/14 additional spend</b>	<b>Current target 2014/15</b>	<b>Target 14/15 with additional spend</b>
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Strategic226: Overall / general satisfaction with the local area (ARS)

**Targets TBA – see note above**

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

This is an innovative project designed to ensure that what is supplied by businesses in Roman Road is more closely aligned, in a sustainable way, to the demand characteristics of the surrounding community. The project therefore will bring about economic benefits both in the short and medium terms. On the basis of the Roger Tym and Partners Retail & Leisure Capacity Study in 2009, the annual comparison goods shopping turnover in Roman Road East is unlikely to be less than £10m. On the basis of this figure, the project would pay for itself in three years if it improved turnover by 0.5%.

An additional benefit will be that lessons learned in Roman Road could in principle be applied to town centres elsewhere in the borough.



**ACCELERATING DELIVER – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/D&R/02**

<b>PART 1:</b>			
<b>TITLE OF ACCELERATED DELIVERY INITIATIVE:</b>	Welfare Reform – Measures to Protect Vulnerable Residents in Temporary Accommodation		
<b>COMMUNITY PLAN THEME:</b>	A Prosperous Community		
<b>PRIORITY:</b>	Housing		
<b>DIRECTORATE:</b>	Development and Renewal		
<b>SERVICE AREA:</b>	Housing Options	<b>LEAD OFFICER:</b>	Colin Cormack
<b>SHORT DESCRIPTION OF ACTIVITY PROPOSED:</b>			
<p>The Welfare Reform Act 2012 introduces a wide range of changes to welfare benefits which will have significant impact for local residents. The implication of welfare benefits reform on Council services is still being assessed, but there is limited financial provision within the budget for the impact.</p> <p>The reforms will include changes to Housing Benefits, the introduction of Universal Credit, local administration of Council Tax Benefit and the Social Fund and replacement of Disability Living Allowance with Personal Independence Payments. One of the main concerns relates to the Benefit Cap, which limits benefit payments to £500 per week, or £350 per week for single people. High private sector rents means that local people are particularly affected, something that is further compounded for larger families.</p> <p>The Government has announced that for most authorities the welfare benefit cap will be introduced in September 2013, with that and the other proposed changes to the Welfare Benefits System posing a significant financial risk to this Council and other local authorities, particularly in London. Those risks are difficult to accurately quantify at this stage and have various implications.</p> <p>This growth bid focuses on the impact upon households in temporary accommodation. The bid requests the setting aside of funding for various mitigating actions to bridge the gap between households' disposable income and rental payments due because the Welfare Reform changes mean that a significant proportion of our current temporary accommodation portfolio is likely to become unaffordable. Spend will be directed towards those households who occupy temporary accommodation in consequence of the council having accepted a homeless duty pursuant to Part 7 of the Housing Act 1996</p> <p>Extensive analysis has revealed that some 500 households in temporary accommodation - representing 27% of our entire temporary accommodation population - will, as a result of the £500 Benefit Cap, have varying abilities to pay some or all of the rent currently levied upon them. Amounts vary per household but, as a general rule, the larger the household the greater the rental shortfall. Overall, taking into account factors such as household size and age, the rent required and other benefits received, indications are that, for every 100 households in temporary accommodation, the shortfall in rental income could be as high as £1 million. The 500 households affected relate to existing occupants of temporary accommodation.</p>			

**ACCELERATING DELIVER – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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The same influence of Welfare Reform, coupled with the wider effects of the economic downturn, indicate that there will be a rise in homeless applications with, again, around 500 Private Rented Sector tenants similarly unable to meet part/all of their respective rental obligations. Without significant mitigating action, these factors would have a significant budgetary impact for the Council.

A possible option would be to move such households to lower cost accommodation; such lower costs though are directly proportional to each property's distance from Tower Hamlets. By having regard to various areas' Local Housing Allowance levels, the rental markets generally in those areas and each household size's capacity to meet some of their due rent, the conclusion reached is that any 2-bedroom household, whilst not being able to pay their rent in Tower Hamlets, could be found affordable accommodation in outer-London. However, for 3-bedroom plus households, affordability generally only occurs outside of London.

A mitigating alternative has, however, been identified - to fund £1 million of 'exceptional cases' rental-bridging. Officers are currently developing appropriate criteria to assist, on average, 2 in 15 households. Such criteria will be akin to those relied upon when making Discretionary Housing Payments, and are likely to reflect matters such as the impact on GCSE years children, medical/social needs, etc.

The rental bridging is one of three main strategies being pursued, the other two being summarised as:-

1. Maximising individual's prospects of gaining employment, this being the main means to lift households outside of the £500 Cap regime
2. Maximising individual's prospects of a social housing tenancy and therefore lower rental accommodation, removing elements of choice and instead applying the Allocation Scheme's 'Direct Offer' mechanism."

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

	Resource requirements	
	2013//2014 £000	2014/2015 £000
Revenue		
- General Fund	1,000	-1,000
- HRA		
Capital		
	<b>1,000</b>	<b>-1,000</b>

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

<b>Cabinet Decision</b> (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15)	Y/N Likely Cabinet for decision making/announcement:
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**ACCELERATING DELIVER – CABINET KEY PRIORITIES  
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<b>Add-on to existing service or contract</b>	Yes Date effective from/to:
<b>Participatory Budgeting exercise</b>	No Indicative date:
<b>Other</b>	Describe:

**OUTLINE TIMESCALE FOR DELIVERY**

<b>Decision and/or resource allocation by:</b>	
<b>Mobilisation – initiative underway by:</b>	
<b>Key delivery milestones</b>	
By December 2013	
By March 2014	
By September 2014	
By March 2015	

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

<b>Risk identified</b>	<b>Mitigating action</b>

**ACCELERATING DELIVER – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

Item Ref. No:  
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**PART 2: Only required if additional resources required**

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

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

Description of Output (New homes, Security Cameras, Youth Workers)	Additional by end March 2014	Additional by Sept 2014	Additional by March 2015

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

**Description of outcomes proposed:**

Strategic Indicator (Council Strategic Indicator)	Current target 2013/14	Target with 13/14 additional spend	Current target 2014/15	Target 14/15 with additional spend

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

## RESERVES AND BALANCES

### General Reserves

- 1.1 Local authorities are legally required to set a balanced budget and the chief finance officer has responsibility to report should serious problems arise (including in relation to the adequacy of reserves).
- 1.2 Under provisions introduced by the Local Government Act 2003, the level and use of reserves must be formally determined by the Council, informed by the judgement and advice of the chief finance officer. When calculating the budget requirement, the chief finance officer must report to Members on the adequacy of reserves. There are also now reserve powers for the Secretary of State to set a minimum level of reserves. External auditors are responsible for reviewing and reporting on financial standing but are not responsible for recommending a minimum level of reserves.
- 1.3 The Council needs to consider the establishment and maintenance of reserves as an integral part of its medium term financial planning. Reserves are held for three main purposes:
  - As a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of a general reserve.
  - As a contingency to cushion the impact of unexpected events or emergencies, including budget overspends – this also forms part of a general reserve.
  - To hold funds for specific purposes or to meet known or predicted liabilities – these are generally known as earmarked reserves. Schools' balances and insurance reserves are examples of these.
- 1.4 In order to assess the adequacy of general reserves, account needs to be taken of the strategic, operational and financial risks facing the authority. The level of general reserves is also just one of several related decisions in the formation of a medium term financial strategy and the budget for a particular year. Factors affecting judgements about reserves include the key financial assumptions underpinning the budget and an assessment of the Council's financial health, including:-
  - Overall financial standing (level of borrowing, Council Tax collection rates, auditors' judgements, etc.)
  - The track record in budget management.
  - Capacity to manage in-year budget pressures and savings.
  - The strength of financial information and reporting arrangements.
  - The external financial outlook.

**RESERVES AND BALANCES**

- 1.5 There is therefore no 'correct' level of reserves. Furthermore a particular level of reserves is not a reliable guide to the Council's financial health. It is quite possible for reserves to increase but for financial health to deteriorate, if for example, the authority's risk profile has changed. As a general rule of thumb, however, reserves need to be higher as financial risk increases, and may be allowed to become lower if risk reduces.
- 1.6 Financial reserves also have an important part to play in the overall management of risk. Councils with adequate reserves and sound financial health can embark on more innovative programmes or approaches to service delivery, knowing that if the associated risks do materialise the Council has sufficient financial capacity to manage the impact. Conversely, Councils with inadequate reserves can either find it more difficult to introduce change, or in extreme cases can be forced to develop very high-risk service strategies simply in order to restore their financial health.
- 1.7 Despite a challenging savings programme totalling nearly £25m in the current financial year, the authority is currently projecting to keep net expenditure within budget without any recourse to general fund reserves. As a consequence general reserves are projected to stand at £ 32.9m as at 31<sup>st</sup> March 2013. This represents a significant endorsement of the organisation's financial management arrangements.
- 1.8 This is further demonstrated through the on-going evaluation of the financial risks facing the Council and which is summarised in the attached Appendix 6.2. This shows that the medium to high risk financial pressures over and above those already built into the MTFP by way of specific budget provisions, require the Council to maintain general reserves at between £20m and £45m, with a recommended minimum level (representing a medium risk profile) of £20m.
- 1.9 As shown in Appendix 6.3, in order to smooth the impact of government grant reductions reserves are being built up in 2012/13 and 2013/14 and will be utilised in 2014/15. Over this period reserves will not fall below the range between 5% and 7.5% of the Council's gross expenditure (excluding schools and housing benefits) but will be higher than this at times. However the implication of planning to reduce general reserves to the minimum recommended level by April 2015 is that 2015/16 and subsequent years' budgets will need to be balanced by identifying savings year on year.
- 1.10 Appendix 6.2 shows that the profile of risks has changed since this time last year, with more risk attributed to service pressures (particularly those relating to welfare reform) and the delivery of the authority's savings programme, and less risk attributed to economic conditions. The Government's Autumn Statement announcements in relation to 2013/14 and 2014/15; however, the authority's savings targets are more stretching with each passing year. The assessment of high risk is significantly higher than it was last year, and while there is no immediate imperative to build this worst case scenario into the Medium Term Financial Plan, the risk that the authority may be placed in a

## RESERVES AND BALANCES

position of having to find higher levels of savings at relatively short notice has increased in the last twelve months.

- 1.11 This position will need to be kept under constant review. The Council is continuing to undertake a substantial change programme to deliver the savings required over the next three years and beyond. This will involve major remodelling of services, which will have up-front costs that the Council will need to control, and improvement projects will need to be delivered on time to avoid cost overruns and a shortfall in savings required to balance the budgets. These factors point to the need for a solid financial position and earmarked resources set aside to underpin the risks involved.
- 1.12 The chancellor's Autumn Statement showed the problems facing the UK economy, with all of the key financial indicators falling short of the targets set in the October 2010 Spending Review. The recent confirmation of the 2013-14 grant settlement shows that the authority remains at the grant floor. However the population of the authority is expected to grow substantially and any additional costs arising will need to be met from savings.
- 1.13 Grant figures have yet to be announced beyond 2013/14 but the Autumn Statement announced a further 2% cut in local authority funding in 2014/15. In relation to public spending in general, the Chancellor projected that austerity will continue until 2017/18 with further cuts on the same trajectory. This is likely to mean that in addition to savings already identified and agreed to the end of 2014/15, the authority will need to deliver a further £80m-£90m worth of savings would be required by the end of that period.
- 1.14 Economic risk continues, manifesting itself primarily in low interest rates (which restrict the Council income from investments) and high inflation. Indeed the UK economy remains at risk of a 'triple-dip' recession and the public finances remain severely in deficit as a consequence of the cost of extra public borrowing to stimulate the banking sector and the impact on tax revenues of the recession. This has a number of potential effects for the Council;
  - Higher than projected levels of inflation
  - A general reduction in debt recovery levels
  - Lower than planned investment income
  - Further reductions in Third Party Funding
  - Further reductions in grant income
  - Reductions in the level of income generated through fees and charges
  - Increase in fraud

All of these factors have been taken into account in setting the level of reserves for 2013/14 and the medium term.

## RESERVES AND BALANCES

### Opportunity Costs

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

### Insurance Reserve

- 1.16 The Financial Outlook and Review identified continuing pressure on insurance costs to meet both higher numbers of claims payments and higher external insurance premiums. The Council self-insures a substantial proportion of its insurable risks and an external actuarial review of the level of internal insurance reserves is commissioned at regular intervals.
- 1.17 Contributions to the insurance reserve are made by all Directorates from their budgets based on their relative size, risk profile, and level of claims, representing the equivalent of a 'premium'.
- 1.18 The value of the Council's insurance reserve is projected to be £24.6m as at 31.3.13. Following a review of the level of claims and existing potential liabilities, an additional contribution of £0.5m to the reserve is being made in 2012-13. However, at this stage it is not anticipated that further contributions will be required beyond this year.

### Improvement and Efficiency Reserves

- 1.19 The costs of implementing the Council's programme of efficiencies and improvements to deliver the substantial level of savings required will in itself be considerable. The Council has planned well and has established reserves to fund the necessary changes. Although the total cost, at this stage, cannot be determined with any certainty it is not anticipated that it will be more than £10m over the next three years.
- 1.20 Costs may include, for example;
- investment in new technologies; and
  - cost of buying the Council out of existing contracts with suppliers.



## RESERVES AND BALANCES

- 1.21 The Council is setting aside £2.9m in 2012-13 to supplement existing balances and it is not anticipated that further contributions will be required over the remainder of the planning period.
- 1.22 In addition to the Improvement & Efficiency Reserve the Council retains a **Severance Reserve** projected to have a balance of £4m as at 31<sup>st</sup> March 2013.

### Parking Control Account

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

### Schools' Reserves

- 1.24 Schools' reserves represent unapplied revenue resources accumulated by schools with delegated spending authority. These totalled £25.8m at 31<sup>st</sup> March 2012. Schools' reserves are technically earmarked reserves of the Council but are controlled by schools and are not available to the Council for other purposes.

### Capital Programme

- 1.25. The Council receives monies under agreements entered into under Section 106 of the Town and Country Planning Act 1990. These agreements specify the purposes to which the monies can be applied. Unapplied sums are held in reserve until such time as they are applied.
- 1.26. In addition sums have been set aside to fund specific schemes in the capital programme (e.g. the decanting works necessary as part of the Smarter Working Programme). The only set aside proposed as part of the current MTFP is to create a Decent Homes Reserve of up to £11m over the business planning period through the application of the Year 1 New Homes Bonus.

### Other Corporate and Service Specific Earmarked Reserves

- 1.27 A number of earmarked reserves are held to meet specific service objectives or fund potential liabilities which do not qualify as provisions for accounting purposes. These are shown in the summary attached as Appendix 6.3. The principal ones provide for:-
- Balances of government grants which have been allocated for particular purposes but are being spent over more than one year.
  - The carry-over of budgetary underspends from one financial year to the next.

## RESERVES AND BALANCES

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

### Sensitivity Analysis

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

The following table shows how assumptions made in this budget process would affect the budget if they proved to be incorrect. This gives a guide to the financial implications of the risks shown in Appendix 6.2.

<b>Scenario</b>	<b>Estimated annual financial impact £'000</b>
Inflation – cost of an additional 0.5% pay rise for all staff	750
Inflation – price inflation 0.5% higher than forecast.	2000
Committed growth in 2013/14 is 10% higher than forecast	750
Interest rates – average investment rate in 2013/14 is 0.5% less than estimate.	750
10% of projected savings not delivered in 2013/14	2,600
Budget requirement overspent by 1%	3,000
For each £1m that the cost of implementation of improvement and efficiency programme exceeds expectation.	1,000

## RISK EVALUATION 2013/14

Risks	Budget Exposure £m	2012/13	2013/14 onwards	
		Medium Risk £m	Medium Risk £m	High Risk £m
<b>General Economic Climate</b>				
Inflation	400			
Debt recovery	250			
Tax base	200			
Interest rates	10			
Fees and charges	35			
Grant funding (exc. ring fenced grants)	150			
Pensions auto enrolment	150			
Fraud	n/a			
		15.0	7.5	20.5
<b>Service Demand (inc. ring fenced grants)</b>				
Children's Services	300			
Adult Services	100			
Demographics	300			
Welfare Reform	n/a			
Public Health transfer	30			
		5.0	9.5	19.0
<b>Savings programme</b>				
Slippage and non-achievement of savings	50			
Cost of implementation	50			
		2.5	4.0	9.5
<b>Unidentified risks</b>	n/a	3.0	3.0	5.0
<b>Opportunities</b>				
Tax base growth	200			
Public Health transfer	30			
		-2.5	0.0	-3.0
Risk and contingency provisions		-3.0	-4.0	-6.0
<b>TOTAL RISK EVALUATION</b>		<b>20.0</b>	<b>20.0</b>	<b>45.0</b>

## Projected movement in Reserves April 2012 to March 2016

	31.3.12 £million	31.3.13 £million	31.3.14 £million	31.3.15 £million	31.3.16 £million
<b>General Fund Reserve</b>	26.4	32.8	47.0	32.6	20.0
<b>Earmarked Reserves</b>					
<b>Corporate</b>					
Improvement & Efficiency	11.5	10.6	6.8	4.0	2.0
Severance	4.0	4.0	3.0	2.0	1.0
Finance Systems	2.7	-	-	-	-
ICT Refresh	1.4	-	-	-	-
Olympics	1.9	-	-	-	-
Education Grant Reduction	4.0	2.6	1.8	1.0	-
Employment and other Corporate Initiatives	6.2	1.6	-	-	-
Other	1.9	5.6			
<b>Service Specific</b>					
Homelessness	2.9	1.5	-	-	-
Parking Control	2.6	1.4	0.6	-	-
Development & Renewal other	2.8	1.4	-	-	-
Communities, Localities and Culture	0.7	0.2	-	-	-
Children, Schools and Families	0.5	-	-	-	-
Adults, Health and Wellbeing	5.5	5.3	4.2	-	-
Chief Executive's and Resources	0.1	-	-	-	-
<b>Revenue Reserves, Other</b>					
Insurance	24.1	24.6	24.6	24.6	24.6
Schools	25.8	25.8	25.8	25.8	25.8
Early Intervention	4.2	2.8	0.6	-	-
Housing Revenue Account	14.6	15.0	15.0	15.0	15.0
<b>Capital</b>	20.9	13.4	9.0	5.0	-
Earmarked Reserves surplus to requirements	-	1.2	-	-	-
	<b>164.7</b>	<b>149.8</b>	<b>138.4</b>	<b>110.0</b>	<b>88.4</b>

## 1. SCHOOLS FUNDING

- 1.1. Appendix 7 of the report to Cabinet on 9<sup>th</sup> January 2013 set out the detailed explanation of how the Department for Education had arrived at the total Dedicated Schools Grant for 2013/14. Schools Forum met on 23<sup>rd</sup> January 2013 to consider the overall Schools Budget for 2013/14 and to make decisions about specific elements of the primary and secondary core budgets.
- 1.2. During 2012/13 Schools Forum has left a small amount of DSG unapplied, specifically to manage the transitional arrangements associated with the implementation of School Funding Reform. In January 2013 the estimated unapplied DSG was £5.928m.
- 1.3. For 2013-14, the DSG has been split into 3 main blocks (with additions) as in **Table 1**.

**Schools Funding Table 1: DfE proposed 2013/14 DSG**

DfE Proposed Final 2013/14, analysed by block	£'000
High Needs Block	41,795
Early Years Block	20,540
Schools Block	241,554
Additions (2 Year olds, 3 year olds protection and NQT induction)	6,926
<b>Total DSG</b>	<b>310,815</b>

- 1.4. Schools Forum agreed to the budget allocations set out in **Table 2** below, with the detail explained in **Appendix 7.2**, where the comparison is with the adjusted 2012/13 Section 251 Statement of Schools Budget totals expressed as a 2013/14 baseline.

**Schools Funding Table 2: Summary of Schools Budget 2013/14**

Component	Proposed Schools Budget 2013/14 £'000
Individual Schools Budgets	245,196
De-delegated items	1,821
High Needs Budget	37,150
Early Years Budget	27,164
Central Provision	5,412
<b>Total</b>	<b>316,743</b>
<b>Funded from</b>	
DSG 2013/14 confirmed by DfE	310,815
Unapplied DSG 2012/13	5,928
<b>Total funding</b>	<b>316,743</b>

- 1.5. Schools Forum agreed that primary and secondary core budgets should include funding for pupil number increases between years and that £3.250m of the overall

overall unallocated DSG should be applied for 2013/14. All schools would be protected by the Minimum Funding Guarantee (limiting per pupil losses to -1.5%) and a cap should apply (limiting per pupil gains to +3%).

- 1.6. Schools Forum also agreed to the de-delegation from maintained schools of all six services that they were asked to decide on. These services will, therefore, remain retained by the local authority for 2013/14 for maintained schools, with academies making their own arrangements or buying back. This included:
  - Behaviour Support (Support for Learning) (£0.291m)
  - Ethnic Minority Attainment (School improvement) (£0.529m)
  - Staff supply cover (including trade union facility time) (£0.324m)
  - Contingency (£0.499m)
  - Licenses and subscriptions ((£0.049m)
  - Free School Meals eligibility assessment (£0.129m)
  - **Total (£1.821m)**
- 1.7. Schools Forum endorsed the budget of £1.644m for pupil number contingency, which academies will have equal access to on the basis of the criteria agreed by Schools Forum.
- 1.8. Schools Forum endorsed a plan to phase in a reduction of the number of full-time nursery places being offered by maintained nursery schools and classes.
- 1.9. Schools Forum supported the approach being followed for managing the changes affecting High Needs Pupils.

### **EXPECTED IMPACTS**

- 1.10. The Dedicated Schools Grant will continue to be ring-fenced and, although it has been split into three blocks, local authorities continue to have discretion to manage the funding for the DSG overall, rather as three separate blocks. Nonetheless, there are more constraints on the use of retained funding, with permissible retained items limited to the cash amount of spending in 2012/13.
- 1.11. For mainstream schools, the changes to the basis of calculating the formula will ultimately produce winners and losers, but in the short – medium term no individual school may lose more than 1.5% of their per pupil budget from year to year. This does not protect schools from large drops in pupil numbers, but otherwise protects them from the move from the current to the new formula.
- 1.12. There is a new, simpler formula for allocating DSG funding to Academies. The only difference between mainstream schools and academies in their entitlement to DSG funding would be the funding for the six services above that Schools Forum determined should be de-delegated for maintained schools.

- 1.13. Academies would also receive their share of Education Services Grant, which supports those services and functions that are currently funded from the General Fund. The transfer of those services from the General Fund to a specific grant is a feature of the local government finance settlement in December 2012 and is recognised within the Medium Term Financial Plan.
- 1.14. Officers have submitted the final version of the primary and secondary core budget to the Department for Education immediately after Schools Forum on 23<sup>rd</sup> January 2013.
- 1.15. The core budgets for primary and secondary schools are the largest part of their funding, but **Table 3** explains how this sits alongside other funding streams.

**Schools Funding Table 3: Core Formula in the context of all Primary and Secondary Funding 2013/14**

Component	Description	When will this be calculated?
Early Years Single Funding Formula	This provides the funding for nursery pupils attending the school.	This is based on the pupil numbers counted at each termly census.
Core Formula	This provides mainstream funding for Reception to Year 11 pupils.	This has been calculated and submitted to DfE for 2013/14.
High Needs Funding	This is provided for Specialist Resourced Provision pupils and Mainstream SEN pupils, mainly those with statements.	SRP attracts a £10,000 per place (instead of an age-weighted pupil unit) allocation. Top-ups are provided for each actual pupil during the year for the period they are on-roll. Mainstream SEN pupils are funded on the same bandings as currently, based on the period that the pupil is on-roll during the year.
Post 16 Funding	This provides post-16 funding for secondary schools.	This will be calculated by the Education Funding Agency. No information yet from EFA.
Pupil Premium	This will be for pupils who have been eligible for free school meals at any point in the last 6 years, at a rate of £900 per pupil. Or a Looked After Child (for at least 6 months) (£900). Or a pupil whose parents are serving in the armed forces (£300).	This is based on the numbers of pupils on roll at the Spring 2013 census (ie 17 <sup>th</sup> January 2013) for FSM / Service Children. Or the March 2013 census for Children Looked After.

- 1.16. For Early Years settings, the changes to the formula arising from School Funding Reform are limited and it is not thought that there will be any particular impacts on such settings that would not already have happened with the existing formula. The key driver for change is the local review of policy, practice and funding that is needed to address the shortage of places available to meet the growing statutory responsibilities on the Authority to provide early years education for 2 year olds.

- 1.17. The plan for Early Years, which Schools Forum endorsed, will include the following:
- Pupils would not be admitted to nursery provision until the start of the term following their third birthday (ie the definition used by the DfE for funding purposes). (Any younger pupils whom schools wish to make provision for will only be funded if they qualify for two year-old funding)
  - School by school plans would be introduced from September 2013, limiting full-time places to no more than 80% (or the number currently offered). This would reduce to no more than 60% (or the number currently offered) by September 2014.
  - Full-time places would be funded at a maximum of 25 hours per week from September 2013 (rather than 30 currently) to align with DfE funding definitions.
  - All hourly rates for nursery provision would increase by 30/25ths (ie by 20%) from September 2013 to avoid a reduction for full-time provision and to ensure that two part-time placements (2 x 15 hours for part-time places = 30 hours) were funded at a higher level than a single full-time place (1 x 25 hours for a full-time place).
- 1.18. If there was no change in the number of pupils and the number of full-time places offered, this would increase the bill for nursery education by 20%. By limiting the number of full-time places to a maximum of 80% (or the number currently offered), it is estimated that this would cost **£0.937m** over a full academic year (ie **£0.624m** in 2013/14 and **£0.313m** in 2014/15 financial years). If by September 2014 settings are offering no more than 60% of their sessions as full-time (or the number currently offered) the costs are expected to be in line with those incurred currently, with the estimate suggesting a slightly lower cost than currently of **-£0.104m**.
- 1.19. This approach is expected to create more places in PVI settings for 2 year olds, so it is appropriate that this short-term cost of **£0.937m** be funded from the Trajectory Building component of the 2 year olds funding allocation for 2013/14. This cost, therefore, would be met from the Early Years allocation agreed by Schools Forum.
- 1.20. For specialist High Needs settings (Special Schools, Specialist Resourced Provision Provision in mainstream schools and the Pupil Referral Unit) there are fundamental changes affecting the way they are funded. The new arrangement is called Place Plus, where each setting has an agreed number of places, which are funded at a rate of £10k (SEN) or £8k (Alternative Provision). Each individual pupil placed at these settings attracts a top-up for the period that they are at the setting, paid by the commissioner of the place. In the case of SEN, the commissioner will normally be a local authority (most frequently Tower Hamlets).



In the case of Alternative Provision, the commissioner will be either a local authority authority or a school.

- 1.21. Place numbers have been agreed with each of the 14 settings affected and the Education Funding Agency has been notified. Discussions have been held with each of the settings about the appropriate rate(s) for top-ups and these are well advanced. Work on establishing the new operational processes for administering these new arrangements is underway and is being considered by the working groups and will be complete before the start of the financial year.
- 1.22. High Needs settings, then, have to adapt to two main changes:
  - a) Their funding is no longer fixed at the start of the year (based largely on places), the majority of their funding will only be provided if pupils are placed at their setting throughout the year.
  - b) Their administrative processes for agreeing rates, tracking pupils and recovering funding from a range of commissioners all need to be established in time for the new financial year.
- 1.23. For the local authority, the new High Needs arrangements mean:
  - a) Commissioning budgets, rather than devolved budgets, have been established;
  - b) Administrative processes for placing pupils at settings will need to change to adapt to the commissioning requirements;
  - c) Oversight of the operational financial viability of individual settings will need to be adapted to track occupancy levels and cash flow.
- 1.24. Commissioning budgets have been calculated, identifying how the ending of recoupment will affect different parts of the budget. Provision has been made for the expected number of pupils likely to be eligible for high needs funding during 2013/14, but the arrangements are very different from current arrangements and estimates will have to be refined as the year goes on. They represent the best estimates at this moment in time.

#### **NEXT STEPS**

- 1.25. Primary and secondary schools need to be advised of their final budgets. Pupil Premium allocations need to be advised once January 2013 pupil count numbers are known.
- 1.26. Commissioning budgets for specialist provision will continue to be refined by firming up estimates of likely numbers of pupils with such needs and agreeing top-up rates with specialist providers. This is not going to affect at this stage the budget set aside, but will assist in knowing how much is truly committed.

- 1.27. Final arrangements for the organisation of Alternative Provision need to be shared with all secondary schools and final proposals on this will come back to Schools Forum at the next meeting.
- 1.28. School by school plans need to be agreed for limiting the number of full-time nursery places that may be offered from September 2013 and September 2014.

### **CONCLUSIONS**

- 1.29. In the context of the tight timescales and the major changes happening to schools funding, officers have taken a prudent approach. The change to a commissioning approach has required the reconfiguration of high needs budgets and some refinements will be needed to these as the new arrangements become more familiar and embedded.
- 1.30. Changes to Early Years arrangements will assist in managing the expansion of 2 year old provision, if full-time places are reduced as planned.
- 1.31. The decision of Schools Forum was to not allocate all of the available funding, rather than hold funding as unapplied. Commissioning budgets for early years and high needs pupils, however, include some estimates for additional demand, so if pressures emerge during the year this should not require the re-drafting of plans.
- 1.32. Officers will be contacting the DfE to urge them to rethink their timetables for 2014/15. The very tight timescales for 2013/14 appear to have been driven from the perspective that the construction of school budgets is largely a technical exercise. This overlooks the need for judgement on the Schools Budget overall and the governance arrangements for schools budgets which rest with Schools Forum, Cabinet and Council. Requiring final primary and secondary budgets to be submitted by 22<sup>nd</sup> January 2013 in this first year of operating the new school funding regime has much curtailed the legitimate consideration by Members of final decisions on school budgets.

## Update on Schools Budget allocations for 2013/14

1 SCHOOLS BUDGET		Baseline 2013/14	Change	Emerging total	Explanation of baseline	Explanation of change
Maintained and Academy Primary core budget	127,793,911	4,307,191	132,101,102	Core budget only at 2012/13 levels	Draft budgets sent to schools included £4.124m for pupil number growth and £3.250m for half of the unallocated £6.5m DSG from 2012/13 (leaving the other half for pressures elsewhere in the DSG) As primaries above.	
Maintained and Academy Secondary core budget	102,984,951	3,009,612	105,994,563	Core budget only at 2012/13 levels		
Special Schools (place factor only)	4,060,000	0	4,060,000	2013/14 agreed place factors 406 at £10k		
Specialist Resourced Provision (place factor only)	1,440,000	0	1,440,000	2013/14 agreed place factors 144 at £10k		
Pupil Referral Unit (place factor only)	1,600,000	0	1,600,000	2013/14 agreed place factors 200 at £8k		
Post 16 funding	0		0	2012/13 funding, excluding SEN element, teachers pay grant and special bursaries.	Post 16 Grant not yet known, so exclude to focus on DSG position for now.	
Pupil Premium				2012/13 numbers at 2013/14 rates	Based on January 2013 count, so exclude for now to focus on DSG position.	
1.0.1 Individual Schools Budget (before Academy recoupment)	<b>237,878,862</b>	<b>7,316,803</b>	<b>245,195,665</b>			
<b>DEDELEGATED ITEMS new header</b>						
1.1.1 Contingencies	498,073	1,051	499,124	Estimated split of 2012/13 between pupil number growth and / other.	As per draft budgets to schools	
1.1.2 Behaviour support services	291,172	-322	290,850	S251 figure for 2012/13	As per draft budgets to schools	
1.1.3 Support to UPEG and bilingual learners new	529,823	-945	528,878	S251 figure for 2012/13	As per draft budgets to schools	
1.1.4 Free school meals eligibility	128,758	286	129,044	S251 figure for 2012/13	As per draft budgets to schools	
1.1.5 Insurance	0		0		As per draft budgets to schools	
1.1.6 Museum and Library services	0		0		As per draft budgets to schools	
1.1.7 Licences/subscriptions	106,887	-57,751	49,136	S251 figure for 2012/13	As per draft budgets to schools, less £58,250 for centrally retained Copyright Licence Agency costs.	
1.1.8 Staff costs supply cover	157,764	166,516	324,280	S251 figure for 2012/13	As per draft budgets to schools, but including an extra £85k for full costs of current teachers union facilities agreement and £82k for the schools share of the non-teaching unions facilities agreement.	

## Appendix 7.2

### Update on Schools Budget allocations for 2013/14

	Baseline 2013/14	Change	Emerging total	Explanation of baseline	Explanation of change
1	<b>SCHOOLS BUDGET</b>				
	<b>Note on De-delegation</b>	56,563	0	This element is retained by Academies and is part of the delegated budgets for them.	Now corresponds to draft budgets released to schools, showing just the dedelegated amounts from maintained schools
	<b>HIGH NEEDS BUDGET new header</b>		0		
			0		
1.2.1	Top up funding - maintained providers <b>new</b>	-293,032	22,187,522	Based on 2012/13 banded funding for SRP and other pupils with statements. Recoupment expenditure for 2012/13, adjusted for the £10k per place in 2013/14. Also, Special Schools 2012/13 S251 budgets, less outreach, PFI and the place factor for 2013/14.	First draft of detailed assessment of potential maintained costs by the SEN Team.
1.2.2	Top up funding - Academies and Free Schools <b>new</b>	99,330	200,655		
1.2.3	Top up funding - independent providers <b>new</b>	2,009,507	7,807,965	2012/13 S251 figures. These are not top-ups, they are the full cost, as these schools do not receive place factor funding.	
1.2.4	Other AP provision <b>new</b>	320,000	2,453,598	Based on gross spend on Pupil Referral Unit in 2012/13 (excluding the place level of funding for 2013/14 and the Hospital Provision). As contributions from individual schools come via the Social Inclusion Panel, it is difficult at this stage to disentangle that component, so it is still included here	Based on potentially 40 pupils for whom a baseline £8k may be payable for City Gateway
1.2.5	SEN support services		3,958,199	Total of 1.2.1 and 1.2.2 from 2012/13, less academies SEN provision and £1m for SEN provision, then including those central costs in the HN Block.	
1.2.6	Support for inclusion	48,006	48,006	Line 1.2.4 from 2012/13 S251	
1.2.7	SEN transport	0	0		
1.2.8	Hospital education services <b>new</b>	460,000	460,000	Agreed figure with DfE so far for 2012/13.	
1.2.9	Special schools and PRUs in financial difficulty <b>new</b>	0	0		
1.2.10	PFI and BSF costs at special schools <b>new</b>	8,063	33,755	2012/13 figure for PFI factor (ie the subsidy) for Phoenix Special School.	Impact of adjusting for RPI (3%) plus 1,2% and changing pupil numbers.
1.2.11	Direct payments (SEN and disability) <b>new</b>	0	0		

## Update on Schools Budget allocations for 2013/14

		Baseline 2013/14	Change	Emerging total	Explanation of baseline	Explanation of change
1	<b>SCHOOLS BUDGET</b>			0		
	<b>EARLY YEARS BUDGET new header</b>			0		
1.3.1	Free education on 3 & 4 year olds new	18,887,283	-63,666	18,823,617	Baseline information provided to DfE for 2012/13	Transfer PFI subsidy for Nursery Schools to central early years expenditure.
1.3.2	Spending on 2 year olds new	6,443,751		6,443,751	Indicative figures provided by DfE for extra funding available for 2 year olds 27th November 2012. Statutory places: £4.627m and Trajectory Building £1.816m.	
1.3.3	Central expenditure on children under 5	1,798,916	97,590	1,896,506	S251 figures for 2012/13, including £72k income for school milk	Childminder registration fees and associated costs, as agreed by Cabinet. (+£35k) plus central provision for PFI subsidy for nursery schools (+£63k)
	<b>CENTRAL PROVISION WITHIN SCHOOLS BUDGET new header</b>			0		
1.4.1	Contribution to combined budgets	1,415,283		1,415,283	S251 for Primary and Secondary only less b/f figure of £30k for Virtual School	
1.4.2	School admissions	728,800		728,800	S251 for Primary and Secondary only	
1.4.3	Servicing of schools forums	27,643		27,643	S251 for Primary and Secondary only	
1.4.4	Termination of employment costs	1,029,240		1,029,240	S251 for Primary and Secondary only	
1.4.5	Carbon reduction commitment allowances	0		0		
1.4.6	Capital expenditure from revenue (CERA)	0		0		
1.4.7	Prudential borrowing costs	0		0		
1.4.8	Fees to independent schools without SEN	509,600		509,600	S251 for Primary and Secondary only	

## Appendix 7.2

## Update on Schools Budget allocations for 2013/14

		Baseline 2013/14	Change	Emerging total	Explanation of change
<b>1</b>	<b>SCHOOLS BUDGET</b>				
1.4.9	Equal pay - back pay <b>new</b>	0		0	
1.4.10	Pupil growth/ Infant class sizes <b>new</b>	830,000	813,705	1,643,705	Assessment of pupil growth is greater than previously, as evidenced by the calls on pupil growth contingency in 2012/13. Copyright Licence Agency agreement for all maintained schools and academies. This will probably have a line of its own in the final format of the S251 Statement.
1.4.11	Exceptions agreed by Secretary of State <b>new</b>	0	58,178	58,178	S251 for Primary and Secondary only
1.5.1	Other Specific Grants	0		0	
1.6.1	<b>TOTAL SCHOOLS BUDGET (before Academy recoupment)</b>	<b>306,211,124</b>	<b>10,531,876</b>	<b>316,743,000</b>	
<b>RECONCILIATION OF SCHOOLS BUDGET</b>					
1.7.1	Estimated Dedicated Schools Grant for 2013-14	310,815,000		310,815,000	
1.7.2	Dedicated Schools Grant brought forward from 2012-13	6,495,000	-567,000	5,928,000	
1.7.3	Local Authority additional contribution	0		0	
1.7.4	Total funding supporting the Schools Budget (lines 1.7.1 to 1.7.3)	<b>317,310,000</b>	<b>-567,000</b>	<b>316,743,000</b>	
<b>Implied unallocated amount</b>		<b>11,098,876</b>	<b>-11,098,876</b>	<b>0</b>	

## Appendix 7.2

### Explanation of change

Assessment of pupil growth is greater than previously, as evidenced by the calls on pupil growth contingency in 2012/13. Copyright Licence Agency agreement for all maintained schools and academies. This will probably have a line of its own in the final format of the S251 Statement.

### Explanation of baseline

S251 for Primary and Secondary only

**MEDIUM-TERM FINANCIAL PLAN 2013/14 – 2015/16****INDICATIVE HRA BUDGETS**

<b>Housing Revenue Account</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>Draft Budget £'000</b>	<b>Draft Budget £'000</b>	<b>Draft Budget £'000</b>
<b>INCOME</b>			
Dwelling & non dwelling rents	(68,953)	(71,229)	(72,959)
Tenant & Leaseholder service charges	(17,249)	(17,680)	(18,122)
Investment Income received	(160)	(160)	(160)
General Fund contributions	(115)	(115)	(115)
<b>GROSS INCOME</b>	<b>(86,477)</b>	<b>(89,184)</b>	<b>(91,356)</b>
<b>EXPENDITURE</b>			
Repairs & Maintenance	21,795	22,343	23,154
Supervision & Management	23,458	23,813	23,801
Special Services, Rents rates & taxes	16,072	16,859	17,422
Increased provision for bad debts	1,900	1,400	900
Capital Financing charges	18,741	18,604	19,136
<b>GROSS EXPENDITURE</b>	<b>81,966</b>	<b>83,018</b>	<b>84,413</b>
<b>NET COST OF HRA SERVICES</b>	<b>(4,510)</b>	<b>(6,166)</b>	<b>(6,944)</b>
<b>Appropriations</b>			
Revenue Contribution to Capital Outlay (RCCO)	6,062	7,757	8,574
<b>NET POSITION</b>	<b>1,552</b>	<b>1,591</b>	<b>1,630</b>
<b>Balances</b>			
Opening balance	(15,003)	(15,003)	(15,003)
Revenue Contributions from Major Repairs Reserve (Surplus)/ Deficit on HRA	(1,552) 1,552	(1,591) 1,591	(1,630) 1,630
<b>Closing balance</b>	<b>(15,003)</b>	<b>(15,003)</b>	<b>(15,003)</b>

Scheme Name	Scheme description	2012/13 Revised Budget					2015/16 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m		
<b>Education, Social Care and Wellbeing</b>								
Mental health services	Mental Health SCP(C)	0.057					0.057	
Improving the Care Home Environment for Older People	Improving the Care Home Environment for Older People	0.020					0.020	
Tele Care/Telehealth Equipment	Telecare equipment for service users	0.100	0.100	0.100			0.300	
Ronald Street Roof Replacement	Roof Replacement	0.065					0.065	
Development of Learning Disability Hubs	Fit Out Costs for Learning Disability Hubs	0.000	0.160	0.080			0.240	
Arnhem wharf - Expansion	Basic Need/Expansion	0.327	0.000				0.327	
Ben Jonson - Expansion	Basic Need/Expansion	0.070	0.000				0.070	
Cayley - Expansion	Basic Need/Expansion	2.700	2.815	0.080			5.595	
Culloden - Expansion	Basic Need/Expansion	2.482	0.000				2.482	
Manorfield - Expansion	Basic Need/Expansion	0.126	0.000				0.126	
Marnier - Expansion	Basic Need/Expansion	0.279	0.000				0.279	
St Lukes - Expansion	Basic Need/Expansion	1.857	0.000				1.857	
Wellington - Expansion	Basic Need/Expansion	2.386	0.100				2.486	
PDC - Conversion	Basic Need/Expansion	1.500	0.500				2.000	
Woolmore Primary School	Basic Need/Expansion	0.500	4.750	4.750			10.000	
Refurbishment of Bethnal Green Centre	Basic Need/Expansion	0.150	2.125	0.025			2.300	
Provision of Bulge Classes - Expansion	Basic Need/Expansion	0.172	0.000				0.172	
Cubitt Town - Bulge Class	Basic Need/Expansion	0.101					0.101	
Woolmore Primary School - Bulge Class	Basic Need/Expansion	0.121					0.121	
Clara Grant School - Bulge Class	Basic Need/Expansion	0.056					0.056	
Bow Boys Expansion (scheme development)	Basic Need/Expansion	0.021					0.021	
PDC feasibility study	Basic Need/Expansion	0.091					0.091	
Various Sites Feasibility	Basic Need/Expansion	0.025					0.025	
St Paul's with St Luke's	Basic Need/Expansion	0.135					0.135	
Olga	Basic Need/Expansion	0.069					0.069	
Scheme Development	Basic Need/Expansion	0.409					0.409	
Bishop's Square	Christ Church Garden	0.300	0.000				0.300	
Mayflower - Electrical Rewire (Phase 1)	Condition & Improvement	0.070					0.070	
William Davis - Heating Replacement	Condition & Improvement	0.027					0.027	
Statutory Requirements - Physic access for Staff /Pupils with disability and improve fire protection	Condition & Improvement	0.217					0.217	
Asbestos Surveys & Fire Risk Assessments	Condition & Improvement	0.003					0.003	
Special needs adaptations at Mulberry School	Condition & Improvement	0.008					0.008	



Scheme Name	Scheme description	2012/13 Revised Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Arnhem Wharf - Security	Condition & Improvement	0.009				0.009
Marnar School - Health & Safety Works	Condition & Improvement	0.010				0.010
George Green's School - Investigative works (hydrotherapy pool)	Condition & Improvement	0.001				0.001
St Paul's Way - Lift Access	Condition & Improvement	0.002				0.002
Third Base PRU - Window Replacement	Condition & Improvement	0.090				0.090
Smithy street Primary school- Accessible toilet	Condition & Improvement	0.030				0.030
Globe school -playground resurfacing	Condition & Improvement	0.030				0.030
Globe school - heating pipework replacement and upgrade	Condition & Improvement	0.000	0.150			0.150
Mayflower school - heating pipework replacement and upgrade	Condition & Improvement	0.140	0.010			0.150
Columbia Primary School - Provide Accessible Lift	Condition & Improvement	0.176				0.176
Blue Gate FieldsJnr & Inf- update electrical supply	Condition & Improvement	0.100	0.100			0.200
Culloden primary - Adaptations to support hearing impaired pupils	Condition & Improvement	0.025				0.025
Urban Adventure Centre - Replace Roof	Condition & Improvement	0.030				0.030
Non Schools - Asbestos Removal	Condition & Improvement	0.045				0.045
Mowlem School Fire Safety Improvements Works	Condition & Improvement	0.021				0.021
Osmani - Redevelopment	Osmani - Redevelopment	0.007				0.007
Canon Barnett - Refurbishment	Primary Capital Programme	0.035				0.035
Elizabeth selby - Refurbishment & Extension	Primary Capital Programme	0.027				0.027
Globe - Refurbishment	Primary Capital Programme	0.089				0.089
Malmesbury - Remodelling	Primary Capital Programme	0.139				0.139
Mayflower - Refurbishment & Extension	Primary Capital Programme	0.023				0.023
Old Ford - Kitchen programme	Primary Capital Programme	0.202				0.202
Smithy Street - Refurbishment & Extension	Primary Capital Programme	0.049				0.049
Stebon - Refurbishment & Extension	Primary Capital Programme	0.027				0.027
RCCO	Gorsefield - Refurbishment	0.010				0.010
Short Breaks (Discovery House)	Discovery House awning, air conditioning and sensory room	0.004				0.004
Short breaks (Smithy Street School)	Equipment at Smithy Street school (2 Evac chairs) and Stephen Hawking School (outdoor play equipment)	0.018				0.018
Short breaks (Attlee Centre)	Attlee Centre Sensory Room	0.012				0.012

Scheme Name	Scheme description	2012/13 Revised Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Sure Start	Globe Town Children's Centre (Sparks) - Development/ Refurbishment	0.025				0.025
Primary Expansion Programme	Basic Need/Expansion (schemes to be developed)		8.000			8.000
Condition and Statutory works - Schools & Children Centres	Condition & Improvement (schemes to be developed)		2.000			2.000
Condition & Statutory Works other CSF premises	Condition & Improvement (schemes to be developed)		0.100	0.100		0.200
Lukin St - Land purchase from Network Rail	Capital receipt from sale of Lukin St to Diocese (and temporary funding from other capital receipts in mean time)	0.768				0.768
Bishop Challoner - Community Facilities	Bishop Challoner - Community Facilities	0.600				0.600
Youth Service ( BMX Mile End )	BMX Track	0.042				0.042
Youth Service ( BMX Mile End )	Youth Service Accommodation Strategy	0.010				0.010
<b>EDUCATION, SOCIAL CARE AND WELLBEING TOTAL</b>		<b>17.239</b>	<b>20.910</b>	<b>5.135</b>	<b>0.000</b>	<b>43.284</b>

Scheme Name	Scheme description	Budget				Total Budget 2012/13 to 2015/16
		2012/13 Revised Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	
		£m	£m	£m	£m	
<b>COMMUNITIES, LOCALITIES AND CULTURE</b>						
Bancroft Library	Bancroft Library	0.469				0.469
Banglatown Art Trail & Arches	Installation of Art Trail and Arches	0.025	0.592			0.617
Bartlett Park		0.035				0.035
Bethnal Green Improvements	Park improvements	0.030				0.030
Brady Centre	Building Improvements	0.002				0.002
Adelina Grove	Contaminated land survey and works		0.053			0.053
Copton Close	Contaminated land survey and works	0.040				0.040
Poplar High St	Contaminated land survey and works	0.037				0.037
Rosebank Gardens	Contaminated land survey and works		0.023			0.023
Stores Quay	Contaminated land survey and works		0.056			0.056
Veronica House	Contaminated land survey and works		0.033			0.033
Bow Area Traffic Management Review	Developers Contribution		0.250			0.250
Cuba Street, Manilla Street, Tobago Street and Byng Street	Developers Contribution		0.356			0.356
Sainsbury Food Store - Redevelopment of Site (1 Cambridge Heath Road)	Developers Contribution		0.022			0.022
Blackwall Way Bus Stops	Developers Contribution	0.042				0.042
Brushfield Street	Developers Contribution	0.000	0.350			0.350
Millharbour	Developers Contribution	0.246				0.246
St Anne Street	Developers Contribution	0.039				0.039
Warner Green	Developers Contribution	0.049				0.049
Weavers Field & Allen Gardens	Developers Contribution	0.090				0.090
Albert Gardens	Developers Contribution	0.025				0.025
Millwall Park & Langdon Park	Developers Contribution	0.079				0.079
Poplar Park & Jolly's Green	Developers Contribution	0.079				0.079
Ropewalk Gardens	Developers Contribution	0.049				0.049
Spitalfields Area - Pedestrian Routes	Developers Contribution	0.053				0.053
Generators @ Mulberry Place & Anchorage House	Generators @ Mulberry Place & Anchorage House	0.011				0.011
Hackney wick & Fish Island Improvements	Streetscene Improvements	0.210				0.210
Developers Contribution	Marshwall/Limeharbour - Highway Works	0.148				0.148
Mile End Leisure Centre - Security Enhancements	Fencing and security works	0.002				0.002
Mile End Stadium Track resurfacing		0.072				0.072
Mile End Park Capital	Mile End Park Capital	0.040	0.065			0.105
Millwall Park/Island Gardens	Park improvements	0.005				0.005

Scheme Name	Scheme description	2012/13 Revised Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Bow Area Traffic Review - Study	OPTEMS	0.180				0.180
A12 Wick Lane Junction	OPTEMS	0.024	0.256			0.280
Crown Close Link - cycle/pedestrian improvements	OPTEMS	0.200				0.200
Monier Road - cycle/pedestrian improvements	OPTEMS	0.035				0.035
Dace Road - cycle/pedestrian improvements	OPTEMS	0.025				0.025
Fairfield Road/Tredegar Road Signals	OPTEMS	0.028	0.248			0.275
Poplar Park	Park improvements	0.044				0.044
Public Art Projects	Middlesex Street	0.250				0.250
Public Realm improvements	Crown Close Bridge links	0.010				0.010
Schoolhouse Lane Multi Use Ball Games Area	Improvements to ball games area	0.007				0.007
Bethnal Green Gardens Victoria Park	Tennis Courts	0.007				0.007
Victoria Park	Tennis Courts	0.019				0.019
Pennyfields	Pennyfields Open Space	0.046				0.046
Cycle Parking Fund Project	TfL schemes including safety, cycling and walking, SuperHighway	0.083				0.083
Bethnal Green - Victoria Park route	TfL schemes including safety, cycling and walking, SuperHighway	0.043				0.043
To be decided/confirmed	TfL schemes including safety, cycling and walking, SuperHighway		2.157			2.157
Bethnal Green Road	TfL schemes including safety, cycling and walking, SuperHighway	0.250				0.250
Roman Rd (Globe Town)	TfL schemes including safety, cycling and walking, SuperHighway	0.151				0.151
Manchester Road /Island Gardens / Stebondale	TfL schemes including safety, cycling and walking, SuperHighway	0.206				0.206
Abbott Road / Aberfeldy Estate	TfL schemes including safety, cycling and walking, SuperHighway	0.029				0.029
School Travel Plan improvements in Old Bethnal Green Rd and Gosset Street	TfL schemes including safety, cycling and walking, SuperHighway	0.020				0.020
St Paul's Way	TfL schemes including safety, cycling and walking, SuperHighway	0.494				0.494
Bethnal Green to Olympic Park	TfL schemes including safety, cycling and walking, SuperHighway	0.017				0.017
Walkway between Glamis Rd & KEMP, 4c (option 1&2 page 8 of 16) in the CRISP report	TfL schemes including safety, cycling and walking, SuperHighway	0.008				0.008

Scheme Name	Scheme description	2012/13 Revised Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Cycle Infrastructure Improvement	TfL schemes including safety, cycling and walking, SuperHighway	0.410				0.410
Brick Lane	TfL schemes including safety, cycling and walking, SuperHighway	0.230				0.230
Cambridge Heath Road	TfL schemes including safety, cycling and walking, SuperHighway	0.036				0.036
Wapping Wall	TfL schemes including safety, cycling and walking, SuperHighway	0.099				0.099
Legible London	TfL schemes including safety, cycling and walking, SuperHighway	0.124				0.124
Zebra Crossing Halos	TfL schemes including safety, cycling and walking, SuperHighway	0.030				0.030
Fish Island Link	TfL schemes including safety, cycling and walking, SuperHighway	0.013				0.013
Valance Road Junction	TfL schemes including safety, cycling and walking, SuperHighway	0.315				0.315
Local Area Minor Accessibility Improvements	TfL schemes including safety, cycling and walking, SuperHighway	0.118				0.118
Local Transport Funding	TfL schemes including safety, cycling and walking, SuperHighway	0.142				0.142
Leamouth Road PRN	TfL schemes including safety, cycling and walking, SuperHighway	0.034				0.034
Preston's Road Roundabout PRN	TfL schemes including safety, cycling and walking, SuperHighway	0.034				0.034
Preston Road PRN	TfL schemes including safety, cycling and walking, SuperHighway	0.069				0.069
Bethnal Green Town Centre	TfL schemes including safety, cycling and walking, SuperHighway	0.250				0.250
Bartlett Park Master Plan	TfL schemes including safety, cycling and walking, SuperHighway	0.300				0.300
Cycle Routes - Borough wide	TfL schemes including safety, cycling and walking, SuperHighway	0.300				0.300
Road Safety - Borough wide	TfL schemes including safety, cycling and walking, SuperHighway	0.100				0.100

Scheme Name	Scheme description	2012/13 Revised Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
Bus Stop Works - various locations	TfL schemes including safety, cycling and walking, SuperHighway	0.117				0.117
Victoria Park Master plan	Victoria Park Masterplan	1.382				1.382
Watney Market Ideas Store	New idea store and one stop shop in Watney Market	2.766				2.766
Victoria Park - Changing Block Extension & Upgrade		0.325				0.325
Highway improvement programme		1.000	1.000	1.000		3.000
Litter Bins		0.150				0.150
Bancroft Library Phase 2b		0.145				0.145
CCTV Improvement and Enhancement		0.300	0.000			0.300
Essential Health & Safety	Contaminated Land Strategy H&S (2007/08)	0.063	0.200			0.263
Major Projects - LPP	Whitechapel Idea Store	0.095				0.095
Culture - LPP	Bancroft Library	0.008				0.008
<b>COMMUNITIES, LOCALITIES AND CULTURE TOTAL</b>		<b>13.007</b>	<b>5.661</b>	<b>1.000</b>	<b>0.000</b>	<b>19.668</b>

Scheme Name	Scheme description	2012/13 Revised Budget				2013/14 Budget				2014/15 Budget				2015/16 Budget		Total Budget 2012/13 to 2015/16	
		£m				£m				£m				£m		£m	
<b>BUILDING SCHOOLS for the FUTURE</b>																	
Wessex				0.250													0.250
Bethnal Green Tech. College				0.220													0.220
Morpeth				2.461													2.461
Sir John Cass				0.501													0.501
Beatrice Tate				3.346				3.500									6.846
Bowden House				0.265													0.265
Swanlea				1.318													1.318
Raines				11.031				4.833									15.864
Central Foundation				9.135				5.732		2.036							16.903
Langdon Park				3.491				5.554		1.430							10.475
Phoenix				3.471				1.003									4.474
Stepney Green				9.877				1.186									11.063
Bow Boys				11.988				21.200		1.800							34.988
George Greens				3.062				5.000		2.900							10.962
Central Services				1.437				0.986		0.794							3.217
Bethnal Green TC				0.109				0.086		0.153							0.348
St Pauls Way				0.077				0.170		0.264							0.511
Raines				0.011				0.606		0.341							0.958
Sir John Cass				0.000				0.148		0.606							0.754
Morpeth				0.086				0.148		0.150							0.384
Oaklands				0.131				0.096		0.183							0.409
Ian Mikardo				0.087				0.007		0.013							0.107
Cambridge Heath				0.000				0.021		0.025							0.046
Central Foundation				0.000				0.644		0.431							1.076
Bowden House				0.240				0.037		0.072							0.349
Beatrice Tate				0.176				0.043		0.067							0.285
Stepney Green				0.000				0.666		0.438							1.104
Harpley PRU				0.011				0.033		0.075							0.119
Langdon Park				0.000				0.608		0.354							0.962
Swanlea				0.669				0.149		0.441							1.259
Bow Boys				0.010				0.466		0.228							0.705
Phoenix				0.264				0.041		0.056							0.361
Building Schools for the Future Programme.				1.520				1.100		1.100							2.620
<b>BUILDING SCHOOLS for the FUTURE TOTAL</b>				<b>65.244</b>				<b>52.963</b>		<b>13.958</b>							<b>132.165</b>

Scheme Name	Scheme description	2012/13 Revised Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
<b>DEVELOPMENT &amp; RENEWAL</b>						
Millennium Quarter	Millennium Quarter	0.384	0.100			0.484
Bishops Square	Bishops Square	0.150	0.000			0.150
Town Centre & High Street Regeneration	Town Centre & High Street Regeneration	0.147	0.000			0.147
Whitechapel Centre	WhiteChapel	0.005	0.000			0.005
Regional Housing Pot	Regional Housing Pot	3.230	3.000			6.230
Affordable Housing Measures	Affordable Housing Measures	2.900	2.775			5.675
High Street 2012	High Street 2012	5.332	0.100			5.432
Disabled Facilities Grant	Disabled Facilities Grant	0.989	0.730	0.730		2.449
Private Sector Improvement Grant		0.515				0.515
Genesis Housing	Genesis Housing	0.363				0.363
Installation of Automatic Energy Meters	Installation of Automatic Energy Meters	0.149				0.149
Facilities Management (DDA)	Disability & Discrimination Act works	0.053				0.053
Energy Efficiency Programme		0.190				0.190
Bromley by Bow Station Upgrade		3.500				3.500
Wellington Way Health Centre		3.200				3.200
<b>DEVELOPMENT &amp; RENEWAL TOTAL</b>		<b>21.109</b>	<b>6.705</b>	<b>0.730</b>	<b>0.000</b>	<b>28.544</b>



Scheme Name	Scheme description	2012/13 Revised Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	Total Budget 2012/13 to 2015/16
		£m	£m	£m	£m	£m
<b>CHIEF EXEC'S &amp; RESOURCES</b>						
Priority Service Remediation/Backup Expansion	CCNs Charges and GCSX PC DSI Compliance works	0.128				0.128
<b>CHIEF EXEC'S &amp; RESOURCES TOTAL</b>		<b>0.128</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.128</b>
<b>HOUSING REVENUE ACCOUNT</b>						
Decent Homes Backlog	Decent Homes	19.020	33.774	46.000		98.794
Housing Capital Programme	Mainstream programme: includes aids & adaptation; major costs involved in bringing back void properties to use; capitalisation of fees & charges; overcrowding; and contingency	17.578	0.000			17.578
Ocean Estate Regeneration	Ocean Estate Regeneration	12.819	6.187			19.006
Notional Residual Decent homes Capital Profiling - In Development	Decent Homes Works	0.000	20.000	16.470		36.470
Non Decent homes Schemes	Non Decent Homes Works	1.673	15.933	14.120		31.726
Council House building Initiative	Council House building Initiative	0.556				0.556
Blackwall Reach	Blackwall Reach	6.012	2.587			8.599
<b>HOUSING REVENUE ACCOUNT TOTAL</b>		<b>57.658</b>	<b>78.481</b>	<b>76.590</b>	<b>0.000</b>	<b>212.729</b>
<b>CORPORATE PROVISION FOR SCHEMES UNDER DEVELOPMENT</b>		<b>0.000</b>	<b>10.000</b>	<b>0.000</b>	<b>20.000</b>	<b>30.000</b>
<b>TOTAL CAPITAL PROGRAMME</b>		<b>174.385</b>	<b>174.720</b>	<b>97.413</b>	<b>20.000</b>	<b>466.518</b>

Directorate/Programme	Scheme Name	Scheme Description	Funding Profile				Total £m
			2013-14 £m	2014-15 £m	2015-16* £m		
Housing Revenue Account	Resources available - Non Decent homes Schemes to be developed	Scheme to be developed	0.000	0.000	23.000	23.000	
Housing Revenue Account	Watts Grove	Provision of new build homes on the Watts Grove depot site	0.000	0.000	22.000	22.000	
Housing Revenue Account	Poplar Baths and Dame Colet House	Refurbishment and remodelling of Poplar Baths; provision of additional new build homes on the Dame Colet House site; and provision of a new build youth centre on the existing Haileybury Centre site	0.000	0.000	16.000	16.000	
<b>HOUSING REVENUE ACCOUNT TOTAL</b>			<b>0.000</b>	<b>0.000</b>	<b>61.000</b>	<b>61.000</b>	
Communities, Localities and Culture	TfL schemes including safety, cycling and walking, SuperHighway	Corridors, Neighbourhoods and Supporting Measures, Major Schemes & Local Transport	3.177	3.349	3.349	9.875	
Communities, Localities and Culture	Ground Maintenance	Purchase of ground maintenance equipment	0.750	0.000	0.000	0.750	
Communities, Localities and Culture	Cycling Improvements	Cycle parking facilities; bike pump facilities and cycle permeability schemes	0.100	0.000	0.000	0.100	
Communities, Localities and Culture	Mudchute Farm Improvements	Repair of car parks; creating a village green; providing toilet and hand washing facilities	0.045	0.000	0.000	0.045	
<b>COMMUNITIES, LOCALITIES AND CULTURE TOTAL</b>			<b>4.072</b>	<b>3.349</b>	<b>3.349</b>	<b>10.770</b>	
Education, Social Care and Wellbeing	Provision for 2 year olds	Capital works to meet statutory duty to meet two year olds educational needs	1.300	0.000	0.000	1.300	
<b>EDUCATION, SOCIAL CARE AND WELLBEING TOTAL</b>			<b>1.300</b>	<b>0.000</b>	<b>0.000</b>	<b>1.300</b>	
Development & Renewal	Disabled Facilities Grant	Adaptations, door widening, ramp installation stair lift access and heating systems for the disabled	0.000	0.000	0.750	0.750	
Development & Renewal	Private Sector Improvement Grant	Private Sector Improvement Grant	0.250	0.000	0.000	0.250	
Development & Renewal	Bethnal Green Terrace	Repair of degraded 'at risk' Grade II listed buildings	0.351	0.000	0.000	0.351	
Development & Renewal	Indicative Section 106 Schemes	Schemes to be developed	0.000	0.000	5.000	5.000	
Development & Renewal	Multi Faith Burial Grounds	Multi Faith Burial Ground	3.000	0.000	0.000	3.000	
Development & Renewal	Faith Buildings	Faith Buildings	2.000	0.000	0.000	2.000	
<b>DEVELOPMENT &amp; RENEWAL TOTAL</b>			<b>6.601</b>	<b>0.000</b>	<b>5.750</b>	<b>11.351</b>	
<b>TOTAL NEW SCHEMES TO BE FUNDED FROM EXTERNAL RESOURCES</b>			<b>11.973</b>	<b>3.349</b>	<b>70.099</b>	<b>84.421</b>	

\*Based on notional funding estimates

Projects/Funding Directorate	2012/13			2013/14	2014/15	2015/16	Total Budget 2012/13 to 2015/16
	Slippage from 2011/12	Latest Budget	Total Revised Budget				
	£m	£m	£m				
Education, Social Care and Wellbeing	1.531	15.708	17.239	22.210	5.135	0.000	44.584
Building Schools for the Future	-5.793	71.037	65.244	52.963	13.958	0.000	132.165
Communities, Localities and Culture	0.892	12.116	13.007	9.733	4.349	3.349	30.438
Development & Renewal (Excluding HRA)	3.440	17.669	21.109	12.306	0.730	5.750	39.895
Chief Executive & Resources	0.128	0.000	0.128	0.000	0.000	0.000	0.128
Corporate GF provision for schemes under development	0.000	0.000	0.000	10.000	0.000	0.000	10.000
Poplar Baths and Dame Colet House	0.000	0.000	0.000	0.000	0.000	20.000	20.000
<b>Total excluding Housing HRA</b>	<b>0.198</b>	<b>116.530</b>	<b>116.728</b>	<b>107.212</b>	<b>24.172</b>	<b>29.099</b>	<b>277.211</b>
HRA (Approved schemes)	6.056	49.929	55.985	42.548	46.000	16.000	160.533
development	0.000	1.673	1.673	35.933	30.590	45.000	113.196
<b>Total HRA</b>	<b>6.056</b>	<b>51.602</b>	<b>57.658</b>	<b>78.481</b>	<b>76.590</b>	<b>61.000</b>	<b>273.729</b>
<b>Total Budget</b>	<b>6.254</b>	<b>168.132</b>	<b>174.385</b>	<b>185.693</b>	<b>100.762</b>	<b>90.099</b>	<b>550.939</b>

Projects/Funding Directorate	Grant	SCE	MRA	SC	CR	PB	S106	CA	DR	Total	2012/13 Latest Budget	2013/14 Budget	2014/15 Budget	2015/16 Budget	Total Budget 2012/13 to 2015/16
Education, Social Care and Wellbeing	41.801	0.800	0.000	0.000	1.668	0.000	0.300	0.000	0.015	44.584	17.239	22.210	5.135	0.000	44.584
Building Schools for the Future	122.379	0.000	0.000	2.036	7.750	0.000	0.000	0.000	0.000	132.165	65.244	52.963	13.958	0.000	132.165
Communities, Localities and Culture	18.715	0.000	0.000	0.000	4.716	0.000	6.247	0.000	0.761	30.438	13.007	9.733	4.349	3.349	30.438
Development & Renewal (Excluding HRA)	14.563	0.000	0.000	0.000	12.040	0.000	12.895	0.000	0.397	39.895	21.109	12.306	0.730	5.750	39.895
Chief Executive & Resources	0.000	0.000	0.000	0.000	0.128	0.000	0.000	0.000	0.000	0.128	0.128	0.000	0.000	0.000	0.128
Corporate GF provision for schemes under development	0.000	0.000	0.000	0.000	0.000	10.000	0.000	0.000	0.000	10.000	0.000	10.000	0.000	0.000	10.000
Poplar Baths and Dame Colet House	0.000	0.000	0.000	0.000	0.000	0.000	0.000	20.000	0.000	20.000	0.000	0.000	0.000	20.000	20.000
<b>Total excluding Housing HRA</b>	<b>197.458</b>	<b>0.800</b>	<b>0.000</b>	<b>2.036</b>	<b>26.301</b>	<b>10.000</b>	<b>19.442</b>	<b>20.000</b>	<b>1.173</b>	<b>277.211</b>	<b>116.728</b>	<b>107.212</b>	<b>24.172</b>	<b>29.099</b>	<b>277.211</b>
HRA	99.675	0.000	67.181	0.000	16.090	16.261	12.577	38.000	23.944	273.729	57.658	78.481	76.590	61.000	273.729
<b>Total Budget</b>	<b>297.133</b>	<b>0.800</b>	<b>67.181</b>	<b>2.036</b>	<b>42.391</b>	<b>26.261</b>	<b>32.019</b>	<b>58.000</b>	<b>25.117</b>	<b>550.939</b>	<b>174.385</b>	<b>185.693</b>	<b>100.762</b>	<b>90.099</b>	<b>550.939</b>

Index to Types of Funding	
Grant	Central Government or Other
SCE	Supported Capital Expenditure
MRA	Major Repairs Allowance
SC	Schools Contribution
CR	Capital Receipt
PB	Prudential Borrowing
S106	Section 106 Funding
CA	Credit Arrangement
DR	Direct Revenue Funding

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# Agenda Annex

<b>Committee:</b> Cabinet	<b>Date:</b> 13/02/13	<b>Classification:</b> Unrestricted	<b>Report No.</b> Linked to CAB 75/123
<b>Report of:</b>  Ann Jackson, Chair of Overview and Scrutiny Committee  <b>Originating Officer(s):</b>  Angus Taylor, Democratic Services		<b>Title:</b>  Overview and Scrutiny Committee Response to Mayor's Initial Budget Proposals 2013/14  <b>Wards: All</b>	

## 1. SUMMARY

- 1.1 The attached documents comprise the response of Overview and Scrutiny Committee (OSC) to consultation on the Mayor's initial 2013/14 Budget proposals (as published in the 9<sup>th</sup> January Cabinet Agenda), and have been collated following two extraordinary OSC meetings on 21<sup>st</sup> and 22<sup>nd</sup> January 2013 and a concluding session to finalise OSC comments at OSC on 5<sup>th</sup> February 2013.

## 2. RECOMMENDATION

- 2.1 That the Mayor in Cabinet receive the comments of the OSC that have been submitted in the attached Appendices 1, 2 and 3.

## 3. APPENDICES

- Appendix 1 – Q&A notes from Extraordinary Budget OSC 21<sup>st</sup> January 2013  
Appendix 2 – Q&A notes from Extraordinary Budget OSC 22<sup>nd</sup> January 2013  
Appendix 3 – Q&A notes from Ordinary OSC (Budget Session) 5<sup>th</sup> February 2013  
Appendix 4 – Officer written responses to questions raised at the above meetings.  
Appendix 5 – Chair's "summary comments" sheet

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

#### List of "Background Papers" used in the preparation of this report

Brief description of "background paper"

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

none

**EXTRAORDINARY OVERVIEW AND SCRUTINY**  
**BUDGET 1 SESSION**  
**21 JANUARY 2013**

**DISCUSSION POINTS**

A comprehensive discussion followed which focused on the following points:-

- Clarification sought and given as to:

**CLC**

Q In the context of the outlined budgetary pressures relating to waste treatment and recycling (a growth requirement of £0.6 million relating to waste collection and disposal costs primarily due to the Government "Landfill Escalator"): Why waste minimisation was not being actively promoted, and resources allocated accordingly, as rather than the Council encouraging recycling it would be better if waste was not generated.

A Q Noting the response of Officers that waste minimisation, and in particular education on this, was an element of the Council's Waste Management Contract: The apparent conflict of interest of those dealing with waste management promoting waste minimisation. The Council had in past years supported regional waste minimisation campaigns e.g. London Nappy Campaign. However these had diminished with a reduction in regional funding, and Council budgets constrained their ability to plug the gap. Waste contractors were not paid purely for moving waste, and services were looked at across the piece with contractors held to account on that.

Q In the context of the outlined budgetary pressures relating to Environmental Health: The nature/ extent of the additional duties/ responsibilities being placed on the Council, anticipated budgetary pressures resulting from these, what provision the Council was making for this risk to the Budget, or whether the Council would be reactive to emerging issue.

A These were thought to relate to premises inspections. **Further information on this to be provided by SH S&R CLC next day.**

Q Performance in delivering savings required of the Communities Localities and Culture directorate in the previous year's Budget. In particular was the anticipated generation of

advertising income from the 2012 Olympics fully realised, and what amount was this.

- A CLC had met its overall savings targets and the additional income generated from Olympic related advertising was in line with target.
- Q Whether budgetary pressures were anticipated as a result of London-wide CO2 penalties on local councils if they did not meet targets for cleansing the local environment e.g. pollution relating to “through routes”, or whether Government proposals on this were dormant.
- A The issue was how Government re-apportioned penalties on London from Europe. There was speculation of Government top slicing Council Budgets to help pay this. Air quality in any part of London was dependent on prevailing winds and contamination could emanate from neighbouring boroughs, however the Council was pursuing the aim of cleaner air linked to a carbon emissions policy.
- Q What strategy was in place to mitigate the “black hole” in the CLC Budget outlined by Officers relating to land fill and the Government “Landfill Escalator”.
- A The Council would review its position once the Government announced a successor for the “Landfill Escalator”. Adjustment of the service budget would depend on the timing of the announcement, and it might be necessary to draw on reserves in the short term. Longer term structural changes to the Council’s treatment of waste were required.
- Q In the context of the outlined budgetary pressures relating to Safer Communities and the Mayor of London Policing and Crime Funding: Whether the CLC Budget continued £1.45 million provision for additional police for the Borough, and the number of these. Also assurance regarding the anticipated impact of London-wide reductions in policing: What were the current numbers of Met police allocated to Tower Hamlets. The Chair commented that the potential risk for additional budgetary pressure as a result of the new London-wide policing arrangements should be monitored.
- A The Council had reviewed its agreement with the Met Police to fund additional police for the borough, and when the current agreement ended in July 2013 a new agreement would commence providing 18 additional police posts. The Borough Commander had given provisional indications that the London-wide policing arrangements would have a net nil



impact on front line police numbers. **Further information to be provided on numbers of police currently allocated.**

- Q In relation to a number of key contracts longer than 15 years.g. refuse collection: What action was being taken to:
- Assess efficiency and value for money
  - Assess delivery and performance
  - Identify if contractual penalties could be clawed back
  - Review contract clauses allowing for renegotiation of terms given change of circumstances, and take appropriate steps.
- A The longer the contact the more valuable due to initial start-up costs being averaged out. Officers were aware of these long contracts particularly for waste treatment (Veolia) and leisure (GLL) and had scrutinised them closely with wide ranging budget efficiencies delivered which had already contributed to required savings for CLC.
- Q In the context of the introduction of bulk rubbish collection charges in last year's Budget: Whether the overall savings/ income target had been met. Also whether there had been any impact on reporting of on street rubbish dumping.
- A There was no discernible increase in on street dumping as a result of the new bulk collection charges. However there was some controversy regarding mattresses which was thought to link to an active private rented sector, with such material produced at short notice. **Further information on call volumes reporting dumped rubbish to be provided; also on income stream expectations and delivery.**
- Q Whether the recent winter weather if it continued would have an adverse impact on the CLC Budget.
- A Unpredictable, but the last cold-snap unlikely to impact on the CLC budget. Not all roads were the responsibility of the Council , but of TfL and RSLs.
- Q Whether all refunds from LOCOG had been received following the borough's undertaking of its Olympic duties.
- A **Officers to check and report back as to LOCOG meeting contractual obligations. No known areas of contention.**
- Q Whether additional income from controlled parking, anticipated as a consequence of the Olympics, had been achieved, and the part/s of the Budget benefitting from its allocation.
- A It was unclear if there was a significant rise in parking income due to the Olympics. The MTFP had factored in any uplift to offset General Fund budget pressures.

- Q What pressures on front line services/ staff, operated by CLC, resulting from the proposed integration/ reconfiguring of services, were anticipated by Officers.
- A No compulsory redundancies were proposed, although savings from natural wastage would be considered. There was however a commitment to generic working, with a flexible workforce being more secure in the long term. Councillor Choudhury (Cabinet Member for Resources) confirmed the closure of Rushmead OSS had been reviewed, but it was not to be progressed by the Mayor as funding had been identified.

## **CSF**

- Q The underlying reasons for an above inflation rise in school transport costs of approximately 10 per cent.
- A There were more young people with special needs and related transport was more expensive. Many young people were bused across the borough to locations where school places were available, but at additional cost. The Council aspired to reduce the need for busing pupils to school e.g. with development of the Bow Boys School site. There would be a future review of transport services with CLC, which looked at value for money and use of downtime between am and pm school runs.
- Q In the context of the outlined pressures on the CSF Capital Budget relating to current statutory provision of primary/ secondary school places (number of places needed set to rise 30% in 10 years), and the likely future Government requirement for 15 hours of free school based child care for 2 year olds:
- Q The nature and use of the contribution to school infrastructure from Section 106 funding, and the role of the Planning Overview Panel in ensuring that capital costs for school infrastructure needs associated with new development were met.
- A Capital costs for building or refurbishing schools had always been funded by the DfES. Section 106 monies had only provided additionality such as community facilities on a school site. The Government intended to fund the additional school hours for 2 year olds with funding for the private and voluntary sector.
- Q Expressing concern over risks to the Capital Programme: what sources of funding had been identified to meet the

- capital funding gap and provide the necessary infrastructure?  
How would any shortfall in building capacity be managed?
- A Basic needs funding from the DoE to increase school capacity would never be sufficient to acquire land in Tower Hamlets where land was scarce and expensive. Never the less LBTH had been successful in securing 2 secondary schools in the Isle of Dogs and Wapping. Concerted pressure was needed to put the borough's case for basic needs funding. There was mounting concern across London regarding unconfirmed levels of future funding and the Council was maintaining awareness of this whilst endeavouring to be innovative in creating spaces.
- Q Noting the significant level of savings proposed for achievement through "vacancy management" and reduced agency use: what were the risks to staff in terms of morale and wellbeing from the vacancies left open. Also the impact on service stability.
- A There was scope for vacancy management in service areas which were not front line (children's social work, children's centres etc.). Vacancy rates of 8% in CSF and 11% in AHWB and lead in times for recruitment of up to 12 weeks if managed and covered by staff gave scope for savings. This had been modelled at other councils and the private sector, and would provide a more strategic approach to workforce savings than top-slicing staffing budgets. Covering and acting up could also be seen as a career development experience.
- Q In the context of the significant savings to be achieved from integration of the CSF and AHWB directorates (Page 83/4, 2013/14 Budget Pack), scheduled for completion in March 2013 when the Acting Corporate Director for CSF and AHWB was due to retire, clarification/ assurance sought as to strategic and managerial leadership of the new directorate at that juncture.
- A Consultation on directorate merger proposals was currently being undertaken. There had been good stability in the past, and it was acknowledged that long periods of acting or interim arrangements was unsatisfactory for the organisation and staff concerned. It was hoped that experienced and effective senior staff currently with LBTH would express interest in the new management positions and the normal HR processes would then be followed. There was optimism that the outcome would be a strong DMT

- Q The reasons for a significant underspend in the Mayors Education Award budget; with concern expressed that a large number of children were not qualifying for MEA when it would prove very beneficial.
- A Primarily this was due to students not meeting required attendance levels. Good attendance should be expected in return for a bursary. There was an excellent Attendance Welfare Service, which treated poor attendance seriously regardless of MEA. The process to apply for MEA had been simplified in response to client feedback.
- Q Noting that the underspend was primarily due to young people not meeting the required attendance levels, the basis for setting the MEA budget based on higher than previous attendance levels, and whether the outcome of an underspend was predictable. EMA grant take up had been monitored in the past could this information not have informed the MEA budget.
- A When the budget for MEA had been set there was a national EMA scheme and it was unclear if students would get both. Timescales were also unknown. The EMA scheme was a Government initiative and not monitored by the LEA.
- Q Commenting that young people which had made the application for MEA/ met the criteria for award were from disadvantaged groups: concern was expressed that 49 per cent of MEA was being lost due to non-attendance, and clarification sought and given as to the measures taken by the Attendance Welfare Service to support the young people to improve attendance and secure the MEA.
- A The LEA was working with schools and sixth form colleges so young people were focused on attendance, as to receive the award students must both meet the criteria and maintain good attendance. Not awarding MEA was not an indication of non-achievement, in particular other sources of funding young people from vulnerable and low income families was more widely available than thought. Schools/ colleges, Attendance Welfare Service and parents had a responsibility for ensuring attendance.
- Q Noting the Officer comment that although young people may not qualify for MEA that did not signal non-achievement: what were the attendance levels on which they did achieve? If attendance levels had been 95 per cent when EMA had been awarded, how did current attendance compare and what was the variance from target?

- A **To be provided.**
- Q Given the highlighted drawdown of earmarked reserves and the funding set aside for MEA which had not been used, was there a need for the full current budget allocation for MEA, and could the resources be better used elsewhere.
- A If the funds were not needed they would not be drawn down and the Executive would ensure this was reflected in future budget allocations. This did not address the question (Chair).
- Q In the context of the recent £100,000 reduction in MSG funding for the Early Years Network (EYN) and the new duty of provision for 2 year olds, what was the anticipated impact on service delivery by the EYN, and how would increase in demand be met?
- A This organisation provided administrative support for voluntary providers. It had not been successful in its bid for MSG, as Officers had assessed bids for MSG against priorities including actual provision of education and a need to build capacity to meet demand when provision for 2 year olds became a statutory requirement. There would be insufficient capacity to meet need without the voluntary/ private sector. The area would be monitored and spending increased as needed.
- Q With reference to the highlighted funding shortfall of £4.9 million for key service provision (Connexions and children's centres) due to the move of EIG into DSG: Had a mapping exercise been undertaken to identify the impact, and what strategy was in place to mitigate this.
- A The Mayor had decided this funding gap would be met and therefore services would not be affected.

## **AHWP**

- Q What grants or other funding had been used to offset savings slippage of approximately £800,000 relating to domiciliary care provision.
- Q What grants or other funding had been used to offset the savings slippage resulting from the lengthy delay in re-tendering the re-ablement contract.
- A Much work had been undertaken on the Domiciliary Care contract, turnover of clients was now at predicted levels and staffing would now be examined. Funding sources were outlined including: in-house homecare, targets for hospital to

independent living, 2 health grants, better use of supported housing for those with learning disabilities, some of the mental health settlement. Review and replacement of expensive spot purchase arrangements with proper procurement contracts would deliver savings.

Q Noting the delay in moving from expensive spot-purchasing to block-purchasing contracts, concern was expressed that, despite there being some excellent officers, a clear strategic aim had been blown off course by the departure of the Corporate Director AHWB, and the Interim CD AHWB soon after, at significant cost to the Council and the quality of service.

A The Interim Corporate Director gave an assurance that AHWB was back on track, she was confident that savings would be delivered, and a realignment of other contracts to improve on spot purchase arrangements would deliver savings.

Q On-going concern was expressed regarding the directorate integration process and tardy culture change in relation to re-ablement and personalised care budgets. Feedback from service users was that they did not feel as well supported, and officers should listen to their voices and take mitigating action.

A The Interim Corporate Director commented that she had attended a user meeting recently and there was feedback that more support was needed to improve understanding of re-ablement and personalised budgets, and this would be taken forward in the coming year. The Government agenda on this was clear. However it was also apparent that some spot-contract suppliers had persuaded clients to stay with them at significant extra cost to the Council and a doubtful outcome for best meeting client needs. Users were now wary of changing provider.

Q With Council spend on learning disability rising due to increasing demand, and the level of NHS spending falling, how would future provision be ensured. Had work been undertaken to identify the baseline service offer required to inform any future difficult decision on this. What were the implications of the transfer of public health responsibilities to councils in this context.

A The Clinical Commissioning Group was clear that the needs of high end users must be met particularly those with learning disability. Day opportunities at centres would remain the focus, as this was both a much more beneficial experience than being at home or in a special unit, and cost effective provision.

The borough was also reconfiguring health provision for those with disabilities with more advocacy.

- Q Noting that a sizable budget would transfer to the Clinical Commissioning Group, alongside the transfer of public health responsibilities, were Officers confident that the CCG could be persuaded to provide a level of resources that would allow for a service offer for the vulnerable (such as those with learning difficulties, disabilities or dementia) beyond the bare minimum of keeping people alive.
- A The Council was in direct consultation with the CCG and was confident resources of approximately £400 million would be used in areas of need which had been clarified in the dialogue.

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**EXTRAORDINARY OVERVIEW AND SCRUTINY**  
**BUDGET 2 SESSION**  
**22 JANUARY 2013**

**DISCUSSION POINTS**

A comprehensive discussion followed which focused on the following points:-

- Clarification sought and given as to:

**D&R**

- Q Why a report to the Council's Audit Committee had identified the move from Anchorage House as high risk; with concern expressed that any delay in this would impact on the achievement of related savings.
- A The only significant risk would be if there were delays to the refurbishment work at Mulberry Place and this had been mitigated. Officers had no concerns as to delivery within timetable. Anchorage did not need to be vacated until June 2013.
- Q Further detail sought on the outlined budgetary pressures on Employment Services. What was the 2011/12 budget allocation for regeneration and tackling unemployment, and performance against target.
- A There were targeted initiatives with an area based approach in place which focused available resources on people not covered by the DWP programme or the Work Programme. 250 apprenticeships were to be delivered by the Skills Match service. A large number of apprenticeships would be delivered by partner and other key local organisations with guaranteed job or training outcomes. Jobs delivered by the Olympics were significantly above target. Further clarification was sought/ given regarding the Council's achievement against a "bottom line" position on apprenticeships and how this secured permanent work.
- Q Commenting that consultation to date regarding surplus Council buildings favoured disposal, however this approach had been deferred given poor market conditions: what criteria/ process would determine if market conditions were sufficiently favourable to proceed with disposal. Also what provision had been made for maintenance and security costs for these empty buildings. How was value for money being ensured.

- A A balanced approach to disposals was taken with policy, value and timing being part of that. There might be potential uses for the sites which mitigated against disposal for example usage for a particular purpose as with the LEB building where income was secured. A transparent market process was followed for a disposal. Maintenance and security costs were taken into account for any Council owned buildings.
- Q How the raised level of MSG agreed by the Mayor after further consideration had been funded.
- A The additional £700k would be funded from general reserves not D&R, and covered a 27month period so averaging £300k per year.
- Q Whether the £1 million from unrequired earmarked reserves to be set aside for homelessness prevention would be funded from the D&R budget / capital reserves/ DWP discretionary fund.
- A The homelessness grant would be funded from general reserves not D&R.
- Q Whether the proposed University Bursary scheme with budget of £1.5 million was to be funded from the D&R budget.
- A This initiative would not be funded from D&R and was to be funded from new savings identified during the Budget process. A full list of savings to be delivered in year by D&R was available with the biggest challenge being £480k from better asset management.
- Q Explanation for the £1.6 million of earmarked reserves set aside for employment initiatives.
- A In previous years Government grant (DWP) paid a set fee for employment outcomes, and if these were delivered for less the balance made a contribution to D&R revenue. These employment grants were no longer available but tackling unemployment was a Mayoral priority, so the impact of lost funding on employment services needed mitigated; reserves were to be used for this.
- Q What comprised the £5.6 million for Corporate Reserves.
- A Mr Finch to provide written response.**
- Q Whether the 'Corporate Landlord Model' would be of help with asset management of a disparate portfolio.
- A Officers considered this cost efficient /the right way forward and intended to progress this through the normal decision making process.
- Q What consideration/ planning was being given to retention of long term interests in respect of property disposals with a view

to securing additional income E.g. Toynbee Street and the Car Pound

- A Disposal was not always appropriate and the most cost effective approach was taken for all assets. A cost benefit analysis was required for Toynbee Street which was in an area needing redevelopment. For some assets E.g. Commercial Road Car Pound a 25 year option might provide best Net Present Value. After its parking use expired in 5 years it would be the subject of an asset review.
- Q What work was underway to identify savings on the energy costs associated with Council buildings, which were understood to be approximately £12 million although there was no single budget line for this. Were energy savings reflected in the overall savings for the Anchorage House decant.
- A Yes energy savings were part of the overall £7.5 million savings for Anchorage House.
- Q When the lease for Mulberry Place could be renegotiated with the landlord it would be an opportunity to require the building to be energy efficient.
- A The lease could not be renegotiated until 2018 and the position as to future utilisation of the building beyond that would be proactively considered.
- Q Given the revenue and capital costs of staff were measures in place to minimise staff travel outside London.
- A D&R staff did not travel 1<sup>st</sup> Class.
- Q Did the D&R budget proposals include any compulsory redundancies.
- A None were anticipated from the savings proposed and none were planned, although applications for VR would be considered.

## **RES**

- Q How accurate was the £2.3 million savings figure for Smarter Working.
- A This was a savings figure for virtual desktop working arrangements after the decant of Anchorage House and comprised of elements for office space savings, energy efficient desktop equipment and ICT storage/processing savings due to the 'Thin Client'. However may not be totally precise.

- Q Concern expressed and assurance sought that growth relating to the transfer of Public Health (PH) responsibilities to the borough was omitted/ underestimated in the Budget proposals. There would be a job of work to support AHWB other organisations and partners with associated costs for HR and Resources staff. Also had consideration been given to specific local risks from the transfer of PH that might be predicted from the Joint Strategic Analysis Needs Assessment.
- A There would be a new grant which transferred resources from the NHS to the Council to accompany the transfer of PH responsibilities; this recently announced to be £31.2 million; and additional costs of PH transfer would need to be contained in this. Generally when there was a transfer of responsibilities the recipient authority was funded for these, although there was always room for discussion as to whether this was sufficient. There were a significant number of NHS contracts to novate, but moving forward these would be renewed on terms negotiated by LBTH, and savings were anticipated. It was emphasised that the extension of existing contracts also bought breathing space to explore how the associated staff and contracts might be managed and savings achieved. Officers would be examining how PH operations could be consolidated into Council services, which contained an element of PH already, with potential modest savings anticipated. There would also be potential for vacancy management and savings. There would be demands on staff particularly due to finance and procurement processes including novation but it was difficult to gauge if these were permanent or a spike on PH transfer. Different methods of procurement could result in savings. No comment made on specific local risks from JSNA.
- Q Whether the transfer of PH to local councils and consequent Clinical Commissioning Group commissioning contained hidden contract risks such as escalating costs of PFI contracts or higher costs on rescheduling contracts.
- A There were no PFI contracts transferring.
- Q The basis for calculation of the £1 million growth figure for Pensions Auto-Enrolment.
- A This was based on the number of people anticipated to be in the LG Pension Scheme after AE. Currently only half LBTH staff were in the scheme and it was hoped more would

provide for retirement. A figure of an additional 20% was anticipated given existing AC for new employees.

Q With reference to the 2013/14 savings of £90k for ICT learning & development and potential for outsourcing of function/ staff to Agilysis, highlighted in the presentation, assurance that no job losses would result.

A There would be no job losses although 1 vacancy would be deleted. Previous negotiations with Agilysis had guaranteed no job losses for staff transferring for 7 years.

Q In the context of £187k savings in a Corporate budget of £9.5 million in 2012/13, an explanation for an absence of savings in 2013/14.

**A Ms Freeman, ACE Legal Services, to provide written response.**

Q What was the £2.255 million available for Mayoral priority spending comprised of

A The Mayor and Cabinet Member for Resources had challenged directorates further to identify additional savings for 2013/14 in the context of an already balanced budget for 2013/14 & 2014/15. Excepting AHWB and CSF, where savings had replace slippage; the new savings were available for Mayoral priority spend. Details were provided at para 10.2 of the report and listed at page 65 of Budget Pack.

Q Detail requested on expenditure and savings for the Communications Service Budget. Also why advertising by the Council appeared to have increased when savings were needed.

**A Mr Sulaiman, SH Communications to provide written response.**

Q Whether the £312k of savings in Democratic Services the previous year had been achieved. Also whether budget outcomes in SPP had changed.

A Chief Executive's had delivered its savings in line with Council's Budget and Medium Term Financial Plan. In 2011/12 over £1.4 million in savings were achieved following service reviews including: Democratic Services & Members Support (£300k+), Registrars (£150k), Admin support (£60k) and FOI/ Complaints. Legal income / costs also contributed to the savings (£100k+). Spend on supplies and services had also been successfully reduced (£150k). The Council-wide SPP review also contributed significant savings ( £1 million +). Chief Executive's was on course to deliver its 2012/13 savings of over £650k including £200k from a further review of the

Corporate Strategy, Policy and Performance Service focused on reducing senior management and widening spans of control. The balance of savings/ additional income had been found from a range of efficiencies such as a renewed focus on supplies and services, Communications design and print, Registrars and Legal. Chief Executive's had plans in place to achieve its 2013/14 target including a further saving on design and print and broader efficiencies across CE's. **Mr Williams, SH Democratic Services to provide written response.**

Q Information requested regarding an inter-borough Council publications print contract reported in the Guardian. Disappointment expressed that Members had not been made aware of this before it became public knowledge.

**A Mr Sulaiman, SH Communications to provide written response.**

Q Whether the contribution to savings from additional income generated in Legal Services in 2012/13, highlighted by Officers, comprised of real income or internal recharges or recharges to THH.

A The income comprised of: charges to schools and THH, work for RSLs, fees for project work, costs from successful litigation, costs from criminal cases and incentivisation payments from recovered proceeds of crime.

Q Whether it would be accurate to summarise the position set out at page 30 of the 2013/14 Budget Pack as the Council would spend more in 2013/14 than 2012/13, more funding would be received from Government in 2013/14, and £14 million was to be placed in reserves.

A This was correct with the caveat that the rise in spending was largely due to the £31.2 million grant for the transfer of PH functions, which expanded the size of the budget overall. The MTFP agreed in 2012 included transfers to reserves (such as this £14 million) where possible to smooth the savings required over the period.

Q Whether compared with other London boroughs it was a normal pattern to be spending more and increasing reserves.

A Reiterated that the increase in spend was due to the transfer of PH functions and grant, and if this was taken out spending in 2013/14 would be less. The Government Strategic Spending Review had frontloaded savings in 2011/12 & 2012/13 and 2013/14 was known to reflect a smaller level of savings (11%, 7%, and 3%). The MTFP strategy acknowledged it was difficult to adjust budgets at exactly the

right point and planned to use reserves to smooth the requirements of the SSR.

- Q Whether the advice of the former CFO that there were significant budgetary implications of not agreeing an increase in Council Tax (Council Tax Freeze), was still valid.
- A When no increase was made in Council Tax charges it had a permanent affect, as it resulted in income being permanently forgone. However this was factored into the MTFP.
- Q Given this recent Government grant was for 2 years, what planning was being undertaken for the period after it ran out. Concern was expressed that the Cabinet Member for Resources had informed OSC, with reference to the funding gap in 2015/16, that other councils were not looking that far ahead; and reassurance was sought that forward planning would be undertaken to mitigate the gap at LBTH. Concern also that Mayoral growth priorities were not funded beyond 2014/15 and this would exacerbate the impact of the funding gap in 2015/16.
- A Councillor Choudhury responded that other local authorities were not planning that far ahead, but he and the Mayor were treating the gap seriously and LBTH was forward planning by building on its strategic approach to identifying savings and making the Council financially efficient. This included examining workforce efficiency, third party spend, technology & information management and rolling out strategic partnership working. Mr Finch added that if a grant was for 2 years it was built into the modelling for that period and shown coming out in the 3<sup>rd</sup> year.
- Q Concern expressed that the scale of the £26.5 million funding gap in 2015/16 could not be met by 'back office' savings and it would be helpful to understand the Executive's strategic thinking on this.
- A Councillor Choudhury responded that it was difficult to give specifics as even he was still uncertain as to the scale of the gap to be addressed, and there were many unknowns e.g. a change of government was possible. He would keep other Members appraised as the picture clarified moving forward.
- Q With reference to page 30 of the 2013/14 Budget Pack a more detailed analysis of the General Fund Reserves and movement therein was requested. What did it comprise of, where had it been funded from, what options for spend were there.
- A **Mr Finch to provide written response.**

- Q Further information requested on movements in earmarked reserves.
- A Mr Finch to provide written response.**
- Q With reference to the potential for savings arising from the transfer of PH responsibility to the Council referred to by Officers, what scale of saving was anticipated.
- A The areas for saving had been indicated earlier (consolidation of services and management, future tendering/ procurement). Work was underway to scope out this area.
- Q Given the scale of the Budget challenge going forward, what work was in progress to share staff and 'back office' functions with other councils.
- A Work was on-going with other councils, and included LBTH participation in East London Solutions (made up of 6 East London boroughs but also operated pan-London), which examined opportunities for savings from partnership working, particularly those from procurement such as framework agreements. Assets were also sweated with partners e.g. accommodation sharing with the Police, and this would continue in a phased way moving forward. Officer sharing had been examined with Hackney in relation to procurement.
- Q Whether the number of senior management vacancies provided an opportunity to examine service integration and identify savings in management costs. This had reaped benefits for LB Hammersmith and Fulham, resulting in a discount for Council Tax.
- A The Executive would continue to examine savings and efficiency opportunities in such situations.
- Q Whether consideration, similar to that of councils in the north of England, had been given to not outsourcing services, particularly vital ones, and formulating a business plan accordingly to mitigate any budgetary risk.
- A Mr Finch to explore issue and provide written response.**
- Q Information requested on new growth and savings less than £50k.
- A There were none.



**OVERVIEW AND SCRUTINY COMMITTEE**  
**FINAL SESSION ON INITIAL 2013/14 BUDGET PROPOSALS**  
**05 FEBRUARY 2013**

**DISCUSSION POINTS**

The Chair outlined:

- The process to date in formulating the OSC response to consultation on the Mayor's initial 2013/14 Budget proposals.
- The purpose of this Budget session: to finalise and formally endorse the OSC response to consultation in accordance with the Budget and Policy Framework Procedure Rules in the Council's Constitution.
- The next steps in the formal Budget making process: Mayor in Cabinet (13<sup>th</sup> February 2013) consideration of consultation feedback, and formal onward recommendation of Budget proposals to full Council (27<sup>th</sup> February).
- The potential for a third Extraordinary Budget OSC meeting, likely to be held on 18<sup>th</sup> February, should the Budget proposals recommended to full Council include any new matters not previously consulted upon with the OSC. Also noted that the February Cabinet had been postponed, the agenda papers had not yet been published and therefore the OSC had not had an opportunity to pre-scrutinise Budget proposals contained therein. In this context the Chair commented that it would be important for Councillor Choudhury, Cabinet Member for Resources to attend any third extraordinary Budget OSC meeting to provide an opportunity for the OSC to receive a response to any questions/ comments it had.

The Chair informed OSC members that:

- Notes, in Question and Answer format, from the two extraordinary Budget OSC meetings held on 21<sup>st</sup> and 22<sup>nd</sup> January 2013, together with a related sheet of Chair's "summary comments" had been **Tabled**, a copy of which would be interleaved with the minutes.
- Officer responses to outstanding questions that were raised at the two extraordinary Budget OSC meetings held on 21<sup>st</sup> and 22<sup>nd</sup> January 2013 had been **Tabled**, a copy of which would be interleaved with the minutes.

Councillor Alibor Choudhury (Cabinet Member Resources), Chris Holme (Acting Corporate Director Resources), and Alan Finch (Interim S151 Officer & Service Head Financial Services, Risk & Accountability) were in attendance to answer questions from the OSC.

A discussion followed which focused on the following points, considered beyond the scope of the tabled Q&A notes and Officer responses and requiring further clarification to be sought and given:-

### **CLC**

**Q** Referencing the tabled Officer response on the Council's new public health roles for infection control and prevention, and the comment therein that "The Council needs to determine if there is a budget issue before it can act", whether the new roles went beyond that provided for in the budget of £31.2 million transferring from the NHS to the Council to accompany the transfer of PH responsibilities.

**A** Although the resources were likely to provide for the new responsibilities, it would require further examination to be certain. **Written response to be provided (Ms Cohen, SH Commissioning & Health - AHWB).**

**Q** Referencing the tabled Officer response on levels of rubbish dumping and any correlation of this to the introduction of charging for bulk rubbish collection, it was noted that call volumes reporting all "fly tipping" had increased by 10%, and although no significant increase in "fly tipping" or additional costs had been identified by Officers, consideration that further monitoring was needed to ensure that costs were contained, and this phenomena factored into the letting of bulk waste contracts.

### **CSF**

**Q** Referencing the tabled Officer response on Mayor's Education Allowance (MEA): whether unused funding allocated for MEA (due to the linkage with student attendance) could be used in another way for the benefit of the young people it was intended to help. Also, referencing the Chair's tabled summary comments highlighting OSC concern that monies earmarked for MEA were not being used, when this appeared predictable given the spend under Government EMA and related

attendance levels, what were the next steps if the funding for MEA was unused: would there be a further allocation of the same level, would it be used for a similar purpose to that which was intended, would it be allocated elsewhere for a different use, what was the explanation for over-budgeting.

A These were policy decisions for the Mayor and would be taken back to him for consideration.

Q Referencing the Officer response on vacancy management in the Q&A notes (21<sup>st</sup> January), consideration that this was not the best approach going forward.

## **AHWB**

Q Referencing the vacancy management savings highlighted by Officers, comment that the AHWB directorate had already made significant savings in difficult circumstances, and it was a concern that a further 5% saving from the staffing budget was proposed without further details of how/ where this was to be achieved and what the impact on services might be.

Q Concern reiterated that change management programmes were off track, and savings were not being delivered as fast as they should be.

Q Comment that the Budget process had commenced with no expectation of identifying further savings in AHWB, circumstances now meant there was to be a transfer of Public Health (PH) responsibilities to the Council, but there was uncertainty as to how this would happen and the risks/ costs attached, with uncertainty exacerbated by the vacancy for a Director of PH in Tower Hamlets. Consideration that this post be recruited to as soon as possible and certainly before the transfer of PH responsibilities to the Council on 1<sup>st</sup> April.

A Deborah Cohen, SH Commissioning & Strategy – AHWB, was leading on the transfer of PH to the Council in the absence of a Director of PH. The Government had recently announced the level of funding transferring from the NHS to the Council to accompany the transfer of PH responsibilities (£31.2 million) and Ms Cohen's team had been examining the implications since then. The January Budget report had indicated an anticipated level of resources for this transfer which was less than would now be received. As the transfer of PH responsibilities to the Council progressed Ms Cohen's team would be able to scope out the risks of transferring NHS contracts and both the potential for risks and the demand led

nature of the services transferring would require the identification of savings from the PH grant for contingencies. The Budget report for February Cabinet also reported potential for the release of funding from the PH Grant over the next few years, and made a commitment to saving £200k from PH, to be achieved through service consolidation, and the transfer of PH and management of the accompanying grant funding would be closely monitored to ensure delivery of this.

- Q The nature of the anticipated release of funding from the PH Grant.
- A The Authority would not require the full amount of PH Grant (£31.2 million) to undertake the PH responsibilities/ liabilities transferring to the Council from the NHS, and therefore there was headroom within the grant to make savings. Stress testing of transferring NHS contracts was underway and a clearer picture of the risks/ costs needing mitigated would emerge shortly.
- Q Whether these savings be reflected in an adjustment to the Budget at February Cabinet.
- A There would be new Officer advice at February Cabinet on the Budget and the Mayor and Cabinet member for Resources would take account of this in making a decision on the Budget proposals to recommend to full Council.

### **RES/ CEs/ Corporate**

- Q Referencing the tabled Officer response on Earmarked Reserves and the narrative relating to the Corporate Initiatives Reserve of £1.091 million: specifics as to what was the reserve would cover, who had taken the decision to undertake a reorganisation of the Communications Team, and what had this been intended to achieve, which Officer had been responsible for this reorganisation. Also the reference to “future Chief Executive’s department organisations implied a broader reorganisation, which would be responsible for this work.
- A Mr Takki Sulaiman, SH Communications, was leading on the reorganisation of the Communications Team. **A written answer would be provided (Mr Alan Finch Interim S151 Officer and SH Financial Services, Risk and Accountability)**
- Q Referencing the tabled Officer response on Earmarked Reserves and the narrative relating to the Various Unallocated Reserve of £1.65 million: whether it was the intention to

identify a further £400k to increase this to £2 million, in order to increase the current allocation of £900k to fund grants for Faith Based Buildings (FBB). Also where had this funding decision been taken.

- A The review of Earmarked Reserves was a standard element of the annual Budget Process. The review had identified various amounts as no longer required, and the Mayor had made several allocations of these resources in his decision making during the year. The amount to be allocated to fund FBB Grant was part of the current Budget Process. The current funding of £900k for FBB Grant had been agreed at October 2012 Cabinet.
- Q Referencing the tabled Officer response on Earmarked Reserves and the narrative relating to the Employment & Other Corporate Initiatives - Access to Employment/ Future Jobs Fund Reserve of £1.539 million: why was this in reserves and not spent.
- A These resources would be used over the 5 year business plan relating to the Skills Match and other employment initiatives. The DWP had in previous years paid a set fee for employment outcomes, and the delivery of these for less than the fee had provided funding to extend the Council's employment service. This funding was no longer available, and the 5 year plan was in place to maintain the employment service using other funding sources, such as Section 106 monies. In response to an OSC request it was agreed that **the 5 year business plan and details of the funding thereof be circulated separately to OSC Members. (Mr Holme, Acting CD Resources)**
- Q Referencing the tabled Officer response on General Fund Reserves and Corporate Reserves, what action was being taken to mitigate the significant budgetary risk facing the Council due to the large funding gap in 2015/16 and beyond.
- A The last Government spending review covered the period to the end of 2014/15. Apart from announcements from the Chancellor of the Exchequer that Council's should expect a requirement to make further savings of a similar scale to those required previously, there was no firm information as to levels of Government funding for 2015/16 onwards, and the forecast in the agenda papers was based on this indication. However it was planned to build up the level of General Reserves by the end of 2013/14 to a much higher level than was needed longer term and this would be used to manage the impact of the further funding cuts expected in 2014/15 & 2015/16.

Liaison with Chief Finance Officers in other London boroughs had established that all were in the same position, none had an agreed plan for 2015/16, and all anticipated that a requirement for further savings would increase the funding gap that year. Officers were aware that large scale projects which could deliver large scale savings also had a long lead in time. The Mayor had asked Officers to further examine the Budget in relation to the workforce and third party spend; the initial analysis had been completed and Officers were currently formulating options to meet the funding gap for the Mayor's consideration. The delivery of a 3 year balanced budget 2 years previously had raised expectations that it could be done again, but the unknown horizon of 2015/16 made that very difficult. Councillor Choudhury added that he had responded to a similar OSC question on 22<sup>nd</sup> January and all advice and guidance was welcome as the Mayor/ Cabinet examined the Budget options and prioritisation of spending.

- Q The Budget contained significant resources, in excess of approximately £6 million, available for spending on Mayoral priorities; and some initiatives, such as increasing funding for FBB Grant to £2 million, were not considered critical by residents and did not have budgeted outcomes. Consideration also that the available resources should be set in the context of the imminent funding gap of approximately £20-30 million in 2015/16; and further thought be given to funding services the Council was required to provide, whether all the Mayoral spending was necessary, and whether resources would be more wisely placed in reserves to meet the funding gap.
- A FBB provided vital services for the community and were a way the Council could outreach in service provision through its partners. Helping to maintain the buildings supported future service delivery for the community, and this was not wasted money but a positive outcome. Reserves were a one off provision and if required savings were ongoing a review of the Councils services and staff across the piece would be needed. There was a limit to the mitigating action that could be taken if a Conservative Government drastically reduced funding.
- Q Consideration that investment in local infrastructure to facilitate local people delivering services for the community was to be welcomed, but there appeared to be no related criteria to meet when applying for FBB Grant. How would the funding be prioritised. When applying for grant, what

information had to be provided on service delivery outcomes should grant be awarded.

- A The 3 different funding streams were outlined and it was confirmed there would be a proper assessment process. The grant application process focused on the capital costs of investing in the fabric of the building, although there were questions on inclusivity and shared use of the building. Investment in the historical and cultural heritage of the borough was also important.
- Q What were the award criteria for FBB Grant in terms of historical and cultural heritage value. When applying for grant how were applicants required to demonstrate that the award of FBB Grant would maintain/ improve historical and cultural heritage in the borough.
- Q With reference to Chief Executive's (CEs) directorate, consideration that savings and growth, even if not substantial, should be detailed in the Budget papers, and this had not been the case with the savings and growth for CEs that had now been highlighted in Officer responses. Also disappointment that there had been no provision on the agenda for a Q&A session on CEs Budget, when there were questions to ask e.g. staff costs for the Mayor's Office; and consideration that OSC had a legitimate expectation to scrutinise and ask questions on such issues. Although new narrative had been provided on the CEs budget it was insufficient. Also given the current climate of budgetary constraint, savings required/ delivered previously, and savings required of other directorates, was it not reasonable to expect CEs to make further savings.
- A Officers had made a judgement as to the level of detail to include when producing the Budget papers regarding CEs, and this clearly did not meet OSC expectations and was not entirely transparent. Mr Finch apologised for this and undertook to accommodate the OSC request for transparency in future year's Budget papers for all directorates. Mr Finch could not comment on the level of CEs savings as this was a matter of political decision.

The Chair summarised that the draft response of the OSC to consultation on the Mayor's initial Budget proposals, previously circulated to the Mayor and Cabinet Member for Resources, would be supplemented by the addition of further narrative from this

Budget session, but would not change substantively. The response would be finalised in the next few days, as this was not urgent given the postponement of February Cabinet and Budget Council. Information requested in this Budget session should be provided as soon as possible to facilitate this. The Chair the **Moved** and it was:-

### **Resolved**

The OSC response to consultation on the Mayor's initial 2013/14 Budget proposals comprises of a composite report to be presented, by the Chair of the OSC, to the Mayor in Cabinet on 13 February 2013 including:

- (a) The Q&A notes from the two extraordinary Budget OSCs held on 21<sup>st</sup> and 22<sup>nd</sup> January 2013, and the Budget session of the ordinary OSC held on 5<sup>th</sup> February 2013;
- (b) The written responses provided by Officers to questions at the meetings detailed in (a) above;
- (c) A sheet of summary comments, relating to meetings detailed in (a) above, from the Chair of the OSC.



**Written Responses on Points of Clarification Raised  
at Extraordinary Budget OSC 21 and 22 January 2013  
and also at OSC 5 February 2013**

- a. Communities Localities & Culture – Robin Beattie (OSC 21 January)
- b. Children, Schools and Families – Isobel Cattermole (OSC 21 January)
- c. Resources (1&2) – Alan Finch (OSC 22 January)
- d. Chief Executive's – Isabella Freeman and Taki Sulaiman (OSC 22 January)
- e. ESCW - Commissioning & Health (formerly AHWB) – Deborah Cohen (OSC 5 February)
- f. Resources – Alan Finch (OSC 5 February)

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**Officer Response - CLC Directorate - to questions raised at  
Extraordinary Budget OSC 1 on 21<sup>st</sup> January 2013**

**CLC O+S Budget Challenge Clarifications.**

1. In the context of the outlined budgetary pressures relating to Environmental Health: The nature/ extent of the additional duties/ responsibilities being placed on the Council, anticipated budgetary pressures resulting from these, what provision the Council was making for this risk to the Budget, or whether the Council would be reactive to emerging issue. These were thought to relate to premises inspections - **Further information on this to be provided by SH S&R CLC next day.**

**Response**

If the Infection Control and Prevention Roles come to the Consumer and Business Regulations Services there would be an additional 126 audits per annum at health care settings that would need to be undertaken, along with specimen and waste control advice and attendance at MRSA outbreak control meetings. Also included is training and discussion with PALS (Patient Liaison Services)

The Council needs to determine if there is a budget issue before it can act. This is dependent on clarification regarding duties and budget transfer that we do not have at this time. The risk is being monitored and factored in to budget discussions with the NHS.

2. In the context of the outlined budgetary pressures relating to Safer Communities and the Mayor of London Policing and Crime Funding: Whether the CLC Budget continued £1.45 million provision for additional police for the Borough, and the number of these. Also assurance regarding the anticipated impact of London-wide reductions in policing. What were the current numbers of Met police allocated to Tower Hamlets. The Chair commented that the potential risk for additional budgetary pressure as a result of the new London-wide policing arrangements should be monitored. **Further information to be provided on numbers of police currently allocated.**

## Response

The Home Office stopped publishing figures for Police officers by Borough in March 2011. Now they only publish by Force i.e. Met Police. The last official published figure for Police at Borough level was 31<sup>st</sup> March 2011 and detailed a local force in Tower Hamlets of 793. These figures are for Police Officers only.

The Borough Commander has recently reported to the Partnership Executive that the number of core funded front line police officers in Tower Hamlets are expected to remain the same following the introduction of the budget reductions pursued by the Commissioner. However, it is not yet clear if there will be reductions in police numbers away from front line operations that might impact on the quality of the service in the Borough. Council Officers are engaged with the Borough Commander to secure this clarity.

3. In the context of the introduction of bulk rubbish collection charges in last year's Budget: Whether the overall savings/income target had been met. Also whether there had been any impact on reporting of on street rubbish dumping.  
**Further information on call volumes reporting dumped rubbish to be provided; also on income stream expectations and delivery.**

## Response

There has been a 10% increase in total calls about "tips" from 2733 in 2011/12 to a 'year-end' projection of 3000 for 12/13. Typically only around 13% of all fly tip reports are related to bulky waste indicating that the Borough will have experienced an increase in bulky waste fly tips of around 1.3% by the end of the year. This is not considered statistically significant. Furthermore, the figures would indicate that the increase in calls is the result of an increase in instances where more than one person reports a single tip incident as the volume of tipping incidents themselves has decreased by 12% (PI 196 'flycapture' data) this year.

The increase in residents prepared to report tipping is almost certainly a reflection of changing demographics such as increased density of population and of the messaging promoted by the Council to residents encouraging them to take a greater pride in their area through initiatives such as the 'find it fix it' campaign.

It is important to note that the Bulky Waste Service remains free to residents on Housing Benefit and that since the introduction of the charge there has been a very significant increase in the amount of waste delivered to the Re use and Recycling Centre by residents themselves from 506 tonnes to 1405 tonnes (a rise of 177%). It is clear that the introduction of the charge has

initiated a positive channel shift away from reliance on Council Collection Services and promoting greater levels of personal responsibility for waste amongst residents.

The Service is on schedule to meet the MTFP income target for Bulky Waste.

4. Whether all refunds from LOCOG had been received following the borough's undertaking of its Olympic duties.  
**Officers to check and report back as to LOCOG meeting contractual obligations.**

#### **Response**

All CLC contracted LOCOG obligations have been evidenced and the relevant payments by LOCOG released. These mainly covered parking, traffic management and the live site.

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**Officer Response - CSF Directorate - to question raised at  
Extraordinary Budget OSC 1 on 21<sup>st</sup> January 2013**

1. Noting the Officer comment that although young people may not qualify for MEA that did not signal non-achievement: what were the attendance levels on which they did achieve? If attendance levels had been 95 per cent when EMA had been awarded, how did current attendance compare and what was the variance from target? **Answer to be provided.**

**Response**

The Mayor's Education Allowance (MEA) is the local scheme and the Education Maintenance Allowance (EMA) is the, now ceased, national scheme.

Data is not held centrally that would allow officers to comment on the correlation between attendance and attainment of students eligible to apply for the MEA scheme.

In fact the 95% attendance requirement recommended by the DfE is a high target and there are students in sixth forms who will have chosen not to meet it. That does not mean that those students fail to achieve.

The national EMA scheme did not include a 95% target. The £30 weekly payment would only be paid for each week of full attendance, allowing for authorised absence. Therefore, a student could attend fully for 15 weeks of a 30 week academic year and receive £450.

The differences between the EMA and MEA schemes is that the Mayor's scheme is geared towards making payments for full attendance as a means to drive up standards. EMA did not set such a focussed agenda and had a wider remit of increasing recruitment, retention and attainment.

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**Officer Response 1–Resources Directorate  
to questions raised at Extraordinary Budget OSC 2 on 22<sup>nd</sup> January 2013**

**EARMARKED RESERVES**

<b><i>Earmarked Reserve</i></b>	<b><i>Detailed allocation</i></b>	<b><i>Purpose</i></b>	<b><i>Balances as at 1<sup>st</sup> April 2012 (£million)</i></b>
<b>Improvement &amp; Efficiency Reserve</b>	Efficiency Reserve	Allocated to fund measures to deliver efficiency savings in order to meet the funding gap. £2.8m of this is allocated to projects and the balance will be utilised over the period of the MTFP.	9.868
	Mainstream Grants	Cabinet decided to allocated £0.954m of 2011/12 underspends to the Mainstream Grants Programme as a Mayoral priority.	0.954
	Invest to Save Fraud Investigation	An underspend in the internal audit budget has been carried forward and will be used to fund additional fraud investigation work which has a good chance of delivering a greater amount of recovered monies.	0.150
	Procurement	Being used to fund procurement savings initiatives and to part-fund an NVQ apprenticeship for 2 years in the Procurement team.	0.425
	Future Sourcing	Since the Future Sourcing contract was concluded early in the 2012/13 financial year this amount was carried forward and used to help fund implementation	0.100
		<b>Total Improvement &amp; Efficiency Reserves</b>	<b>11.496</b>

<b>Earmarked Reserve</b>	<b>Detailed allocation</b>	<b>Purpose</b>	<b>Balances as at 1<sup>st</sup> April 2012 (£million)</b>
<b>Severance</b>	Severance	Held to pay for redundancy and pensions top-ups for staff taking up voluntary redundancy and any compulsory severance.	<b>4.000</b>
<b>Finance Systems</b>	Finance systems	Held to pay for the implementation of the Agresso Business World finance system in April 2013. The new system will deliver savings which will pay for implementation within the period of the MTFP.	<b>2.724</b>
<b>ICT Refresh</b>	ICT Refresh	Reserves previously held for the replacement of desktop equipment, now allocated to fund part of the ICT investment required in Smarter Working.	<b>1.355</b>
<b>Olympics</b>	Olympics	Part of the reserve (£700k) is allocated to fund the Olympics Legacy Team in D&R for one further year. The balance was held in case of additional costs arising during the Olympic/Paralympic period and this balance is now subject to review.	<b>1.879</b>
<b>Education Grant Reduction</b>	Education Grant Reduction	£4m was set aside in the 2011/12 budget to facilitate the implementation of grant reductions in Education services. £0.846m of this remains unallocated.	<b>4.000</b>
<b>Employment &amp; Other Corporate Initiatives</b>	Access to Employment / Future Jobs Fund	Committed to fund Skills Match core activity and the Council's Employment Strategy. Includes £0.273m of Future Jobs Fund grant carried forward.	<b>1.539</b>
	Legal Services	Earmarked for case management systems for the Legal and FOI teams	<b>0.170</b>

<b>Earmarked Reserve</b>	<b>Detailed allocation</b>	<b>Purpose</b>	<b>Balances as at 1<sup>st</sup> April 2012 (£million)</b>
	Elections	Used to fund the two by-elections in April/May 2012 and the electoral registration canvas	0.060
	One Tower Hamlets	To fund projects to tackle inequality and strengthen community cohesion	0.275
	Registrar Service	To complete the refurbishment of Bromley Public Hall	0.100
	Healthy Boroughs	Funding from the NHS to deliver the Healthy Borough Programme. However all obligations to the NHS have been met and this funding remains unallocated	0.144
	Approved initiatives - budget 2012/13	Funding spending initiatives agreed by Cabinet and Council in setting the budget for 2012/13. These comprise;  Additional policing £1.485m Victim support £0.210m Energy co-op £0.030m Avenue of trees £0.010m Small business support £0.040m Graduate scheme £0.760m ESOL £0.255m	2.790
	Corporate Initiatives	Earmarked for the completing the reorganisation of the Communications team and other future Chief Executive's department reorganisations	1.091
	Beacon Status	Reallocated to fund the costs of running the Fairness Commission during 2012/13	0.065
		<b>Total Employment &amp; Other Corporate Initiatives</b>	<b>6.235</b>

<b>Earmarked Reserve</b>	<b>Detailed allocation</b>	<b>Purpose</b>	<b>Balances as at 1<sup>st</sup> April 2012 (£million)</b>
<b>Other Reserves</b>	Area Based Grant	To fund residual allocations for community engagement and work placement projects made from Area Based Grant before the grant was abolished in 2010.	0.248
	Partnership Accelerated Delivery	Funding is set aside to fund the Tower Hamlets CVS.	0.058
	Various unallocated	Following a review of reserves, a number of amounts have been identified as no longer required. Some of this funding was allocated by the Mayor at October Cabinet to fund grants to Faith Buildings. (£900,000, with intention to increase to £2m)	1.635
		<b>Total Other Reserves</b>	<b>1.941</b>
<b>Homelessness</b>	Homelessness	Fully committed to deal with an anticipated funding issues within the Homelessness Service. In addition to ongoing pressures, welfare reform will significantly impact upon the service. Includes funding for homelessness prevention measures.	<b>2.924</b>
<b>Parking Control</b>	Parking Control	Use of parking control account surpluses is governed by the Road Traffic Regulation Act. Whilst this account has been running at a surplus, this is expected to change over the next couple of years and reserves will be utilised to smooth this transition.	<b>2.595</b>
<b>Development &amp; Renewal</b>	Community Use of Buildings	To ensure community buildings meet statutory health and safety standards	0.200

<b>Earmarked Reserve</b>	<b>Detailed allocation</b>	<b>Purpose</b>	<b>Balances as at 1<sup>st</sup> April 2012 (£million)</b>
	Facilities Management Contract relet	Invest to save programme to implement SAFCOM system by the end of 2012/13	0.112
	Land Charges	The balance on the statutory land charges account can only be used to smooth the costs of the service over time. In addition, the reserve is held to fund potential liabilities to repay fees in the event of an adverse outcome to an ongoing legal challenge	0.469
	Regeneration	Future costs relating to the Davenant Centre as approved by Cabinet in 2009.	0.150
	Ocean New Deal for Communities	Expenditure in accordance with the Ocean Regeneration succession strategy as agreed with DCLG.	0.133
	Barkantine	Future funding of the Barkantine Combined Heating and Power Scheme	1.700
	Other minor D&R Reserves	Various carbon reduction and LDF commitments.	0.039
		<b>Total Development &amp; Renewal</b>	<b>2.804</b>
<b>Communities, Localities and Culture</b>	Civil contingencies	Complete the installation of a backup generator at Mulberry Place in accordance with the Business Continuity Plan	0.014
	Big Lottery Play	Big Lottery grant funding carried forward from 2011/12 to be utilised in accordance with grant terms and conditions.	0.095
	Drugs Intervention Programme	Funding redundancy and severance for DIP staff following reduction in government funding	0.090

<b>Earmarked Reserve</b>	<b>Detailed allocation</b>	<b>Purpose</b>	<b>Balances as at 1<sup>st</sup> April 2012 (£million)</b>
	BaishakhiMela	Part-funding the Council's commitment to support the 2012 Mela	0.133
	Police Partnership Task Force	Part-funding the costs of the two year agreement with the Met Police which came into operation in July 2012.	0.060
	Street Trading Account	The balance on the statutory Street Trading Account can be used in connection with the Council's functions under the London Local Authorities Act 1990 in relation to the provision of street trading.	0.067
	LSC/LLL Core Funding	Grant from the Skills Funding Agency and Young Peoples Learning Agency carried forward to be spent in 2012/13	0.096
	Education FEFC Access	Grant from the Skills Funding Agency carried forward to be spent in 2012/13	0.123
	Community Bus	Funding for the community bus project	0.048
	Safer Stronger Communities	Home Office funding for Safer Stronger Communities carried forward to be spend in 2012/13	0.063
		<b>Total Communities, Localities &amp; Culture</b>	<b>0.789</b>
<b>Children Schools &amp; Families</b>	Minor grants carried forward	A number of small residual grants which either need to be devolved to schools or returned to the DfE.	0.167
	CWDC Social Work Funding	Planned activities supported by the 2011/12 Children's Workforce Development Grant which will be completed in 2012/13.	0.212
		<b>Total Children Schools and Families</b>	<b>0.379</b>

<b>Earmarked Reserve</b>	<b>Detailed allocation</b>	<b>Purpose</b>	<b>Balances as at 1<sup>st</sup> April 2012 (£million)</b>
<b>Adults, Health and Wellbeing</b>	Supporting People	Accumulated funding from Supporting People grant which will be used to fund expenditure to support vulnerable people through to 2014.	1.123
	Joint Health & Social Care Initiatives	Funding provided from NHS sources to fund a joint service agreement between LBTH and the NHS. Due to the timing of the transfer, it was agreed that funding would be utilised over two financial years to ensure delivery of the required outcomes.	4.055
	Other minor AHWB reserves	Minor balances which, following review, are no longer required by the Directorate.	0.355
		<b>Total Adults, Health &amp; Wellbeing</b>	<b>5.534</b>
<b>Resources</b>	Children's Workforce Development	Funding a number of places targeted at Children's Centre staff (programmes managed by HR)	<b>0.102</b>
<b>Insurance</b>	Insurance Reserve	An actuarially assessed reserve representing the risk to the Council of future 'claims' against self insured risks. The level of the reserve is reassessed each year and if necessary topped up from Council budgets.	<b>24.087</b>
<b>Schools Balances</b>	Schools Balances	These are the accumulated balances of locally managed schools which are at the disposal of school governing bodies under the guidance of the Schools Forum.	<b>25.783</b>

<b>Earmarked Reserve</b>	<b>Detailed allocation</b>	<b>Purpose</b>	<b>Balances as at 1<sup>st</sup> April 2012 (£million)</b>
<b>CSF – Early Intervention</b>	CSF Early Intervention	This is a reserve formed of underspent government grants, including Standards Fund Early Intervention Grant from 2011/12. The Standards Fund element will be used for schools and services to schools in accordance with the original grant terms, while the EIG element is earmarked for projects that were not completed by the end of 2011/12.	<b>4.184</b>
<b>Housing Revenue Account</b>	HRA balances	The working balance for the HRA is earmarked for the purpose of expenditure on Council-owned social housing provision. The balances will be used over the course of the HRA Business Plan for the purpose of maintaining the housing stock.	<b>14.578</b>
<b>Capital Programme (General Fund)</b>	Capital Programme	Earmarked to fund the Council's approved capital programme and related revenue expenditure	<b>20.900</b>
		<b>TOTAL – ALL EARMARKED RESERVES</b>	<b>138.293</b>
<b>General Fund Reserve</b>			<b>26.380</b>
			<b>164.673</b>



**Officer Response 2 – Resources Directorate - to questions raised at Extraordinary Budget OSC 2 on 22<sup>nd</sup> January 2013**

- 1. With reference to Page 30 of the 2013/14 budget pack a more detailed analysis of the General Fund Reserves and movement therein was requested. What did it comprise of, where was it funded from and what options for spend were there?**

**Response**

General Reserves are held as a contingency to cushion the Council against unexpected events and as a 'working balance' to manage the financing of uneven cashflows. Further details are set out in the budget pack at Appendix 6.1 (pages 100-102).

Officers have assessed that in order adequately to protect the Council against unforeseen emergencies, a minimum of £20m needs to be maintained in General Reserves. (This assessment is shown at Appendix 6.2 of the report)

The MTFP is built around two imperatives;

- The need to deliver savings to balance the budget in the forthcoming year and over the period of the MTFP to produce a sustainable budget position
- The need to retain at least £20m in General Reserves as described above.

Government funding cuts are feeding through in accordance with the Spending Review of 2010 (which covers the period to the end of 2014/15) and the detailed decisions subsequently taken by Ministers. However, inevitably the delivery of savings does not follow the same profile by which funding is being removed. The plan is therefore that sufficient savings will be delivered up to the end of 2013/14 to build up General Reserves to a much higher level than is required (£47m). The Council does not need to maintain this level of reserves and can therefore apply up to £27m to manage the impact of the further funding cuts expected in 2014/15 and 2015/16. Financial officers advise that this is perfectly acceptable and sensible financial planning to manage the impact of budget savings over the period of funding reductions.

The bottom part of the table on Page 30 shows this happening.

Officers advice is that to be prudent the Council should not apply the surplus General Reserves to additional expenditure, because this would mean that savings in the period beyond 2015/16 would need to be delivered sooner.

## 2. Further information requested on movements in earmarked reserves

### What comprised the £5.6m for Corporate Reserves?

#### Response

Earmarked reserves are those that are set aside for certain specific future expenditure or risks. Sometimes this is a matter of Council policy and sometimes they are ringfenced for particular purposes.

The figures at Appendix 6.3 show the actual balances on earmarked reserves as at 31<sup>st</sup> March 2012 and these are set out in more detail at the Appendix.

Balances for later years are forecasts incorporating an estimate of expenditure from these reserves during the financial year. Since reserves often cover expenditure which occurs unpredictably between financial years this can be a hazardous process and forecasts are likely to change.

The £5.6m listed as 'Other' breaks down as follows;

Balance as at 31 <sup>st</sup> March 2012	£1.9m
Transfers from other reserves – now identified as surplus to requirements	£4.1m
Anticipated spend during the year	(£0.5m)
Estimated balance as at 31 <sup>st</sup> March 2013	£5.6m

## 3. Whether consideration, similar to that of Councils in the north of England, has been given to not outsourcing services, particularly vital ones, and formulating a business plan accordingly to mitigate any budgetary risk.

#### Response

As Members will be aware, Tower Hamlets Council does not have a policy to outsource services and only takes this route where there are clear benefits to be gained for the Borough. The private sector or third sector can sometimes provide capacity that local authorities are unable to provide for themselves and acumen and expertise that brings efficiency benefits to services, but unless such benefits can be identified and their delivery is built into contracts, the benefits from outsourcing can be limited or temporary in nature. Decisions to outsource therefore need to be based on a clear business case.

Officers are aware that Members take different views of the efficacy of using private sector or third sector suppliers and sometimes the issue of trust is a powerful factor. These issues can be mitigated by good procurement and contract management practice, ensuring that the authority secures a contractual commitment to the benefits it requires and that the partnership with the contractor is managed to ensure these are delivered, although this is not always easy to do.

In relation to the process of the Council taking back services that have previously been outsourced (a process known as 'insourcing'), again officers' advice is that this also needs to be subject to circumstances. The authority is under an overall duty to secure best value in the delivery of services and any decision, whether to outsource or to insource, needs to be led primarily by these considerations.

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**Officer Response – CE’s Directorate - to questions raised at  
Extraordinary Budget OSC 2 on 22<sup>nd</sup> January 2013**

- 1. In the context of £187k savings in a Corporate budget of £9.5 million in 2012/13, an explanation for an absence of savings in 2013/14.**

**Response to Overview and Scrutiny**

In October 2012 the Chief Executive’s Directorate was given a savings target for 2013/14 of £146,839, this being a pro- rata contribution to the overall £5m additional savings to be identified throughout the Authority.

There were also two growth items in Legal Services to replace lawyers in employment and enforcement teams who had been funded for the last two years via different funding streams that were due to cease at the end of March 2013. As the demand for employment advice to both internal departments and schools remains significantly high and expectations are that this is unlikely to abate particularly given the on-going pressures to produce further savings.

Within the Enforcement and Litigation Legal Team there has been a substantial increase in prosecutions, the number of cases processed last year was double that of the previous 2 years as was reported at Cabinet in October 2012, covering prosecutions relating to enforcement in the areas of trading standards, environmental health commercial, markets, community safety, public realm, planning, building control and licensing.

It was agreed that the two posts be added to the structure and that they be offset against the savings found by the Directorate. Hence whilst it may appear that the Chief Executive’s Directorate have not contributed to the additional savings during the next financial year this is not the case but the position is neutral so there is nothing to report in terms of the Budget process.

Chief Executive’s still have to find significant savings for 2013/14 and 2014/15 that were agreed in previous budget years.

- 2. Chief Executive's had plans in place to achieve its 2013/14 target including a further saving on design and print and broader efficiencies across CE's. *Mr Williams, SH Democratic Services to provide written response.***

**Response**

The £312k savings required from Democratic Services in 2011/12 was fully achieved through a review of staffing structures within the Committee and

Members' Support teams; streamlining of the arrangements for processing Members' Enquiries and savings in print costs, supplies and services.

**Officer Response – CE’s Directorate/ Communications Service - to questions raised at Extraordinary Budget OSC 2 on 22<sup>nd</sup> January 2013**

**1. Detail requested on expenditure and savings for the Communications Service Budget. Also why advertising by the Council appeared to have increased when savings were needed.**

- A** Since 2011-12 the communications service has had to operate at net nil cost.

The bulk of communications savings were taken in 2011-12 when a cross council consolidation exercise took place reducing total communications employee costs from £2.1m to the present £1.196m. East End Life costs were reduced from £1.4m to £1.2m and the paper is budgeted to operate at net nil cost.

The communications service does not hold an advertising budget. Any advertising work is commissioned by directorates as project needs arise.

**2. Information requested regarding an inter-borough Council publications print contract reported in the Guardian. Disappointment expressed that Members had not been made aware of this before it became public knowledge.**

- A** The inter-borough publications print contract (CE4364) was contained within item 10.5 (Contracts Forward Plan) at cabinet on 9<sup>th</sup> January 2013. The report can be found here <http://moderngov.towerhamlets.gov.uk/documents/s37832/10.5%20Q3%20contracts%20forward%20plan.docx>

In essence the contract seeks to deliver more savings the more public sector partners take part.

Takki Sulaiman  
Service Head, Communications and Marketing  
5<sup>th</sup> February 2013

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**Officer Response – ESCW Directorate (AHWB) - to questions raised at OSC on 5<sup>th</sup> February 2013**

**1. Referencing the tabled Officer response on the Council’s new public health roles for infection control and prevention, and the comment therein that “The Council needs to determine if there is a budget issue before it can act”, whether the new roles went beyond that provided for in the budget of £31.2 million transferring from the NHS to the Council to accompany the transfer of PH responsibilities.**

**A** Although the resources were likely to provide for the new responsibilities, it would require further examination to be certain. **Written response to be provided.**

**Response:**

"Now that we have been given the PH allocation, Officers have commissioned an independent Due Diligence Review to check the staff and contracts being transferred to the Borough against the allocation. Once we have that report we will raise with Members if there are any issues identified that relate to these new responsibilities".

Deborah Cohen  
Service Head, Commissioning and Health-

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**Officer Response – Resources Directorate- to questions raised at OSC on 5<sup>th</sup> February 2013**

1. Referencing the tabled Officer response on Earmarked Reserves and the narrative relating to the Corporate Initiatives Reserve of £1.091 million: specifics as to what was the reserve would cover, who had taken the decision to undertake a reorganisation of the Communications Team, and what had this been intended to achieve, which Officer had been responsible for this reorganisation. Also the reference to “future Chief Executive’s department organisations implied a broader reorganisation, who would be responsible for this work.
- A Mr Takki Sulaiman, SH Communications, was leading on the reorganisation of the Communications Team. **A written answer would be provided (Mr Alan Finch Interim S151 Officer and SH Financial Services, Risk and Accountability)**

**Response:**

“The schedule refers to a reorganisation of the Communications team which was in fact completed in 2011/12. The reserve provides a resource for the Chief Executive/ Head of Paid Service to utilise under delegated powers to deal with matters within his remit which may require emergency action”.

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**Summary Comments on Mayor's initial 2013/14 Budget Proposals from  
Councillor Ann Jackson (Chair Overview and Scrutiny Committee)  
31<sup>st</sup> January 2013 11.24am**

AHWB

**Public Health**

The council may be in a very vulnerable position on future costs here, and would need to think long term as services being transferred may have extra hidden liabilities. The expectation that there may be room for savings may not materialise; too many back office savings in AHWB could result in not enough checks being made on new domiciliary and residential care contracts which could impact greatly on getting good outcomes here.

CSF

EMAN not being managed well, Members concern on exactly what we are doing with this is justified. Either the amount should be less and the unwanted over-budgeting directed elsewhere, or we should seek to encourage and guide more young people to take advantage of the scheme, which may need changing.

The governments new scheme for two year olds may produce pressure elsewhere on EYN making budgets hard to achieve, as staff are already stretched to accommodate current needs delivery and supervision. Top-slicing the budget by 5% and putting forward 'vacancy management' as the means to achieve this; and thus putting further pressure on staffing that is already stretched beyond what it should be viewed as a bad decision by the committee.

D&R

There seems to be a large amount of previously undisclosed revenue in hand for Employment schemes, which suggests that we could have achieved greater results in past years than we did. Given the new methods being put in place to aid employment in the borough, we need to see more targets and outcomes being policed now. Overall, the new contracts do not seem to focus enough on this, and therefore do not make best use of the money on our residents' behalf. Forecast spend and outcomes for the council's employment and enterprise will need to be transparent and be fully monitored to ensure best benefits achieved for our residents.

We should not rush to dispose of assets to fill budgetary holes for this year only, as the need for future revenue needs to be considered; the Council needs to get best value out of disposals.

CE

Savings should have been found here, much money has been spent on Communications, Mayoral advisors and other expenses, which given the fact that we have cut back much third sector infrastructure spend this year seems

unjustifiable. Since writing these comments, CE has offered some further narrative on the current position, claiming both savings and growth have occurred. This should have been contained within the budget papers - as an explanation as to why no other saving were found in that Directorate. Given the current climate of austerity, we as a council have a duty to ensure fairness is observed when making savings and as such, all directorates should be open to reporting and discussion on budget issues. Scrutiny requests that these numbers be available for February's committee meeting. Further to this, no in depth discussion took place on CE as it was impossible for the committee to discuss a budget here, when none had been published. There was no point in discussing what 'might' be saved above what had nominally been mentioned in narrative only to the Committee.

## CLC

Expectation here is of increasing cost for rubbish collection and disposal. Members keen to see more planning here to reduce production of rubbish - so as to avoid moving towards less collection by the borough; which given our density would be a mistake as regards the public's hopes. Policing needs will put pressure here, the Mets reductions may trigger extra cost for Borough / Theos' / overtime. Proposed Fire station closures may also lead to a need for extra policing on ASB arson.

## Resources

Overall here, the issue is that of making proper arrangements for future expectation of government grant cuts. The deficit in the councils reserves in future needs to be addressed, especially given the fact that we are disposing of assets now, leaving no options to find funds in later years. That we could 'find' the needed deficit of many millions in back office savings is spurious, if we could do so, why have we not already done so and saved more vital front line jobs?

To continue to salt away money in 'earmarked' reserves which then is produced, as in the past year; for newly found Mayoral schemes or floundering services that should have been properly funded in any case is reckless; any money excess here should be in the budget.

Money set aside for Mayoral priorities needs to be fully budgeted and rationalised, and Mayoral spend on these questioned in the face of an increasing and deep deficit in council funds that has yet to have any plans put in place to remedy it.

## ITEM 10.2 GENERAL FUND CAPITAL AND REVENUE BUDGETS AND MEDIUM-TERM FINANCIAL PLAN 2013/2016

**CABINET**  
**13<sup>TH</sup> FEBRUARY 2013**

### **AMENDED RECOMMENDATIONS**

#### Mayor's Forward:

During the last two years' budget processes we faced the unprecedented challenge of a substantial reduction in funding from central government. Throughout this process we ensured that whilst we delivered the savings needed, we developed firm principles to deliver a fair budget. These principles are to protect vulnerable residents; protect frontline staff; protect the services residents rely on; and protect our investment in the third sector.

This year, our budget reduction was 8% in real terms, allowing us to use this budget process to focus on the services which mean most to residents and shape the borough for the future, whilst still ensuring that the most vulnerable, most at risk from central government cuts, are protected. This budget is mindful that in the face of short-termist thinking in central government, which places spending reduction above growth and social justice, locally we need to tackle the large challenges still facing us, including child poverty, social mobility and economic growth.

Our budget, including the amendments listed below, is designed to create a borough we can be proud of, that is clean and environmentally friendly; that invests in our young people, through support throughout their education careers; that helps regeneration, bringing investment into key areas of the borough and supporting local businesses; and that ensures there is more money in residents' pockets, by freezing council tax and fees and charges and maintaining council tax benefit.

Whilst investing in the future, we are mindful of the on-going pressures on our budget over the coming years. We believe that the investments listed below will provide the support necessary for the borough and our residents to prosper, whilst we continue to develop our strategic approach to responsibly manage future pressures.

Mayor Lutfur Rahman

#### **Recommendations**

It is proposed to amend the budget proposals in the February Cabinet report as follows;

- 2.1. Agree Recommendation 2.1 as set out in the Cabinet paper, to agree that a General Fund Revenue Budget of £297.806m and a Council Tax (Band D) of £885.52 for 2013/14 be referred to Budget Council for consideration.
- 2.2. Agree Recommendation 2.2 (a-l) as set out in the Cabinet report.
- 2.3. Note the advice of the chief financial officer in relation to resources available to fund one-off priorities in the next two financial years.

- 2.4. Agree to utilise £1m of capital receipts to part fund the Faith Buildings initiative announced at Cabinet on 3<sup>rd</sup> October 2012 and adopt a capital scheme for this purpose.
- 2.5. Accept the following Accelerated Delivery proposals as set out in Appendix 5 of the pack;
- The Mayor's Higher Education Bursary at a cost of £1.260m over two years.
  - Borough-wide deep clean and education programme at a cost of £0.800m
  - Roman Road Town Centre Improvements and Brick Lane Commercial District initiatives at a cost of £0.355m
  - Measures to protect vulnerable residents in temporary accommodation from the impact of welfare reform at a cost of £1.000m

These measures totalling £3.415m to be met from surplus earmarked reserves up to a value of £2.065m and the balance of £1.350m from additional savings identified during the budget process.

- 2.6. Propose the following further measures, the details of which are included in the pro-forma papers attached to this amendment;
- Free School Meals for reception and year 1 pupils in Tower Hamlets Primary Schools, free schools and academies for two academic years at a cost of £2.756m, to be funded from Public Health Grant.
  - An additional 10 'THEOs' and additional CCTV surveillance for two years at a cost of £1.330m, to be funded from additional revenue savings identified during the budget process.
  - Repair of pot holes at a cost of £0.200m to be funded from additional revenue savings identified during the budget process.
  - Investment of £3.000m towards the provision of a multi-faith burial site for Tower Hamlets residents to be adopted as a scheme in the capital programme and funded from capital receipts.
  - Measures to support cycling at a cost of £0.100m to be adopted as a scheme in the capital programme and funded from capital receipts.
  - An additional £1.000m in capital grants for Faith Buildings to be adopted in the capital programme and funded from capital receipts.

### **3. Financial implications**

A summary of the revised proposals in this amendment is set out in the following table;



	<b>Earmarked Reserves</b>	<b>Additional savings</b>	<b>Public Health Grant</b>	<b>Capital</b>		<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>		<b>£m</b>
<b><u>Funding</u></b>						
Funding available (all one-off)	1.065	4.848	2.800	5.300		
Transfer of funding for faith buildings	1.000			-1.000		
<b>Total funding available</b>	<b>2.065</b>	<b>4.848</b>	<b>2.800</b>	<b>4.300</b>		<b>14.013</b>
<b><u>Spending allocations</u></b>						
Discretionary housing payments	1.000					1.000
Town Centre Managers	0.355					0.355
Boroughwide deep clean	0.710	0.090				0.800
Bursary @ £1,500 for 2 yrs		1.260				1.260
THEOs		1.330				1.330
Measures to support cycling				0.100		0.100
Pothole squad		0.200				0.200
Burial Grounds				3.000		3.000
Free School Meals			2.756			2.756
Additional investment in Faith Buildings				1.000		1.000
<b>Total allocations</b>	<b>2.065</b>	<b>2.880</b>	<b>2.756</b>	<b>4.100</b>		<b>11.801</b>
<b>Balance of funding remaining</b>	<b>0.000</b>	<b>1.968</b>	<b>0.044</b>	<b>0.200</b>		<b>2.212</b>

#### 4. The Chief Financial Officer comments that;

- 4.1. As set out in the Cabinet report, the following resources are available in the budget for 2013/14 and 2014/15 and are not required to balance the budget in either of these financial years. They are therefore available for one-off spending to progress Mayoral priorities;

Earmarked reserves no longer required  
(see Appendix 6.3 of Cabinet report) £1.065m

Surplus of additional savings from the 2013/14 budget round of £2.424m per year, for two years  
(see para 10.2 of Cabinet report) £4.848m

Public Health Grant, £1.400m for two years  
(see Cabinet report addendum paper) £2.800m

Capital receipts unapplied  
(see para 14.4 of the Cabinet report) £5.300m

- 4.2. If Members so choose, £1.000m of the cost of the Faith Buildings scheme considered by the Cabinet on 3<sup>rd</sup> October 2012 represents capital grants and could be met from the capital programme, increasing the level of revenue reserves available by £1.000m and reducing capital receipts by the same amount.

- 4.3. In the case of earmarked reserves and additional savings, not allocating this funding to one-off spending over the next two financial years would mean that it contributed to building reserves in the two years 2013/14 and 2014/15 and these additional reserves would be usable to reduce the budget gap in 2015/16. However, this would only delay the need for additional savings for one year and push that part of the budget gap back to 2016/17.
- 4.4. In relation to the additional savings of £2.424m per year, it would be imprudent to allocate these to expenditure after the end of 2014/15 in view of the need to identify savings to balance the budget in 2015/16.
- 4.5. Public Health Grant is ring-fenced, so not allocating this funding would provide additional resources for public health initiatives but would not directly assist in meeting the budget gap. Officers will be examining the possibility of charging existing public health related services against the Public Health Grant in order to reduce the budget gap.
- 4.6. Capital receipts may not be used to support revenue expenditure. They may be used either for investment in capital assets or to reduce debt. Officers advise that at present reducing debt is not a priority for the authority as debt levels are already quite low and the costs of redeeming debt would be prohibitive. Members should bear in mind that additional capital investment may depend upon the disposal of further surplus assets.
- 4.7. The chief financial officer therefore advises that the allocation of these sums to Mayoral priorities on a one-off basis appears financially prudent on the basis of information currently available.
- 4.8. Where appropriate, further reports will need to be submitted to Cabinet to confirm the details of the proposed additional spending.

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

**PART 1:**

**TITLE OF ACCELERATED DELIVERY INITIATIVE:** Roman Road, Brick Lane, Bethnal Green and Burdett Road town centre and business area improvement initiatives

**COMMUNITY PLAN THEME:** A prosperous community

**PRIORITY: (identify which)** Fostering enterprise and entrepreneurship

**DIRECTORATE:** Development and Renewal

**SERVICE AREA:** Economic Development & Olympic Legacy      **LEAD OFFICER:** Andy Scott

**SHORT DESCRIPTION OF ACTIVITY PROPOSED:**

This growth bid is to support the delivery of four town centre improvement initiatives, focusing on the Roman Road, Brick Lane, Bethnal Green and Burdett Road areas. These will be two-year pilot projects in the first instance, but ensuring that the interventions deliver long-term sustainable improvements in the four locations will be a key objective of the schemes.

This proposal will build on the programme of investment and support which has been implemented in a number of town centres in recent years, focusing particularly on the markets around Tower Hamlets which are central to the character and success of many of the borough's town centres. This has included

- **Whitechapel** £2.3m investment in public realm and market infrastructure as part the High Street 2012 programme.
- **Petticoat Lane** Resurfacing of Goulston Street to create food court area and installation of gate to prevent traffic flow in market. In Wentworth Street, installation of feature gate at entrance to market, as well as new lamp columns, festive lighting and lamp post banners; further investment in public realm improvements also planned. Provision of pitch markings in Middlesex Street.
- **Chrisp Street** Proposals for new fruit/vegetable and hot food market, delivered as part of Portas Pilot healthy eating initiative. This pilot initiative aims to tackle vacancies on the market and increase the quality and variety of items on sale. Learning from this scheme will be rolled out to the other two markets within the Portas Pilot scheme, at Watney Market and Roman Road.
- **Watney Market** Consultation currently underway on improvements to public realm and market infrastructure, linked to the new Idea Store and related plans for public realm works at the market's Commercial Road entrance. Also part of the Portas Pilot healthy eating initiative.
- **Market Mile** The "Market Mile Walk" is a strategy to link the successful Sunday markets at Petticoat Lane, Brick Lane and Columbia Road, supported by marketing material and the delivery of new signage and a consistent, high quality public realm treatment.

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

The proposed initiatives for which funding is sought through this bid will aim in each location to:

- Increase footfall
- Offer targeted advice and support to local businesses
- Support alignment of retail offer with existing and potential customers
- Promote and support liaison and communication between local businesses of different types and sizes as well as with local community and consumer groups
- Reduce vacant units
- Secure additional funding resources to support the town centre areas

Although the aims of the initiatives are the same, the contexts, strengths and needs of the four sites may be quite different. It is therefore likely that different types of intervention will be required in the four locations in order to achieve the aims.

An early task in Roman Road and Brick Lane will be to commission and/or undertake a competitiveness audit to ensure that there is robust evidence of:

- the strengths and weaknesses of the respective town centres
- the characteristics and condition of their existing and potential markets
- the needs and wishes of key stakeholders, including existing local businesses and surrounding communities

The results of this competitiveness audit will then inform the development of a detailed action plan for the remainder of the two year programme in each location.

In Roman Road, a Town Centre Manager post (at PO4) will be created through the resources sought through this bid. The Town Centre Manager will drive and coordinate town centre improvement activity and enable an intensive focus which is responsive to the area's individual context and needs and aspirations of local stakeholders. To support the Town Centre Manager's work and assist with set-up costs, consultation, specialist commissioning and project delivery, the post will also require a small operational budget.

For Brick Lane, it is recognised that the existing diversity of businesses (in terms of type, size, and commercial health) as well as the varying markets they serve means that achieving the aims and objectives set out above will require a highly flexible approach. Consequently it is proposed that the resources sought through this bid should form a programme delivery fund which can be used to support the interventions proposed by the competitiveness audit. It is anticipated that the primary focus of the programme delivery fund will be to support project delivery, with flexibility retained to manage implementation.

At Bethnal Green and Burdett Road, the funding sought through this proposal will be used to deliver town centre management activity which adds value to the existing regeneration proposals for those locations. In Bethnal Green Road £2m has been secured for investment in improvements to the public realm and market, for delivery in 2014/15. Works will include provision of electricity and water to traders and extension of the pavement to accommodate market stalls, so they are not sited in the road as is currently the case. Options for extending the market to both sides of the road will also be explored. At Burdett Road the Council's

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

Markets Service is currently assessing options for the reestablishment of the former market, to support and complement the existing retail base. Town centre-focused interventions delivered through this bid will be coordinated with those initiatives in order to provide a resource for additional and complementary support.

These town centre improvement initiatives sit within the context of the Council's Enterprise Strategy, which was adopted in May 2012. The strategy sets out the Council's approach to encouraging and supporting enterprise and entrepreneurial activity to increase opportunity, prosperity and mobility in Tower Hamlets.

The Enterprise Strategy recognises the significant contribution that town centres have to make to the borough's economic development and regeneration. Typical town centre uses, particularly in the retail sector, can be more resilient to economic downturns, and generate flexible local jobs that are appropriate for a range of skills levels. Town centres also provide smaller office space, which is in short supply in the borough.

But the strategy also acknowledges that town centres in the borough face significant challenges, with few reaching the level of critical mass necessary for them to achieve their potential. Improving the performance of the borough's town centres, the strategy argues, has the potential to retain more spending locally, support a more diverse economy in Tower Hamlets, and increase the number and range of jobs available to residents.

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

	Resource requirements	
	2013//2014 £000	2014/2015 £000
<b>Revenue</b>		
- General Fund	205	150
- HRA		
<b>Capital</b>		
	<b>205</b>	<b>150</b>

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

<b>Cabinet Decision</b> (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).	N
<b>Add-on to existing service or contract</b>	N
<b>Participatory Budgeting exercise</b>	N

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

<b>Other</b>	Describe:
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<b>OUTLINE TIMESCALE FOR DELIVERY</b>	
<b>Decision and/or resource allocation by:</b>	March 2013
<b>Mobilisation – initiative underway by:</b>	June 2013
<b>Key delivery milestones</b>	
By December 2013	Appointment of Roman Road Town Centre Manager
By March 2014	Town centre/commercial district competitiveness audits and recommendations for Roman Road and Brick Lane complete. Action plan for interventions in Roman Road, Brick Lane, Bethnal Green and Burdett Road agreed
By September 2014	Implementation of recommended actions from competitiveness audit and action plans underway
By March 2015	Interim evaluation of town centre/commercial district support programmes

<b>DELIVERY RISKS Please indicate any risks which may delay or prevent delivery and mitigating measures to be taken</b>	
<b>Risk identified</b>	<b>Mitigating action</b>
Large number of current projects and initiatives focusing on Roman Road – including Portas Pilot, Town Team and High Street Innovation Fund – leads to uncoordinated and unfocused approach.	Coordination of regeneration activity in Roman Road will be key activity for Roman Road town centre manager.
Activities and interventions identified for Roman Road, Brick Lane, Bethnal Green and Burdett Road do not meet expectations of stakeholders.	Engagement of existing stakeholder groups from outset of delivery.
Ongoing economic downturn has negative impact on anticipated outcomes of town centre improvement initiatives.	While the Council's ability to influence the national and regional economic context is limited, the business and finance climate will be monitored and the proposed interventions can be adjusted to respond to any shift in circumstances.

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

**PART 2: Only required if additional resources required**

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

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

<b>Description of Output (New homes, Security Cameras, Youth Workers)</b>	<b>Additional by end March 2014</b>	<b>Additional by Sept 2014</b>	<b>Additional by March 2015</b>
Roman Road town centre manager employed	1	1	1
Town centre/commercial district competitiveness audit undertaken	2	2	2
Businesses engaged in consultation in relation to competitiveness audit	50	50	50
Roman Road business promotion events held	0	1	2
Businesses engaged in new Roman Road business network	0	25	25

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

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

**Description of outcomes proposed:**

Improved local satisfaction with Brick Lane commercial district and Roman Road town centre offer  
Increase in businesses participating in Roman Road business promotion events  
Improved networking and collaboration between businesses

NB 13/14 and 14/15 targets for relevant Council Strategic Indicator have not yet been set so it is not possible at this stage to define anticipated uplift. It should also be noted that the scale and limited geographical focus of the proposed initiatives is unlikely to have an impact on borough-wide resident satisfaction and the resident survey sample size at ward level may be too small to allow any meaningful conclusions to be drawn. It is proposed that any evaluation of town centre/commercial district support programmes will make a more targeted assessment of resident and business satisfaction with the commercial district/town centre offers.

<b>Strategic Indicator (Council Strategic Indicator)</b>	<b>Current target 2013/14</b>	<b>Target with 13/14 additional spend</b>	<b>Current target 2014/15</b>	<b>Target 14/15 with additional spend</b>
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Strategic226: Overall / general satisfaction with the local area (ARS)

**Targets TBA – see note above**

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

This is an innovative project designed to ensure that what is supplied by businesses in Roman Road is more closely aligned, in a sustainable way, to the demand characteristics of the surrounding community. The project therefore will bring about economic benefits both in the short and medium terms. On the basis of the Roger Tym and Partners Retail & Leisure Capacity Study in 2009, the annual comparison goods shopping turnover in Roman Road East is unlikely to be less than £10m. On the basis of this figure, the project would pay for itself in three years if it improved turnover by 0.5%.

An additional benefit will be that lessons learned in Roman Road could in principle be applied to town centres elsewhere in the borough.



**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

<b>PART 1:</b>													
<b>TITLE OF ACCELERATED DELIVERY INITIATIVE:</b>	Borough Wide Deep Clean												
<b>COMMUNITY PLAN THEME:</b>													
<b>PRIORITY: (identify which)</b>	Cleanliness												
<b>DIRECTORATE:</b>	Communities, Localities and Culture												
<b>SERVICE AREA:</b>	Public Realm												
<b>LEAD OFFICER:</b>	Jamie Blake												
<b>SHORT DESCRIPTION OF ACTIVITY PROPOSED:</b>													
<b>FINANCIAL INFORMATION:</b>	Please give an indication of financial requirements to deliver the proposed acceleration. If this will be delivered within existing budgets, please indicate 'nil'.												
	<b>Resource requirements</b>												
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Operation	Over a 12 month period
Additional "Hot Spot" Sweepers	£275,000
Graffiti / Chewing Gum Team	£95,000
Additional Litter Pickers Borough Team	£90,000
Heritage Parks – Additional Litter Pickers	£100,000.
FIFILI (find it fix it love it) Team	£95,000
Find it Fix it Love it Apprentice	£25,000
Education	£70,000.
Waste Disposal	£50,000.
<b>Total</b>	<b>£800,000.</b>

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

**Introduction**

It is well known that a clean and welcoming area will encourage businesses and attract wealth to any area, it has been known to reduce crime and improve local social environment whilst increasing health benefits.

Therefore we propose to continue to build upon the positive perceptions of the Borough achieved during the games by introducing more effective targeting of resources to further enhance the cleaning regimes across the borough combined with improved communication and the use of innovative equipment and methods.

**Deep Clean – “Hot Spot” Cleansing Activities –**

To ensure that the high standards that were achieved during the Olympics are maintained for the residents and visitors alike we will provide extra “deep clean” operations across the Borough. Whilst this resource will be used across the Borough particular hot spot areas spanning a range of cleansing issues have been identified for additional attention.

These will include:

- ❖ Isle of Dogs
- ❖ Chisenhale Road/Kennilworth Road area
- ❖ Cleveland Way/Cephas Street area
- ❖ Swanfield Street/Old Nicholl Street area
- ❖ Chicksand Street/Old Montague Street area
- ❖ Settles Street/Fieldgate Street area
- ❖ Harford Street/Ducket Street area
- ❖ Cannon Street/Bigland Street Area
- ❖ Whitechapel Hospital area
- ❖ Whitechapel Road area
- ❖ Brick lane area.

These resources will ensure that the borough is kept in good order and enhancing the visual amenity including both high footfall areas and the quieter district roads. The operation will also cover areas of private land, where we will look to recover costs against landowners

**Graffiti / Chewing Gum**

The Deep clean functions will be supported by an additional Graffiti / Chewing Gum Team who will also support the current crews in addressing the effects of environmental crime including fly posting, illegal signage and dumping of waste material.

**Additional Litter Pickers 90k**

Officers will also introduce a 3 man “litter picking squad” that can be deployed on a daily basis to different areas across the borough as and when required.

**Find it Fix it Love it-FiFiLi - £95,000 + 25k Local Apprenticeship**

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

Two years ago we introduced two Find it Fix it teams. This initiative has had a major impact in areas which had previously been problematic for residents and attracted environmental crime such as fly tipping, dumping, graffiti and fly posting.

We are proposing to add an additional team to the current resource and this initiative will also include public participation through the use of the new FiFiLi mobile phone applications to report litter bin damage, dirty streets, fly posting and overflowing litter bins. This service will operate seven days a week. To guarantee that opportunities are created for local people there will also be the provision of one apprenticeship place in addition to the apprenticeship schemes offer by our cleansing partners.

**Heritage Parks – Additional Litter Pickers: - £100,000**

The Council's award winning parks are heavily used particularly during the summer and are also host to some spectacular events throughout the year drawing crowds of up to 40,000 at any one time. This resource will ensure that our parks and surrounding streets remain litter free during periods of high use through out the year by increasing litter picking staff during the summer period when visitor numbers are at their highest – specifically May to August from Friday to Sunday.

**Education - £70,000**

The Council needs to lead the way in promoting the Borough as a Clean and Green environment, establishing a raised awareness of environmental ASB and promoting a feeling of civic pride in residents minds.

This also plays a pivotal role in meeting the Mayoral priority to “improve cleanliness and the public realm” by aligning the perception and the reality of the condition of the borough and encouraging residents and businesses to adopt a more proactive approach to managing litter and waste.

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

<b>Cabinet Decision (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).</b>	N Likely Cabinet for decision making/announcement:
<b>Add-on to existing service or contract</b>	Y Date effective from/to:
<b>Participatory Budgeting exercise</b>	N Indicative date:
<b>Other</b>	Describe:

**OUTLINE TIMESCALE FOR DELIVERY**

<b>Decision and/or resource allocation by:</b>	April 2013
<b>Mobilisation – initiative underway by:</b>	May 2013
<b>Key delivery milestones</b>	
By December 2013	Summer parks cleansing delivered Education campaign developed and initiated
By March 2014	All services working to optimum Analysis of App penetration

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

By September 2014	Project review – lessons learnt
By March 2015	N/A

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

<b>Risk identified</b>	<b>Mitigating action</b>
Delay in decision making process would impact on delivery	Ensure that the action plan is clear and concise for members to make an immediate decision
Partners failing in achieving the aspirations of the council	Ensure that there is a robust monitoring regime and weekly tracker on outputs

**PART 2: Only required if additional resources required**

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

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

<b>Description of Output (New homes, Security Cameras, Youth Workers)</b>	<b>Additional by end March 2014</b>	<b>Additional by Sept 2014</b>	<b>Additional by March 2015</b>

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

**Description of outcomes proposed:**

<b>Strategic Indicator (Council Strategic Indicator)</b>	<b>Current target 2013/14</b>	<b>Target with 13/14 additional spend</b>	<b>Current target 2014/15</b>	<b>Target 14/15 with additional spend</b>

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

<b>PART 1:</b>		
<b>TITLE OF ACCELERATED DELIVERY INITIATIVE:</b>	Service Development Proposals – Enforcement	
<b>COMMUNITY PLAN THEME:</b>	Community Safety	
<b>PRIORITY: (identify which)</b>	Community Safety	
<b>DIRECTORATE:</b>	CLC	
<b>SERVICE AREA:</b>	Safer Communities	
<b>LEAD OFFICER:</b>	Gavin Dooley	
<b>SHORT DESCRIPTION OF ACTIVITY PROPOSED:</b>		
<p>Tower Hamlets Enforcement Officers (THEOs) were introduced three years ago as a direct response to deal with community concerns regarding anti-social behaviour and environmental issues. They are a uniformed service which is organised to ensure they are visible and responsive to the public concerns. The service has been successful in developing an excellent partnership with the Police and other agencies which is beginning to achieve results.</p> <p>It is proposed to recruit an additional 10 THEOs to ensure that the service can maintain and build upon the current level of service provision and respond appropriately in dealing with local community concerns related to crime and anti-social behaviour.</p> <p>Recently the service established a response process whereby THH residents report concerns to the CCTV Control Room. The calls are assessed and where appropriate, Tower Hamlets Enforcement Officers deployed with residents provided with an update of any action. This has already resulted in improved levels of satisfaction from residents.</p> <p>It is proposed to develop and expand the CCTV Control Room to improve call handling and deal more effectively and efficiently with residents' concerns. The proposal will also need to consider that sufficient back office provision is in place to support the increase in frontline service provision.</p>		
<b>FINANCIAL INFORMATION:</b>		
Please give an indication of financial requirements to deliver the proposed acceleration. If this will be delivered within existing budgets, please indicate 'nil'.		
	<b>Resource requirements</b>	
	<b>2013//2014 £000</b>	<b>2014/2015 £000</b>
	665	665
	665	665

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

<b>KEY DECISIONS ON MOBILISATION : Please indicate proposed approach to decision making on mobilisation of new initiative</b>	
<b>Cabinet Decision</b> (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).	Yes Likely Cabinet for decision making/announcement:
<b>Add-on to existing service or contract</b>	Yes Date effective from/to: April 2013 – March 2015
<b>Participatory Budgeting exercise</b>	N/A Indicative date:
<b>Other</b>	N/A

<b>OUTLINE TIMESCALE FOR DELIVERY</b>	
<b>Decision and/or resource allocation by:</b>	March 2013
<b>Mobilisation – initiative underway by:</b>	April 2013
<b>Key delivery milestones</b>	
March 2013	Recruitment of staff Call Handling logistics ICT development
April 2013	New structures in place

<b>DELIVERY RISKS Please indicate any risks which may delay or prevent delivery and mitigating measures to be taken</b>	
<b>Risk identified</b>	<b>Mitigating action</b>
These proposals directly relate to the Mayor's priority in respect of community safety and the expansion of the THEO service to support this priority. If not supported, there is a risk of being unable to make the necessary impact regarding crime/ASB agenda.	N/A

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

Item Ref. No:  
GRO/CLC/02

**PART 2: Only required if additional resources required**

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

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

Description of Output (New homes, Security Cameras, Youth Workers)	Additional by end March 2014	Additional by Sept 2014	Additional by March 2015
Recruitment of additional THEOs			
Recruitment of Call Handlers			
Introduction of Call Handling Process			

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

**Description of outcomes proposed:**

There are several benefits to the proposed changes, significantly the changes will radically improve the Council's performance with regard to Confidence & Satisfaction. The **Annual Residents Survey** results show clearly that a principle concern of residents is the responsiveness of services at the time of reporting. The current arrangements often mean that it is at least 48 hours before council staff actually make contact with the caller and a further 48 hours before an ASB investigations officer makes contact to commence an initial investigation. Often by this time the issue has been forgotten about and the caller is left with a poor impression of the Council.

The proposals will ensure that calls are responded to in a timely manner, with the appropriate level of response, by officers who are capable of dealing with the concerns reported. The proposals will also ensure that the caller can be updated quickly about the action taken by an increased team of enforcement officers.

Responsiveness and feedback about action taken are crucial and directly affects the public's perception of the Council. Introducing these changes will have a significant impact on the Council's ability to improve the service provided with regards to ASB and improves the Annual Residents' Survey Performance.

Strategic Indicator (Council Strategic Indicator)	Current target 2013/14	Target with 13/14 additional spend	Current target 2014/15	Target 14/15 with additional spend
N/A				

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

See Proposal Document



**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CLC/03**

**PART 1:**

**TITLE OF ACCELERATED DELIVERY INITIATIVE:** CYCLING IMPROVEMENTS

**COMMUNITY PLAN THEME:** GREAT PLACE TO LIVE

**PRIORITY: (identify which)**  
 Housing  
 Education  
 Jobs  
 Community Safety  
 Cleanliness ✓

**DIRECTORATE:** CLC

**SERVICE AREA:**  
PUBLIC REALM

**LEAD OFFICER:**  
M COOPER

**SHORT DESCRIPTION OF ACTIVITY PROPOSED:**

This funding would increase provision of improvements for cyclists including more cycle parking facilities, better local cycle routes with increased permeability through the local area, bike pump facilities and more cycle safety awareness promotions.

The safety of the increasing number of cyclists riding on main roads continues to give serious cause for concern. There have been approx.. 14 cyclist fatalities in the whole of London in the last twelve months, and 4 of these have occurred in this Borough, mostly on major roads managed by TfL. By improving opportunities for cyclists to use quieter local roads the Council can help to make travelling by bike much safer and more convenient. This would complement the Council's investment in cycle routes and the Cycle Hire scheme.

In the last year £15k is being spent on cycle permeability schemes: Arbour Square, Allen Gardens, Head Street, Cantrell Road/Tower Hamlets Cemetery Park, and Glengall Grove/Eastferry Road. By providing easy access for cyclists through dead ends and road closures, direct and convenient local routes can be established for cyclists wishing to avoid major roads. These locations have been identified by local cyclists and the scope to extend this initiative through wider consultation is huge.

Cycle theft in London is also an issue of concern which can deter many people from cycling and Tower Hamlets has been identified as a hotspot. Provision of secure cycle parking is therefore an essential element of any strategy providing for safe cycling. £73k was spent in 2012/13 from the Central London Cycle Parking Fund which enables parking facilities to be provided on streets, at workplaces and in housing estates. Those benefiting this year included :-

62 cycle lockers at Royal London Hospital, Queen Mary University, Tower Hamlets Community Housing office Shadwell, Ranwell Estate and Rum Close;

3 cycle shelters on Boundary, Westferry and Malmesbury Estates,

40 on street cycle stands and cycle hoops.

Many more requests have arisen through consultation and this funding would help to respond to local demand.

Funding would also be used to introduce innovative Cycle Pump bollards costing £5k each which can be integrated into the streetscene along key cycle routes to offer assistance to unfortunate cyclists experiencing punctures as they travel.

The Council already works with the Police, our contractors and Transport for London to promote cycle safety delivering over 4000 training opportunities each year as well as several awareness events. Additional funding will extend the amount of publicity which can be delivered to promote safer cycling.

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CLC/03**

**FINANCIAL INFORMATION:**

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

	Resource requirements	
	2013//2014 £000	2014/2015 £000
	Revenue	
- General Fund		
- HRA		
Capital	100	
	100	

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

<b>Cabinet Decision</b> (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).	Y – allocation of funding Likely Cabinet for decision making/announcement: February 2013
<b>Add-on to existing service or contract</b>	Y Date effective from/to: July 2008 – June 2014
<b>Participatory Budgeting exercise</b>	N Indicative date:
<b>Other</b>	Describe: N/A

**OUTLINE TIMESCALE FOR DELIVERY**

<b>Decision and/or resource allocation by:</b>	February 2013
<b>Mobilisation – initiative underway by:</b>	Feasibility studies May – June 2013
<b>Key delivery milestones</b>	
By December 2013	50% of identified feasible projects completed on site
By March 2014	100% of identified feasible projects completed on site
By September 2014	
By March 2015	

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

Risk identified	Mitigating action
Residents may object to some schemes	Community engagement in advance of schemes with contingency schemes to replace any causing major objections

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CLC/03**

Contractor resourcing	Early dialogue on works planning

**PART 2: Only required if additional resources required**

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

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

Description of Output (New homes, Security Cameras, Youth Workers)	Additional by end March 2014	Additional by Sept 2014	Additional by March 2015
Cycle parking facilities	50		
Cycle permeability locations	10		
Cycle pump bollards	5		
Cycle Safety awareness events	2		

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

**Description of outcomes proposed:**

Increase in cycle gaps in road closures.  
Reduction in rate of cycle fatalities

Strategic Indicator (Council Strategic Indicator)	Current target 2013/14	Target with 13/14 additional spend	Current target 2014/15	Target 14/15 with additional spend

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

The Highways Contract which will be used for implementation was competitively tendered in 2007/8 and still compares favourably with contracts let by other authorities more recently. Prices for 2012/13 and 2013/14 have been maintained at levels below the inflation indices in highways contracts through negotiation with contractors.

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CLC/04**

<b>PART 1:</b>		
<b>TITLE OF ACCELERATED DELIVERY INITIATIVE:</b>	POTHOLE SQUAD	
<b>COMMUNITY PLAN THEME:</b>	GREAT PLACE TO LIVE	
<b>PRIORITY: (identify which)</b>	Housing Education Jobs Community Safety Cleanliness ✓	
<b>DIRECTORATE: CLC</b>		
<b>SERVICE AREA: PUBLIC REALM</b>	<b>LEAD OFFICER: M COOPER</b>	
<b>SHORT DESCRIPTION OF ACTIVITY PROPOSED:</b>		
<p>Cyclists are particularly vulnerable to potholes causing accidents and damage to bikes so they will be the primary beneficiaries of this initiative to visit every road in the borough over the course of 3 months ( April – June), repairing all potholes found with a permanent patch repair. This gang will also pick up potholes reported by the Council's team of Volunteer Cycle Rangers.</p> <p>Potholes arise when ice and rain infiltrates small cracks in the road's surface. The weight of vehicles as well as water action causes these cracks to grow into potholes, consequently they tend to appear after the worst winter weather and if left untreated will only deteriorate further. Potholes will never be eradicated entirely, but proactively finding and fixing those that have occurred over the winter months will improve the streets, prolong their life and protect the Council from claims for damage to vehicles.</p> <p>In previous years the Government has recognised the impact severe winter weather has on the deterioration of roads and last year provided grants to all local authorities to help to tackle this problem. In 2011/12 the Council received a grant of £186k for this purpose, but the Government has not provided any further funding this year. This proposal therefore replaces that funding and allows us to deal with the effects of the extreme cold and heavy snow we have seen this winter.</p> <p>The Council has already committed to a 3 year programme of resurfacing the worst roads in the borough, but good practice in highway maintenance recognises that smaller interventions, such as these pothole repairs, can prolong the life of road surfaces. This initiative is therefore an essential complementary measure in improving the borough's streets.</p>		
<b>FINANCIAL INFORMATION:</b>		
Please give an indication of financial requirements to deliver the proposed acceleration. If this will be delivered within existing budgets, please indicate 'nil'.		
	<b>Resource requirements</b>	
	<b>2013//2014 £000</b>	<b>2014/2015 £000</b>
	Revenue	
	- General Fund	150
- HRA	50	
Capital	150	50

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CLC/04**

<b>KEY DECISIONS ON MOBILISATION : Please indicate proposed approach to decision making on mobilisation of new initiative</b>	
<b>Cabinet Decision (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).</b>	Y – allocation of funding Likely Cabinet for decision making/announcement: February 2013
<b>Add-on to existing service or contract</b>	Y Date effective from/to: July 2008 – June 2014
<b>Participatory Budgeting exercise</b>	N Indicative date:
<b>Other</b>	Describe:

<b>OUTLINE TIMESCALE FOR DELIVERY</b>	
<b>Decision and/or resource allocation by:</b>	February 2013
<b>Mobilisation – initiative underway by:</b>	First works on site by April 5 <sup>th</sup>
<b>Key delivery milestones</b>	
By December 2013	3 month tour of borough April – June 2013 completed – fixing all potholes found
By March 2014	
By September 2014	1 month tour of borough – April 2014 – May 2014 Completed – fixing all potholes found.
By March 2015	

<b>DELIVERY RISKS Please indicate any risks which may delay or prevent delivery and mitigating measures to be taken</b>	
<b>Risk identified</b>	<b>Mitigating action</b>
Delays to programme due to securing permissions to work on streets	Secure early permission to work
Contractor resourcing	Early dialogue with contractors and performance monitoring
Cold or wet weather	Programme planned for better weather in April – June

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

Item Ref. No:  
GRO/CLC/04

**PART 2: Only required if additional resources required**

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

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

Description of Output (New homes, Security Cameras, Youth Workers)	Additional by end March 2014	Additional by Sept 2014	Additional by March 2015
Reported Potholes repaired	All roads visited		
Report Potholes repaired		All roads visited	

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

**Description of outcomes proposed:**

Contributes to improved perception of cleanliness of all streets in the borough and NI 195 (detritus).  
Reduction in percentage of local roads requiring maintenance (NI 196)

Strategic Indicator (Council Strategic Indicator)	Current target 2013/14	Target with 13/14 additional spend	Current target 2014/15	Target 14/15 with additional spend
NI 196	20%	19%	19%	18.75%

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

The Highways Contract which will be used was competitively tendered in 2007/8 and still compares favourably with contracts let by other authorities more recently. Prices for 2012/13 and 2013/14 have been maintained at levels below the inflation indices in highways contracts through negotiation with contractors.

The Council has already committed to a 3 year programme of resurfacing the worst roads in the borough, but good practice in highway maintenance recognises that smaller interventions, such as these pothole repairs, can prolong the life of road surfaces. This initiative is therefore an essential complementary measure in improving the borough's streets

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/D&R/03**

<b>PART 1:</b>			
<b>TITLE OF ACCELERATED DELIVERY INITIATIVE:</b>	Multi Faith Burial Grounds		
<b>COMMUNITY PLAN THEME:</b>	All		
<b>PRIORITY:</b>	To Provide Effective Services and Facilities		
<b>DIRECTORATE:</b>	Development and Renewal		
<b>SERVICE AREA:</b>	Corporate Property and Capital Delivery	<b>LEAD OFFICER:</b>	Ann Sutcliffe
<b>SHORT DESCRIPTION OF ACTIVITY PROPOSED:</b>			
<p>There are currently no operational burial sites within the Borough. Tower Hamlets residents requiring burial must seek a suitable site outside of the boundaries of the Borough. Where Tower Hamlets residents are able to use a municipal cemetery operated by another Council or a private facility, there is normally a premium charge. The majority of burials take place in the City of London Cemetery, Gardens of Peace and Wood Grange. In recognition of the lack of facilities within the Borough, the Council operates a burial subsidy scheme which provides the families of deceased residents with a £225 contribution towards the cost of burial – this subsidy represents the difference between the resident and non-resident charges levied by the out of Borough sites.</p> <p>The Council is currently investigating two possible options to acquire land or plots for the provision of a burial site and discussions are at an advanced stage with one of the providers. It is proposed to set aside £3million of resources as a contribution towards the funding of a multi-faith burial facility. At this stage various options are currently being considered and a report will ultimately be submitted to Cabinet to determine the preferred option. This report will assess the full financial resources that are required in addition to this proposed initial growth bid.</p> <p>The Managing Development planning document (DPD) requires Officers to investigate a potential burial site within the borough. However available land is scarce in Tower Hamlets and there is an urgent need to find a location within or adjacent to Tower Hamlets in order to maintain appropriate provision.</p> <p>The Council's Local Development Framework Core Strategy (adopted in September 2010) states that the Council will proactively plan for the needs and requirements of a multi-faith burial ground. It sets out criteria for the identification of the most appropriate site and confirms that the site identification process will be undertaken as part of the preparation of the Managing Development DPD.</p> <p>The following are the criteria that Officers used to assess potential sites for a multi-faith burial facility:</p> <ul style="list-style-type: none"> <li>• Site must be of an appropriate size (2 hectares) that ensures sufficient burial space for an appropriate number of years.</li> <li>• Site must be accessible to all sections of the community.</li> <li>• Sites must be suitable for the purpose of burial.</li> <li>• Not in areas with Public Transport Access Level (PTAL) 5-6 as these are locations suitable for high density activities, such as residential and employment.</li> <li>• Not in town centre locations due to the nature, locations and setting of these centres and the key services they currently provide or will provide in the future.</li> </ul> <p>It is anticipated that a site of 2 hectares is able to accommodate projected multi faith burial requirements of Tower Hamlets for 4-5 years, however a detailed assessment of any sites offered will need to be undertaken in order to validate these approximations for specific contexts. It is anticipated that a site of 6 hectares is needed to meet burial needs of Tower Hamlets residents for the next 20 years subject to multiple internments in the same plot.</p>			

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/D&R/03**

<b>FINANCIAL INFORMATION:</b>	Please give an indication of financial requirements to deliver the proposed acceleration. If this will be delivered within existing budgets, please indicate 'nil'.	
	<b>Resource requirements</b>	
	<b>2013//2014 £000</b>	<b>2014/2015 £000</b>
Revenue		
- General Fund		
- HRA		
Capital	3,000	-
	<b>3,000</b>	-

<b>KEY DECISIONS ON MOBILISATION : Please indicate proposed approach to decision making on mobilisation of new initiative</b>	
<b>Cabinet Decision</b> (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).	Y/N Likely Cabinet for decision making/announcement:
<b>Add-on to existing service or contract</b>	Yes Date effective from/to:
<b>Participatory Budgeting exercise</b>	No Indicative date:
<b>Other</b>	Describe:

<b>OUTLINE TIMESCALE FOR DELIVERY</b>	
<b>Decision and/or resource allocation by:</b>	
<b>Mobilisation – initiative underway by:</b>	
<b>Key delivery milestones</b>	
By December 2013	
By March 2014	
By September 2014	
By March 2015	

<b>DELIVERY RISKS Please indicate any risks which may delay or prevent delivery and mitigating measures to be taken</b>	
<b>Risk identified</b>	<b>Mitigating action</b>



**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

Item Ref. No:  
GRO/D&R/03

**PART 2: Only required if additional resources required**

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

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

Description of Output (New homes, Security Cameras, Youth Workers)	Additional by end March 2014	Additional by Sept 2014	Additional by March 2015

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

**Description of outcomes proposed:**

Strategic Indicator (Council Strategic Indicator)	Current target 2013/14	Target with 13/14 additional spend	Current target 2014/15	Target 14/15 with additional spend

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CSF/02**

<b>PART 1:</b>			
<b>TITLE OF ACCELERATED DELIVERY INITIATIVE:</b>	Free School Meals for Reception and Year 1 pupils		
<b>COMMUNITY PLAN THEME:</b>			
<b>PRIORITY: (identify which)</b>	Education		
<b>DIRECTORATE:</b>	Education Social Care and Wellbeing		
<b>SERVICE AREA:</b>	ESCW Resources	<b>LEAD OFFICER:</b>	Kate Bingham
<b>SHORT DESCRIPTION OF ACTIVITY PROPOSED:</b>			
<p>For 2 academic years from September 2013, all pupils in Reception and Year 1 in Tower Hamlets schools (Maintained, Academies and Free Schools) will be eligible for a free school meal. Of the 6,507 pupils in these year-groups in October 2012, 2,564 were eligible for free school meals already and individual schools will continue to pay for these meals from their delegated budgets. This initiative will meet the costs of providing a free school meal for the estimated 3,943 pupils not currently entitled to a free school meal.</p>			
<b>FINANCIAL INFORMATION:</b>			
Please give an indication of financial requirements to deliver the proposed acceleration. If this will be delivered within existing budgets, please indicate 'nil'.			
	<b>Resource requirements</b>		
	<b>2013//2014 £000</b>	<b>2014/2015 £000</b>	<b>2015/2016 £000</b>
	Revenue		
	- General Fund		
- HRA			
Capital			
	870	1,378	508
	870	1,378	508

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CSF/02**

<b>KEY DECISIONS ON MOBILISATION : Please indicate proposed approach to decision making on mobilisation of new initiative</b>	
<b>Cabinet Decision</b> (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).	Y Likely Cabinet for decision 13 <sup>th</sup> February 2013 making/announcement:
<b>Add-on to existing service or contract</b>	Y Date effective from/to: September 2013 to July 2015
<b>Participatory Budgeting exercise</b>	N Indicative date:
<b>Other</b>	Describe: Key issues are to communicate the scope of the initiative; which schools, which pupils, how it interacts with current payments by schools for mandatory FSM. Also to determine process for meeting the costs where LBTH Contract Services do and do not provide the actual meal.

<b>OUTLINE TIMESCALE FOR DELIVERY</b>	
<b>Decision and/or resource allocation by:</b>	February 2013
<b>Mobilisation – initiative underway by:</b>	September 2013
<b>Key delivery milestones</b>	
By July 2013	Scope, eligibility and associated processes communicated to all stakeholders (families, schools and meals providers). Recruitment of additional staff and adjustments to management of mealtimes (to accommodate more taking lunch) determined.
By September 2013	Discretionary FSM arrangements begin
By July 2015	Initiative ends

<b>DELIVERY RISKS Please indicate any risks which may delay or prevent delivery and mitigating measures to be taken</b>	
<b>Risk identified</b>	<b>Mitigating action</b>
Actual take up will vary, depending on overall pupil numbers in these year-groups and parental preference.	Budget provision has been set on the basis of 80% of those pupils in Reception and Year 1 who are not currently eligible for a free school meal taking up the offer. Variations in actual take-up will be monitored and adjustments to funding will be managed across the Education Social Care and Wellbeing budget.
The initiative cannot work if schools are not aware of it or do not actively manage the new	Initial discussions will take place with primary headteachers to assess the best practical steps

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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arrangement.	to implement the change from September 2013.
Expansion of meal numbers will require additional staff, so they need to be recruited and inducted in time for the new academic year.	There is 6 months lead in time to assess and adjust staffing requirements.
Claims for variations to the scheme may come from Tower Hamlets residents going to school in other boroughs, or from parents who want the cash for packed lunches, or from independent schools in the borough, or from full-time nursery pupils in other settings. Any of these changes increases the administration and cost of the initiative.	<p>The scope of the exercise is unambiguous. It only applies to:</p> <ul style="list-style-type: none"> <li>• all LBTH maintained schools, or</li> <li>• academies and free schools physically located in Tower Hamlets;</li> </ul> <p>where registered pupils in Reception Year or Year 1, who are not eligible for free school meals under the mandatory scheme, are provided with a free school meal at a rate of £2.30 per meal. All communications on the issue will work to these principles.</p>

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:  
GRO/CSF/02**

**PART 2: Only required if additional resources required**

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

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

Description of Output (New homes, Security Cameras, Youth Workers)	Additional by end March 2014	Additional by Sept 2014	Additional by March 2015
Additional Free school meals	441,560	324,862	410,020

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

**Description of outcomes proposed:**

22% of children in Tower Hamlets do not have a school meal, opting instead for packed lunches of varying nutritional standard. The high levels of poverty in Tower Hamlets, and likely impact of welfare reform, increase the risk of poor nutrition. This proposal will contribute to addressing this issue by increasing the uptake of school meals delivered to school food nutrient- based standards.

Increasing the uptake of meals will contribute to our strategy to address high levels of childhood obesity as recommended by the Foresight Report and NICE guidance. Research shows that provision of a hot meal delivered to school food nutrient-based standards at lunchtime has a significant positive impact on attainment with pupils in areas where this has been piloted making between four and eight weeks' more progress than similar pupils in comparison areas. This translates into 1.9% improvement in the proportion of pupils achieving level 2 in reading at the end of Key Stage 1. The improvements were strongest amongst those pupils from less affluent families.

It is not possible to link this improvement to strategic indicators over the next two years although there is a possible impact over the longer term on the proportion of children achieving Level 4 or above at Key Stage 2. Based on experience in pilot areas this should be in the region of 4 percentage points in English and 5.5 percentage points in maths during financial year 2019-20.

Strategic Indicator (Council Strategic Indicator)	Current target 2013/14	Target with 13/14 additional spend	Current target 2014/15	Target 14/15 with additional spend

**VALUE FOR MONEY/EFFICIENCY**

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

- unit cost comparisons of proposed provision

Where existing provision is being extended

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

Where proposed provision is new /innovative

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

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES  
ONE OFF SPENDING PROPOSALS**

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Authorities that have piloted this approach found that compared to some other interventions the universal provision of a free school meal to primary pupils was a more cost effective way of improving attainment. The estimated cost per 1 percentage point increase in attainment at Key Stage 1 was £120 per pupil per year, and at Key Stage 2 £40-60 per pupil per year. The Department for Education's evaluation of free school meal pilots (2010) found that this is cheaper for the same level of improvement than some other interventions, for example 'Every Child a Reader.' It was however found to be more expensive than some other interventions, although the potential health benefits may compensate for this.

# Agenda Annex

<b>COMMITTEE</b> Cabinet	<b>DATE</b> 13 February 2013	<b>CLASSIFICATION</b> Unrestricted	<b>Annex 6</b>
<b>REPORT OF:</b>  Interim Corporate Director of Resources  <b>ORIGINATING OFFICER(S):</b> Alan Finch: Service Head – Financial Services, Risk and Accountability  Oladapo Shonola – Chief Financial Strategy Officer		<b>TITLE:</b>  Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2013-14  <b>WARDS AFFECTED: ALL</b>	

<b>Lead Member</b>	<b>Cllr Alibor Choudhury – Resources</b>
<b>Community Plan Theme</b>	<b>All</b>
<b>Strategic Priority</b>	<b>One Tower Hamlets</b>

## 1. SUMMARY

- 1.1 The Council is required by legislation and guidance to produce three strategy statements in relation to its treasury management arrangements. The three statements are :
- a Treasury Management Strategy which sets out the Council’s proposed borrowing for the financial year and establishes the parameters (prudential and treasury indicators) within which officers under delegated authority may undertake such activities;
  - an annual Investment Strategy which sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments; and
  - a policy statement on the basis on which provision is to be made in the revenue accounts for the repayment of borrowing – Minimum Revenue Provision (MRP) Policy Statement.
- 1.2 This report also deals with the setting of Prudential Indicators for 2013-14, which ensure that the Council’s capital investment decisions remain affordable, sustainable and prudent; the proposed indicators are detailed in Appendix 1. With the introduction of the government’s self financing arrangements for the Housing Revenue Account (HRA) there are now specific indicators relating to HRA capital investment.
- 1.3 The Council is required to have regard to the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised November 2009) which requires the following:
- a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities (Appendix 3);
  - Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;

- approval by Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy, and prudential indicators for the year ahead together with arrangements for a Mid-year Review Report and an Annual Report covering activities during the previous year;
  - clear delegated responsibility for overseeing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. For this Council the delegated body is the Audit Committee. The scheme of delegation for treasury management is shown in Appendix 4.
- 1.4 Officers will report details of the council's treasury management activity to the Audit Committee at each of its meetings during the year. Additionally, a mid-year and full-year report will be presented to Council. More detailed reporting arrangements are shown in Appendix 5.
- 1.5 The Investment Strategy has been modified as follows to provide further flexibility whilst still limiting exposure to lower credit quality institutions:
- Invest up to £15m for up to 1 year with institutions with Fitch (or equivalent rating) of 'A+';
  - Invest up to £10m for up to 6 months with institutions with Fitch (or equivalent rating) of 'A';
  - Use the Council's own banker for transaction purposes for amounts up to £10m for up to 7 days; and
  - Increase investment limit to any one local authority to £30m, but retain group limit for local authorities at £100m.
- 1.6 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Training will be arranged as required for members of the Audit Committee who are charged with reviewing and monitoring the Council's treasury management policies. The training of treasury management officers is also periodically reviewed and enhanced as appropriate.

## **2. DECISIONS REQUIRED**

The Mayor in Cabinet is requested to:-

- 2.1 Recommend that Full Council adopt:
- 2.1.1 The Treasury Management Strategy Statement set out in sections 6-11 of this report.
- 2.1.2 The Annual Investment Strategy set out in section 12 of this report.
- 2.1.3 The Minimum Revenue Provision Policy Statement set out in section 13 of this report, which officers involved in treasury management must then follow.
- 2.2 Delegate to the Interim Corporate Director of Resources, after consultation with the Lead Member for Resources, authority to vary the figures in this report to reflect any decisions made in relation to the Capital Programme prior to submission to Budget Council.



### **3 REASONS FOR DECISIONS**

- 3.1 It is consistent with the requirements of treasury management specified by CIPFA, to which the Council is required to have regard under the Local Government Act 2003 and regulations made under that Act, for the Council to produce three strategy statements to support the Prudential Indicators which ensure that the Council's capital investment plans are affordable, sustainable and prudent. The three documents that the Council should produce are:
- Treasury Management Strategy, including prudential indicators
  - Investment Strategy
  - Minimum Revenue Provision Policy Statement; and

### **4 ALTERNATIVE OPTIONS**

- 4.1 The Council is bound by legislation to have regard to the CIPFA requirements for treasury management. If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that the Council's capital investment plans are affordable, sustainable and prudent.
- 4.2 The strategies and policy statement put forward in the report are considered the best methods of achieving the CIPFA requirements. Whilst it may be possible to adopt variations of the strategies and policy statement, this would risk failing to achieve the goals of affordability, sustainability and prudence.

### **5 BACKGROUND**

- 5.1 The Local Government Act 2003 Act requires the Council to establish a treasury strategy for borrowing, and an investment strategy for each financial year, which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 5.2 The policies and objectives of the treasury management activities together with the policy on the use of an external treasury advisor are detailed in Appendix 3.
- 5.3 The strategy for 2013-14 encompasses elements of the treasury management function and incorporates the economic forecasts provided by the Council's treasury advisor. It specifically covers:
- treasury limits in force which will limit the treasury risk and activities of the Council;
  - Prudential and Treasury Indicators;
  - the current and projected treasury position to 2015-16;
  - the borrowing requirements for both the General Fund and HRA;
  - prospects for interest rates;
  - the borrowing strategy;
  - policy on borrowing in advance of need;
  - debt rescheduling;
  - the Investment Strategy;
  - policy on credit worthiness;and

- the Minimum Revenue Provision strategy.

## **6 TREASURY LIMITS FOR 2013-14 TO 2015-16**

- 6.1 The Council must have regard to the Prudential Code when setting an Authorised Limit for borrowing (the level of borrowing to fund capital investment that is affordable, with some headroom for unexpected cash movements), which essentially requires it to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is affordable for taxpayers and tenants.
- 6.2 The Authorised Limit is to be set on a rolling basis, for the forthcoming financial year and two successive financial years. Details of the Authorised Limit and other indicators are attached at Appendix 1.
- 6.3 The Prudential Code requires that the Council set a series of indicators on a three year time frame, which are classified in two main categories; prudential and treasury indicators. It should be noted that these indicators are not for comparison with other local authorities, but are a means to support and record local decision-making.
- 6.4 The prudential indicators are there to demonstrate that the Council can afford the proposed capital programme in addition to the borrowing undertaken to fund expenditure in the past and that such expenditure is sustainable and prudent going forward. Also it highlights the impact of capital investment decisions on council tax and housing rents. The prudential indicators reflect the capital programme set which is elsewhere on this agenda.
- 6.5 The Council has set the following prudential indicators as prescribed by the Code and these are set out below and detailed in Appendix 1:
- **Capital Expenditure** – the amount the Council will spend
  - **Ratio of Financing Costs to Net Revenue Stream** – Financing cost as a percentage of revenue budget, to ensure that borrowing does not overwhelm the capacity for other expenditure.
  - **Net Borrowing Requirement** – Amount of external borrowing that will be required in the year.
  - **In Year Capital Financing Requirement** – The amount of borrowing required in year
  - **Capital Financing Requirement (CFR)** – Overall capital financing required for all capital expenditure
  - **Incremental Impact of Financing Costs** – Measures the impact of capital financing costs on council tax and housing rents.
- 6.6 Treasury indicators are about setting parameters within which officers can take treasury management decisions. The Council has set the following treasury indicators as prescribed by the Code and these are set out below and also detailed in Appendix 1:
- **Authorised Limit for External Debt** – The upper limit on the level of gross external debt permitted. It must not be breached without Full Council approval.
  - **Operational Boundary for External Debt** – Most likely and prudent view on the level of gross external debt requirement. Debt includes external borrowings and other long term liabilities.
  - **Gross Borrowing** – This is the actual gross external borrowing that the Council currently has, which will not be comparable to the operational boundary or authorised limit, since the actual gross external debt will reflect the actual position at any one point in time.

- **HRA Debt Limit** – The HRA Self Financing regime came into effect on 01 April 2012. The new regime imposes a maximum HRA CFR on the Council. For the Council this has been set at £184m following repayment of HRA debt totalling £236.2m by Government as part of debt settlement that preceded the implementation of the HRA Self Financing regime.
- **Limits on Interest Rate Exposure** – This indicator sets the limit on the proportion of overall debt that can be fixed/ variable.
- **Upper Limit on Borrowing over 364 days** – This indicator sets the limit on the principal sum that can be invested beyond 364 days.
- **Maturity Structure for Borrowing** – Profile of when loans in the Council's portfolio of debt are expected to mature.

## **7 CURRENT AND PROJECTED TREASURY POSITION**

7.1 The Council's current borrowing and investments as at 30 November 2012 are as follows: the external borrowing total £91m and investments total £237.8m.

7.2 The 2011-12 outturn and estimates for current and future years are detailed in Table 1 below.

**Table 1**

£m	2011/12	2012/13	2012/13	2013/14	2014/15	2015/16
	Actual	Estimate	Revised Estimate	Estimate	Estimate	Estimate
<b>External Debt</b>						
Debt at 1 April	353.475	91.351	91.351	90.406	99.561	113.962
Expected change in Borrowing	(25.924)	1.086	(0.945)	9.155	14.401	(1.068)
HRA settlement	(236.200)	0.000	0.000	0.000	0.000	0.000
Other long-term liabilities (OLTL)	0.000	0.000	0.000	0.000	0.000	52.009
Expected change in OLTL	0.000	0.000	0.000	0.000	0.000	0.000
<b>Actual debt at 31 March</b>	<b>91.351</b>	<b>92.437</b>	<b>90.406</b>	<b>99.561</b>	<b>113.962</b>	<b>164.903</b>
The Capital Financing Requirement	231.735	240.732	226.781	230.409	238.989	284.516
Under / (over) borrowing	140.384	148.295	136.375	130.848	125.027	119.613

## **PROSPECTS FOR INTEREST RATES**

- 8.1 The borrowing and investment strategy is in part determined by the economic environment within which it operates.
- 8.2 The Council has appointed Sector Treasury Services as treasury adviser and part of the service they provide is to assist the Council to formulate a view on interest rates. The following table gives Sector's overall view on interest rates for the next three years.

**Table 2**

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
March 2013	0.50	1.50	3.80	4.00
June 2013	0.50	1.50	3.80	4.00
September 2013	0.50	1.60	3.80	4.00
December 2013	0.50	1.60	3.80	4.00
March 2014	0.50	1.70	3.90	4.10
June 2014	0.50	1.70	3.90	4.10
September 2014	0.50	1.80	4.00	4.20
December 2014	0.50	2.00	4.10	4.30
March 2015	0.75	2.20	4.30	4.50
June 2015	1.00	2.30	4.40	4.60
September 2015	1.25	2.50	4.60	4.80
December 2015	1.50	2.70	4.80	5.00
March 2016	1.75	2.90	5.00	5.20

- 8.3 The economic recovery in the UK since 2008 has been the slowest recovery in recent history, although the economy returned to positive growth in the third quarter of 2012. Growth prospects are weak and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on repayment of personal debt and it is expected that inflation will erode disposable income.
- 8.4 The primary drivers of the UK economy are external and likely to remain so. 40% of UK exports go to the Eurozone, so economic difficulties in this area are likely to continue to hinder UK growth. The US, the main world economy, faces similar debt problems to the UK, so that the resulting US fiscal tightening and continuing Eurozone problems will likely further depress UK growth. The Chancellor of the Exchequer has had to revise down economic growth forecast and also projected further slippage on UK's deficit reduction plans.
- 8.5 This challenging and uncertain economic outlook has several key treasury management implications:
- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
  - Investment returns are likely to remain relatively low during 2013/14 and beyond;
  - Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully;

- There will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

## **9 BORROWING STRATEGY**

- 9.1 The Council will continue to borrow for the following purposes where it is deemed affordable, sustainable and prudent to do so:
- Financing of Capital Expenditure
  - Repayment of Maturing Debt (net of Minimum Revenue Provision)
  - Short Term Cash Flow Financing
- 9.2 The Interim Corporate Director, Resources or in his absence the Service Head, Financial Services, Risk and Accountability under delegated powers will determine the timing, term, type and rate of new borrowing to take into account factors such as:
- Expected movements in interest rates
  - Current maturity profile
  - The impact of borrowing on the council's Medium Term Financial Plan
  - Approved prudential indicators and limits
- 9.3 Officers will continue to monitor interest rate movements closely and adopt a pragmatic approach to changing circumstances. For example, the following potential scenarios would require a reappraisal of strategy:
- A significant risk of a sharp rise in long and short term rates, perhaps arising from a greater than expected increase in world economic activity or further increases in inflation, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap
  - A significant risk of a sharp fall in long and short term rates, due to e.g. growth rates weakening, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term funding will be considered.

## **10 BORROWING IN ADVANCE OF NEED**

- 10.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Council can ensure the security of such funds.
- 10.2 In determining whether borrowing will be undertaken in advance of need the Council will;
- ensure that there is a clear link between the capital programme and maturity profile of existing debt portfolio that supports the need to take funding in advance of need
  - ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
  - evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
  - consider the merits and demerits of alternative forms of funding

- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use.

## **11 DEBT RESCHEDULING**

- 11.1 The Interim Corporate Director-Resources or Service Head Financial Services, Risk and Accountability will continue to consider options to reschedule and restructure the Council's debt portfolio, having due regard for the broad impact of such exercises on the following:
- The maturity profile – council will only undertake debt restructuring where it benefits the maturity profile
  - Ongoing revenue savings will be achieved
  - The effect on the HRA
  - The impact of premiums and discounts has been fully considered; and
  - The impact on prudential indicators.
- 11.2 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
- 11.3 All rescheduling will be reported to the Council, at the earliest meeting following its action.

## **12 ANNUAL INVESTMENT STRATEGY**

### **Investment Policy**

- 12.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are:
- The security of capital;
  - The liquidity of investments to ensure that the Council has cash available to discharge its liabilities as necessary; and that;
  - Within these priorities, the Council will also aim to achieve the optimum return on its investments commensurate with appropriate levels of security and liquidity; and
  - All investments will be in Sterling.
- 12.2 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. Using Sector ratings service, counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.
- 12.3 Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate.

- 12.4 Other information sources used will include the financial press and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- 12.5 The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.
- 12.6 Investment instruments identified for use in the financial year are listed in tables 3 and 4 below under the 'Specified' and 'Non-Specified' investments categories.
- 12.7 Officers will continue to work to maintain and strengthen the Council's investment policy and will refer back to Council with any modification thought to be beneficial to the efficient and effective management of the Council's funds.

### **Creditworthiness Policy**

- 12.8 To achieve these objectives, the Council classifies investment products as either "Specified" or "Non-Specified" as defined within the Guidance.
- 12.9 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
  - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- 12.10 The Interim Corporate Director, Resources or the Service Head, Financial Services, Risk and Accountability will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered good quality which the Council may use, rather than defining what types of investment instruments are to be used.
- 12.11 The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits (with the exceptions noted in 12.13 below). This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies and one meets the Council's criteria whilst the other does not, the institution will fall outside the lending criteria.
- 12.12 Credit rating information is supplied by Sector, our treasury advisers, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing.

12.13 The criteria for providing a pool of high quality investment counterparties (both Specified and Non-Specified investments) is:

- Good credit quality – the Council will only use banks which:
  - i. are UK banks; and/or
  - ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAA; and

Where rated, have as a minimum, the following Fitch ratings, (for equivalent Moody's and Standard and Poors credit ratings, see Table 5 on page 11)

- i. Short term – 'F1'
  - ii. Long term – 'A'
  - iii. Viability / financial strength – 'a' (Fitch/Moody's only)
  - iv. Support – '1'
- Part nationalised/wholly owned UK banks (i.e. Lloyds Banking Group and Royal Bank of Scotland). These banks can be included if they continue to be part nationalised/wholly owned or they meet the ratings in Banks (i) above;
  - The Council's own banker (The Co-operative Bank) for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time;
  - Building Societies – The Council will use all building societies which meet the ratings for banks outlined above;
  - Money Market Funds – UK, AAA (Sterling);
  - UK Government (including gilts and the Debt Management Account Deposit Facility);
  - Local Authorities (including parish councils, etc).

12.14 Specified investments comprise investment instruments which the Council considers offer high security and liquidity. These instruments can be used with minimal procedural formalities. The Guidance considers that specified investments have the following characteristics: -

- denominated in Sterling and have a term of less than one year;
- have "good" credit ratings as determined by the Council itself.

12.15 All other investments are termed non-specified investments. These involve a relatively higher element of risk, and consequently the Council is required to set a limit on the maximum proportion of their funds which will be invested in these instruments. The Strategy should also specify the guidelines for making decisions and the circumstances in which professional advice is obtained.

12.16 Investment instruments identified for use in the financial year are listed in tables 3 and 4 below under the 'Specified' and 'Non-Specified' Investments categories with the associated counterparty limits as set through the Council's Treasury Management Practices – Schedules.



### **Specified Investments:**

- 12.17 It is recommended that the Council should make Specified investment as detailed below in Table 3.
- 12.18 All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum credit quality criteria where applicable. The Council will continue its policy of lending surplus cash to counterparties that meet the Council's minimum credit ratings as outlined in below table.

**Table 3**

<b>Institution</b>	<b>Minimum High Credit Criteria</b>	<b>Money Limit</b>	<b>Term Limit</b>
Debt Management Office (DMO) Deposit Facility	Not applicable	No Limit	N/A
Local Authorities	Not applicable	£30m*	1 year
Bank/Building Society- (High Credit Quality)	Short-Term F1 Long-Term AA-	£30m	1 year
Bank/Building Societies - (Medium Credit Quality)	Short-Term F1 Long-Term A+	£15m	1 year
Bank/Building Societies - (Lower Credit Quality)	Short-Term F1 Long-Term A	£10m	6 months
Part Nationalised / Wholly Owned Banks	N/A	Lesser of £70m or 40% of portfolio**	1 year
Council's Own Banker***	N/A	£10m	7 days
<b>Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)</b>			
Money Market Funds	AAA rated	£15m	Liquid

Definitions of credit ratings (which now incorporate Fitch's viability ratings) are attached at [Appendix 2](#).

\* The group limit for local authorities has been set at £100m.

\*\* Percentage of portfolio at the time of investing.

\*\*\* Limit applied where bank's rating is below minimum required for external investment

### **Non-Specified Investments:**

- 12.19 It is recommended that the Council should make Non-Specified investment as outlined in Table 4.

**Table 4**

<b>Institution</b>	<b>Minimum High Credit Criteria</b>	<b>Money Limit</b>	<b>Term Limit</b>
Bank /Building Society (High Credit Quality)	Sovereign rating AAA Short-term F1+, Long-term AA-	£25m	3 years
Part Nationalised/ Wholly Owned Banks	N/A	£25m	3 years
Structured Deposits: Fixed term deposits with variable rate and variable maturities	Sovereign rating AAA Short-term rating F1+ Long-term rating AA-	£25m	3 years
UK Government Gilts	Long Term AAA	£20m	5 years

12.20 The minimum credit rating required for an institution to be included in the Council's counterparty list is as follows:

**Table 5**

Agency	Long-Term	Short-Term	Viability	Support
Fitch	A	F1	a	1
Moodys	A2	P-1	C-	N/A
Standard &Poors	A	A-2	N/A	N/A
Sovereign Rating	AAA			
Money Market Fund	AAA			

12.21 The Council will lend to the UK Government and its banking sector and to overseas banks from countries with a AAA sovereign rating from Fitch and other credit reference agencies. Based on current lowest available rating, the following countries are currently rated AAA and are therefore approved for investment:

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- United Kingdom

12.22 All credit ratings will be monitored on a proactive basis and the Council's counterparty list will be updated to take account of alerts to changes in ratings through its use of the Sector creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria as outlined in 12.13, its further use as a new investment will be withdrawn immediately.
- If a body is placed on negative rating watch (i.e. there is a reasonable probability of a rating change and the likelihood of that change being negative) and it is currently near the floor of the of the minimum acceptable rating for placing investments with that body as outlined in 12.13, then no further investments will be made with that body.

12.23 Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties.

- 12.24 The Council anticipates its fund balances in 2013-14 to average approximately £175m. Although the actual amount available for investment at any one time will fluctuate as a result of timing of significant items such as:
- Expenditure on capital projects
  - Council tax, business rates, council house rent income
  - Receipt of government grants
  - Capital receipts in respect of major asset sales
- 12.25 It is proposed that the Council adopts a prudential indicator limit of £25m for 2013-14 for term deposits over one year (but no more than 3 years) although only £15m can be invested between 2 to 3 years maturity.

### **13 MINIMUM REVENUE PROVISION POLICY STATEMENT**

- 13.1 The Council is required to provide an annual amount in its revenue budget to provide for the repayment of the debt it has incurred to finance its General Fund capital investment. The calculation of this sum termed the Minimum Revenue Provision (MRP) was previously prescribed by the Government.
- 13.2 The Department of Communities and Local Government (DCLG) now require Councils to establish a policy statement on the MRP and has published guidance on the four potential methodologies to be adopted.
- 13.3 The guidance distinguishes between supported borrowing which relates to assumed borrowing which is incorporated into the Governments FormulaGrant calculation and consequently has an associated amount of government grant and unsupported borrowing. Unsupported borrowing is essentially prudential borrowing the financing costs of which have to be met by the Council locally.
- 13.4 There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made pending finalisation of transitional arrangements following introduction of Self-Financing.
- 13.5 The DCLG guidance provides two options for the calculation of the MRP associated with each classes of borrowing.
- 13.6 The two options for the supported borrowing are variants of the existing statutory calculation which is based on 4% of the aggregate assumed borrowing for general fund capital investment - termed the Capital Financing requirement (CFR). The two options are:
- Option 1 (Regulatory Method): To continue the current statutory calculation based on the gross CFR less a dampening factor to mitigate the impact on revenue budgets of the transition from the previous system. This calculation is further adjusted to repay debt transferred to the Council when the Inner London Education Authority (ILEA) was abolished.
  - Option 2 (Capital Financing Requirement Method): The statutory calculation without the dampener which will increase the annual charge to revenue budget.

- 13.7 The options purely relate to the timing of debt repayment rather than the gross amounts payable over the term of the loans. The higher MRP payable under option 2 will accelerate the repayment of debt.
- 13.8 It is recommended that because of budget constraints in the medium term the existing statutory calculation with the ILEA adjustment be adopted as the basis of the Councils MRP relating to supported borrowing.
- 13.9 The guidance provides two options for the MRP relating to unsupported borrowing. The options are:-
- Option 3 (Asset Life Method): To repay the borrowing over the estimated life of the asset with the provision calculated on either an equal instalment or annuity basis. This method has the advantage of simplicity and relating repayments to the period over which the asset is providing benefit.
  - Option 4 (Depreciation Method): A calculation based on depreciation. This is extremely complex and there are potential difficulties in changing estimated life and residual values.
- 13.10 It is recommended that option 3 is adopted for unsupported borrowing.
- 13.11 The Council is required under regulation 28 of the Local Authorities (Capital Finance and Accounting) (England ) (Amendment) Regulations 2003 to determine for each financial year an amount of minimum revenue provision which it considers to be prudent. It is proposed that the Council makes Minimum Revenue Provision using Option 1 (Regulatory Method) for supported borrowing and Option 3 (Asset Life Method) for unsupported borrowing.

## **14 COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 14.1 The comments of the Chief Finance Officer have been incorporated into the report.

## **15 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

- 15.1 The Local Government Act 2003 provides a framework for the capital finance of local authorities. It provides a power to borrow and imposes a duty on local authorities to determine an affordable borrowing limit. It provides a power to invest. Fundamental to the operation of the scheme is an understanding that authorities will have regard to proper accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in carrying out capital finance functions.
- 15.2 The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 require the Council to have regard to the CIPFA publication "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" ("the Treasury Management Code") in carrying out capital finance functions under the Local Government Act 2003. If after having regard to the Treasury Management Code the Council wished not to follow it, there would need to be some good reason for such deviation.
- 15.3 It is a key principle of the Treasury Management Code that an authority should put in place "comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities". Treasury management activities cover the management of the Council's investments and cash flows, its banking, money market and capital market transactions, the effective control of risks associated with those activities and the pursuit of optimum

performance consistent with those risks. It is consistent with the key principles expressed in the Treasury Management Code for the Council to adopt the strategies and policies proposed in the report.

- 15.4 The report proposes that the treasury management strategy will incorporate prudential indicators. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires the Council to have regard to the CIPFA publication "Prudential Code for Capital Finance in Local Authorities" ("the Prudential Code") when carrying out its duty under the Act to determine an affordable borrowing limit. The Prudential Code specifies a minimum level of prudential indicators required to ensure affordability, sustainability and prudence. The report properly brings forward these matters for determination by the Council. If after having regard to the Prudential Code the Council wished not to follow it, there would need to be some good reason for such deviation.
- 15.5 The Local Government Act 2000 and regulations made under the Act provide that adoption of a plan or strategy for control of a local authority's borrowing, investments or capital expenditure, or for determining the authority's minimum revenue provision, is a matter that should not be the sole responsibility of the authority's executive and, accordingly, it is appropriate for the Cabinet to agree these matters and for them to then be considered by Full council.
- 15.6 When discharging its treasury management functions, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. Information is contained in section 16 of the report relevant to these considerations.

## **16 ONE TOWER HAMLETS CONSIDERATIONS**

- 16.1 Capital investment will contribute to achievement of the corporate objectives, including all those relating to equalities and achieving One Tower Hamlets.. Establishing the statutory policy statements required facilitates the capital investments and ensures that it is prudent.

## **17 SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 17.1 There are no sustainable actions for a greener environment implication.

## **18 RISK MANAGEMENT IMPLICATIONS**

- 18.1 There is inevitably a degree of risk inherent in all treasury activity.
- 18.2 The Investment Strategy identifies the risk associated with different classes of investment instruments and sets the parameters within which treasury activities can be undertaken and controls and processes appropriate for that risk.
- 18.3 Treasury operations are undertaken by nominated officers within the parameters prescribed by the Treasury Management Policy Statement as approved by the Council.
- 18.4 The council is ultimately responsible for risk management in relation to its treasury activities. However, in determining the risk and appropriate controls to put in place the Council has obtained independent advice from Sector Treasury Services who specialise in Council treasury issues.

## 19 **CRIME AND DISORDER REDUCTION IMPLICATIONS**

19.1 There are no any crime and disorder reduction implications arising from this report.

## 20 **EFFICIENCY STATEMENT**

20.1 The Treasury Management Strategy and Investment Strategy and the arrangements put in place to monitor them should ensure that the Council optimises the use of its monetary resources within the constraints placed on the Council by statute, appropriate management of risk and operational requirements.

## 21 **APPENDICES**

Appendix 1 – Prudential and Treasury Indicators

Appendix 2 – Definition of Credit Ratings

Appendix 3 – Treasury Management Policy Statement

Appendix 4 – Treasury Management Scheme of Delegation

Appendix 5 – Treasury Management Reporting Arrangement

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

#### **List of “Background Papers” used in the preparation of this report**

<b>Brief description of “background papers”</b>	<b>Name and telephone number of holder and address where open to inspection.</b>
SECTOR Treasury Management Strategy Statement/ Annual Investment Guidance	Oladapo Shonola (ext 4733) Chief Financial Strategy Officer, 4 <sup>th</sup> Floor, Mulberry Place

**PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS**

Prudential indicators	2011/12	2012/13	2012/13	2013/14	2014/15	2015/16
Extract from budget and rent setting reports	Actual	Original Estimate	Revised Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
<b>Capital Expenditure</b>						
Non – HRA	130.717	124.990	116.727	102.067	24.172	29.099
HRA	31.615	60.376	57.658	78.481	76.590	61.000
<b>TOTAL</b>	<b>162.332</b>	<b>185.366</b>	<b>174.385</b>	<b>180.548</b>	<b>100.762</b>	<b>90.099</b>
<b>Ratio of Financing Costs To Net Revenue Stream</b>						
Non – HRA	0.021	0.024	0.024	0.029	0.035	0.040
HRA	0.179	0.023	0.023	0.040	0.039	0.039
	£m	£m	£m	£m	£m	£m
<b>Gross Debt and Capital Financing Requirement</b>						
Gross Debt	91.351	92.437	90.406	99.561	113.962	164.903
Capital Financing Requirement	231.735	240.732	226.781	230.409	238.989	284.516
Over/(Under) Borrowing	(140.384)	(148.295)	(136.375)	(130.848)	(125.027)	(119.613)
<b>In Year Capital Financing Requirement</b>						
Non – HRA	(0.986)	5.082	(6.143)	3.628	(6.492)	8.378
HRA	12.500	1.469	1.189	0.000	15.072	37.149
<b>TOTAL</b>	<b>11.514</b>	<b>6.551</b>	<b>(4.954)</b>	<b>3.628</b>	<b>8.580</b>	<b>45.527</b>
<b>Capital Financing Requirement as at 31 March</b>						
Non - HRA	162.060	168.399	155.917	159.545	153.053	161.431
HRA	305.875	72.333	70.864	70.864	85.936	123.085
HRA Settlement	(236.200)	0.000	0.000	0.000	0.000	0.000
<b>TOTAL</b>	<b>231.735</b>	<b>240.732</b>	<b>226.781</b>	<b>230.409</b>	<b>238.989</b>	<b>284.516</b>
<b>Incremental Impact of Financing Costs (£)</b>						
Increase in Council Tax (band D) per annum	3.579	0.000	0.000	0.908	0.000	1.746
Increase in average housing rent per week	1.781	0.295	0.292	0.544	0.550	0.885

Treasury Management Indicators	2011/12	2012/13	2012/13	2013/14	2014/15	2015/16
	Actual	Original Estimate	Revised Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
<b>Authorised Limit For External Debt -</b>						
Borrowing & Other long term liabilities	256.735	265.732	265.732	255.409	263.989	309.516
Headroom	20.000	20.000	20.000	20.000	20.000	20.000
<b>TOTAL</b>	<b>276.735</b>	<b>285.732</b>	<b>285.732</b>	<b>275.409</b>	<b>283.989</b>	<b>329.516</b>
<b>Operational Boundary For External Debt -</b>						
Borrowing	256.735	265.732	265.732	255.409	263.989	257.507
Other long term liabilities	0.000	0.000	0.000	0.000	0.000	52.009
<b>TOTAL</b>	<b>256.735</b>	<b>265.732</b>	<b>265.732</b>	<b>255.409</b>	<b>263.989</b>	<b>309.516</b>
<b>Gross Borrowing</b>	<b>91.351</b>	<b>92.437</b>	<b>90.406</b>	<b>99.561</b>	<b>113.962</b>	<b>164.903</b>
<b>HRA Debt Limit*</b>	<b>0.000</b>	<b>184.381</b>	<b>184.381</b>	<b>184.381</b>	<b>184.381</b>	<b>184.381</b>
<b>Upper Limit For Fixed Interest Rate Exposure</b>						
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	100%	100%
<b>Upper Limit For Variable Rate Exposure</b>						
Net interest payable on variable rate borrowing / investments	20%	20%	20%	20%	20%	20%
<b>Upper limit for total principal sums invested for over 364 days</b> (per maturity date)	<b>£25m</b>	<b>£25m</b>	<b>£25m</b>	<b>£25m</b>	<b>£25m</b>	<b>£25m</b>

\*HRA Debt limit is a cap on borrowing that restricts borrowing by the HRA

Maturity structure of new fixed rate borrowing during 2013/14	Upper Limit	Lower Limit
under 12 months	10%	0%
12 months and within 24 months	30%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	80%	0%
10 years and above	100%	0%



## Appendix 2: Definition of Credit Ratings

### Support Ratings

Rating	
1	A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question. This probability of support indicates a minimum Long-term rating floor of 'A-'.
2	A bank for which there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to provide support to the bank in question. This probability of support indicates a minimum Long-term rating floor of 'BBB-'.
3	A bank for which there is a moderate probability of support because of uncertainties about the ability or propensity of the potential provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'BB-'.
4	A bank for which there is a limited probability of support because of significant uncertainties about the ability or propensity of any possible provider of support to do so. This probability of support indicates a minimum Long-term rating floor of 'B'.
5	A bank for which external support, although possible, cannot be relied upon. This may be due to a lack of propensity to provide support or to very weak financial ability to do so. This probability of support indicates a Long-term rating floor no higher than 'B-' and in many cases no floor at all.

### Short-term Ratings

Rating	
F1	<b>Highest credit quality.</b> Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	<b>Good credit quality.</b> A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3	<b>Fair credit quality.</b> The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.

### Long-term Ratings

Rating	Current Definition (August 2003)
<b>AAA</b>	<b>Highest credit quality.</b> 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
<b>AA</b>	<b>Very high credit quality.</b> 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
<b>A</b>	<b>High credit quality.</b> 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
<b>BBB</b>	<b>Good credit quality.</b> 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category

### Individual Ratings

Rating	
<b>A</b>	A very strong bank. Characteristics may include outstanding profitability and balance sheet integrity, franchise, management, operating environment or prospects.
<b>B</b>	A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects
<b>C</b>	An adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.
<b>D</b>	A bank, which has weaknesses of internal and/or external origin. There are concerns regarding its profitability, substance and resilience, balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with a greater number of potential deficiencies of external origin.
<b>E</b>	A bank with very serious problems, which either requires or is likely to require external support.

## Conversion/Comparison Table of Individual Ratings to Viability Ratings

Individual Rating	Viability Rating	Definitions
A	aaa	Highest fundamental credit quality 'aaa' ratings denote the best prospects for ongoing viability and lowest expectation of failure risk. They are assigned only to banks with extremely strong and stable fundamental characteristics, such that they are most unlikely to have to rely on extraordinary support to avoid default. This capacity is highly unlikely to be adversely affected by foreseeable events.
A/B	aa	Very high fundamental credit quality 'aa' ratings denote very strong prospects for ongoing viability and expectations of very low failure risk. Fundamental characteristics are very strong and stable, such that it is considered highly unlikely that the bank would have to rely on extraordinary support to avoid default. This capacity is not significantly vulnerable to foreseeable events.
B/C	a	High fundamental credit quality 'a' ratings denote strong prospects for ongoing viability and expectations of low failure risk. Fundamental characteristics are strong and stable, such that it is unlikely that the bank would have to rely on extraordinary support to avoid default. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
C/D	bbb	Good fundamental credit quality 'bbb' ratings denote good prospects for ongoing viability and indicate that expectations of failure risk are currently low. The bank's fundamentals are adequate, such that there is a low risk that it would have to rely on extraordinary support to avoid default. However, adverse business or economic conditions are more likely to impair this capacity.
C/D	bb	Speculative fundamental credit quality 'bb' ratings denote moderately weak prospects for ongoing viability and indicate an elevated vulnerability to failure risk, particularly in the event of adverse changes in business or economic conditions over time; however, a moderate degree of fundamental financial strength exists, which would have to be eroded before the bank would have to rely on extraordinary support to avoid default.
D/E	b	Highly speculative fundamental credit quality 'b' ratings denote weak prospects for ongoing viability. Material failure risk is present but a limited margin of safety remains. The bank is currently operating without reliance on extraordinary support; however, capacity for continued unsupported operation is vulnerable to deterioration in the business and economic environment.
D/E	ccc	Substantial fundamental credit risk Failure of the bank is a real possibility. The capacity for continued unsupported operation is highly vulnerable to deterioration in the business and economic environment.
E	cc	Very high levels of fundamental credit risk Failure of the bank appears probable.
E	c	Exceptionally high levels of fundamental credit risk Failure of the bank is imminent or inevitable.
F	f	'f' ratings indicate an issuer that, in Fitch's opinion, has failed, and that either has defaulted or would have defaulted had it not received external support.



## **Treasury Management Policy Statement**

The London Borough of Tower Hamlets defines the policies and objectives of its treasury management activities as follows: -

1. This organisation defines its treasury management activities as:  
“The management of the authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.”

### **Policy on use of an External Treasury Advisor**

The Council shall employ an external treasury advisor to provide treasury management advice and cash management support services. However, the Council shall control the credit criteria and the associated counter-party list for investments.

The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## Treasury Management Scheme of Delegation

### 1. Full Council / Cabinet

- receiving and reviewing reports on treasury management policies, practices and activities
- receiving the mid-year and annual (outturn) reports
- approval of annual strategy.

### 2. Cabinet /Section 151 Officer

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement
- budget consideration and approval
- approval of the division of responsibilities
- approving the selection of external service providers and agreeing terms of appointment.

### 3. Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.
- receiving and reviewing regular monitoring reports and acting on recommendations

**Treasury Management Reporting Arrangement**

<b>Area of Responsibility</b>	<b>Council/Committee/Officer</b>	<b>Frequency</b>
Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Full Council	Annually before the start of the financial year to which policies relate
Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Full Council	To next available Council following presentation at Audit Committee in the financial year to which policies relate
Updates or revisions to the Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Full Council	As necessary
Annual Treasury Outturn Report	Audit Committee	Annually by 30 September after the year end to which the report relates
Treasury Management Practices	Corporate Director-Resources	N/A
Scrutiny of Treasury Management Strategy Statement	Overview and Scrutiny Committee	Annually before the start of the financial year to which the report relates
Scrutiny of Treasury Management Performance	Audit Committee	Quarterly

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