



Meeting of the

CABINET

Wednesday, 13 February 2013 at 5.30 p.m.

AGENDA – SECTION ONE

VENUE

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

Members:

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

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

If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

Matthew Mannion, Democratic Services,

Tel: 020 7364 4651, E-mail: matthew.mannion@towerhamlets.gov.uk



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LONDON BOROUGH OF TOWER HAMLETS

CABINET

WEDNESDAY, 13 FEBRUARY 2013

5.30 p.m.

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

PUBLIC QUESTION AND ANSWER SESSION

There will be an opportunity (up to 15 minutes) for members of the public to put questions to Cabinet members before the Cabinet commences its consideration of the substantive business set out in the agenda.

Questions can be submitted in advance to the Town Hall or be asked on the evening.

Send any questions to Matthew Mannion, Democratic Services, Town Hall, Mulberry Place, Poplar, E14 2BG or email matthew.mannion@towerhamlets.gov.uk by 5pm Wednesday, [Insert Date].

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS (Pages 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. UNRESTRICTED MINUTES

PAGE NUMBER	WARD(S) AFFECTED
5 - 22	

The unrestricted minutes of the Cabinet meeting held on Wednesday 9 January 2013 are presented for information.

4. PETITIONS

To receive any petitions.

5. OVERVIEW & SCRUTINY COMMITTEE

5.1 Chair's advice of Key Issues or Questions in relation to Unrestricted Business to be considered

5.2 Any Unrestricted Decisions "Called in" by the Overview & Scrutiny Committee

(Under provisions of Article 6 Para 6.02 V of the Constitution).

UNRESTRICTED REPORTS FOR CONSIDERATION

6. A GREAT PLACE TO LIVE

6 .1	Options for the Refurbishment of Phase 3 of the Council's Shorflife Housing Properties	23 - 36	Bethnal Green North; Bromley-By-Bow; Whitechapel
6 .2	London Housing Consortium	37 - 56	All Wards

7. A PROSPEROUS COMMUNITY

8. A SAFE AND COHESIVE COMMUNITY

9. A HEALTHY AND SUPPORTIVE COMMUNITY

10. ONE TOWER HAMLETS

10 .1	Housing Revenue Account Budget Report - 2013/14	57 - 90	All Wards
10 .2	General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013/14-2015-16	91 - 234	All Wards
10 .3	Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2013-14	235 - 260	All Wards
10 .4	Quarter 3 - Special Contracts Forward Plan	261 - 266	All Wards

11. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

12. UNRESTRICTED REPORTS FOR INFORMATION

12 .1	Exercise of Corporate Directors' Discretions	267 - 272	All Wards
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13. **EXCLUSION OF THE PRESS AND PUBLIC**

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

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

EXEMPT/CONFIDENTIAL SECTION (PINK)

The Exempt / Confidential (Pink) Committee papers in the Agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Committee Officer present.

	PAGE NUMBER	WARD(S) AFFECTED
14. EXEMPT / CONFIDENTIAL MINUTES		
The exempt / confidential minutes of the Cabinet meeting held on 9 January 2013 are presented for information.		
15. OVERVIEW & SCRUTINY COMMITTEE		
15 .1 Chair's advice of Key Issues or Questions in relation to Exempt / Confidential Business to be considered.		
15 .2 Any Exempt / Confidential Decisions "Called in" by the Overview & Scrutiny Committee		
(Under provisions of Article 6 Para 6.02 V of the Constitution).		
EXEMPT / CONFIDENTIAL REPORTS FOR CONSIDERATION		
16. A GREAT PLACE TO LIVE		
16 .1 Asset Rationalisation Review (Depots and Town Hall)		All Wards
17. A PROSPEROUS COMMUNITY		
18. A SAFE AND COHESIVE COMMUNITY		
19. A HEALTHY AND SUPPORTIVE COMMUNITY		
20. ONE TOWER HAMLETS		
21. ANY OTHER EXEMPT/ CONFIDENTIAL BUSINESS CONSIDERED TO BE URGENT		

22. EXEMPT / CONFIDENTIAL REPORTS FOR INFORMATION

SCRUTINY PROCESS

The Overview and Scrutiny Committee, at its meeting on **Tuesday 12 March 2013** may scrutinise provisional decisions made in respect of any of the reports attached, if it is “called in” by **five** or more Councillors except where the decision involves a recommendation to full Council.

The deadline for “Call-in” is: Friday 22 February 2013 **(5.00 p.m.)**

Councillors wishing to “call-in” a provisional decision, or members of the public wishing to submit a deputation request, should contact: **John Williams**
Service Head Democratic Services:
020 7364 4205

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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

MINUTES OF THE CABINET

HELD AT 5.34 P.M. ON WEDNESDAY, 9 JANUARY 2013

**COMMITTEE ROOM, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present:

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

Other Councillors Present:

Councillor Kabir Ahmed	(Executive Advisor to the Mayor and Cabinet)
Councillor Stephanie Eaton	
Councillor Marc Francis	
Councillor Carlo Gibbs	
Councillor Peter Golds	(Leader of the Conservative Group)
Councillor Md. Maium Miah	(Advisor to the Mayor and Cabinet on Third Sector and Community Engagement)
Councillor Ann Jackson	(Chair, Overview & Scrutiny Committee)
Councillor Gulam Robbani	

Officers Present:

Stephen Adams	– (Finance and Resources Manager, Communities Localities & Culture)
Katherine Ball	– (Senior Accountant, Development & Renewal)
Sarah Barr	– (Senior Strategy Policy and Performance Officer, One Tower Hamlets, Chief Executive's)
Robin Beattie	– (Service Head, Strategy & Resources & Olympic Impact, Communities Localities & Culture)
Anne Canning	– (Service Head Learning & Achievement, Children's Services)
Isobel Cattermole	– (Corporate Director, Education, Social Care and Wellbeing)
Deborah Cohen	– (Service Head, Commissioning and Health, Education, Social Care and Wellbeing)
John Coker	– (Strategic Housing Manager, Development & Renewal)
Aman Dalvi	– (Corporate Director, Development & Renewal)

Emily Fieran-Reed	– (Head of Community Safety Partnership, Domestic Violence & Hate Crime)
Isabella Freeman	– (Assistant Chief Executive - Legal Services, Chief Executive's)
Stephen Halsey	– (Head of Paid Service and Corporate Director Communities, Localities & Culture)
Chris Holme	– (Acting Corporate Director - Resources)
Numan Hussain	– (Political Advisor to the Mayor, Executive Mayor's Office, Chief Executive's)
Ellie Kuper-Thomas	– (Strategy, Policy and Performance Officer - Executive Mayor's Office, One Tower Hamlets, Chief Executive's)
Paul Leeson	– (Finance Manager, Development & Renewal)
Andy Mace	– (Development Manager, Major Project Development, Development & Renewal)
Jackie Odunoye	– (Head of Strategy, Innovation & Sustainability, Development & Renewal)
Takki Sulaiman	– (Service Head Communications, Chief Executive's)
Ann Sutcliffe	– (Service Head Strategic Property, Development and Renewal)
Claire Symonds	– (Service Head, Customer Access and ICT)
Chris Lovitt	– (Associate Director of Public Health)
Helen Mitchell	– (HRA Accountant)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received on behalf of:

- Councillor Rania Khan (Cabinet Member for Culture)
- Councillor Shahed Ali (Cabinet Member for Environment)

Noted.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

No pecuniary interests were declared however Councillor Shafiqul Haque noted in relation to Item 6.1 that he was a leaseholder but that it was not a Pecuniary Interest and so he would take part in the discussion of that item.

Noted.

3. UNRESTRICTED MINUTES

The unrestricted minutes of the ordinary meeting of the Cabinet held on 5 December 2012 were presented for information.

4. PETITIONS

No petitions were received.

5. OVERVIEW & SCRUTINY COMMITTEE

5.1 Chair's advice of Key Issues or Questions in relation to Unrestricted Business to be considered

Pre-decision scrutiny questions on Agenda Items 6.3 (Disposals Programme), 71 (Future Commissioning Arrangements and 8.1 (Bonner Primary School) were **Tabled** and noted.

The tabled responses to the questions on Items 7.1 and 8.1 were also noted. In respect of the question on Item 6.3, officers responded to that question under the appropriate Agenda Item.

In addition, Councillor Ann Jackson, Chair of the Overview and Scrutiny Committee (OSC) provided the Cabinet with an update on their meeting the previous evening. She reported that a number of issues had been considered including that:

- An extraordinary OSC meeting had been held on 17 December to consider the call-in of the Mainstream Grants Programme and that Members were still looking for answers to some questions in relation to the scheme.
- The regular January meeting had received a report on the 2012 annual canvass and also the new individual electoral registration system where Members had expressed concerns over the potential for fraud under individual registration and accuracy issues on the data matched by the Department for Work and Pensions which would create additional work for the elections team.
- On the Financial Inclusion Strategy there was an interesting discussion on possible ways of tackling this issue.
- The Committee was continuing its review work for example on the accountability of housing providers and on youth unemployment. Work would also shortly begin on reviewing post-16 attainment and the mainstream grants programme.

The **Mayor** thanked Councillor Ann Jackson for her update.

5.2 Any Unrestricted Decisions "Called in" by the Overview & Scrutiny Committee

The Clerk advised that no requests had been received by the Assistant Chief Executive (Legal Services) to 'call-in' for further consideration, by the Overview and Scrutiny Committee any provisional decisions taken by the Mayor in Cabinet, at the Cabinet meeting held on 5 December 2012.

6. A GREAT PLACE TO LIVE

6.1 Payment Support Options to Leaseholders for Repayment of Decent Homes/Major Works Recharges

Councillor Rabina Khan, Cabinet Member for Housing introduced the report. She highlighted the duty of care the Council had to leaseholders and the options available to offer payment support and encourage early payments.

During discussion, a number of Cabinet Members welcomed the report. Members also highlighted issues to consider including:

- Ensuring works were completed to a satisfactory level.
- Whether some leaseholders were subletting properties.
- The responsibility on leaseholders to pay their bills but the need to ensure bills were appropriate.

In particular the Cabinet Member for Jobs and Skills, Councillor Shafiqul Haque, emphasised that:

- Section 20 consultations must be meaningful and effective and not just the minimum required.
- He had concerns that Service Charge levels at Tower Hamlets Homes were far in excess of reasonable levels elsewhere. The Corporate Director was asked to look into this issue.

It was stated that the Cabinet Member for Housing would be leading a subgroup to maintain oversight of many of these issues.

The **Mayor** welcomed the report and thanked Members for their contributions to the discussion. He stated that officers would convey the concerns expressed to Tower Hamlets Homes to ensure the actions are taken.

RESOLVED

1. To adopt the Payment options detailed at Appendix 1
2. To authorise the Corporate Director Development and Renewal in consultation with Assistant Chief Executive (Legal), to enter into all necessary documents to implement the decisions made in respect of this report.

6.2 Procurement of Decent Homes Contractors and Consultants Years 3 4 and 5

Councillor Rabina Khan, Cabinet Member for Housing, introduced the report. She highlighted the level of Decent Homes funding achieved by the Council but reported that there was still a shortfall. She explained that the Mayor had agreed to fund the shortfall. Finally, she highlighted that the contracts would

result in significant local benefits including new apprenticeships, and both long and short term employment options.

Members proceeded to discuss the report and raised a number of issues including that:

- It was important to ensure that the past record of the contractors was considered when awarding contracts.
- The standard of work should also be monitored with appropriate sanctions available.

The **Mayor** welcomed the report and in particular the benefits the contracts could have to local companies and employment.

RESOLVED

1. To authorise the Mayor to award the DH works contracts to the contractors and consultants listed in 2.1.1 – 2.1.3 once the results of the leaseholder consultation have been considered,
 - 1.1 Lot 1 Contractors (Internal Works only)
 - Chigwell (Shepherds Bush) Ltd
 - RR Richardson LTD
 - 1.2 Lot 2 Contractors (Internal and External Works)
 - Apollo Property Services Group LTD
 - Axis Europe PLC and
 - Breyer Group PLC
 - 1.3 Lot 2 Consultants (Internal and External Works) Framework of 6 consultants with the first 3 administering the 2013/14 DH works programme annual mini competition thereafter:
 - Mace Group
 - John Rowan and Partners LLP
 - Pellings LLP
 - Frankham Consultancy Group Limited
 - Bailey Garner LLP
 - Potter Raper Partnerships
2. To authorise the Assistant Chief Executive (Legal), to enter into all necessary documents to implement the decisions made in respect of this report.
3. To adopt an initial capital estimate of £71 million in respect of the 2013/14 and 2014/15 DH Programme, profiled as 2013/14: £25million and 2014/15: £46 million, in order to enter into the contracts. The details of the programme of works will be subject to a separate report.

6.3 Disposals Programme

Councillor Alibor Choudhury, Cabinet Member for Resources, introduced the report.

In response to questions, officers reported that external agents were to be employed to help ensure best value was achieved on the open market.

In response to the tabled Overview and Scrutiny Committee question, officers described the process undertaken in evaluating disposal decisions including Cabinet and Asset Management Group discussions. It was highlighted that this was one part of a larger programme and that social and affordable housing were an important part of the wider scheme.

The **Mayor** welcomed the report and how it would help to deliver the aspirations of the Council. He accepted the recommendations in the report.

RESOLVED

1. To note the contents of this report:
2. To agree to the disposal of part of Southern Grove;
3. To authorise officers to secure a planning brief for site at part of Southern Grove;
4. Following consultation with the Mayor and Lead Member for Resources, authorise the Director of Development and Renewal, in conjunction with the Assistant Chief Executive Legal Services, to accept the best tender return for the site on conclusion of the marketing exercise; and ,
5. To authorise officers to appoint external agents to support the marketing of the site.

6.4 Poplar Baths and Dame Colet House - Tender results report and recommendation

Councillor Rabina Khan, Cabinet Member for Housing, introduced the report. She highlighted that the report was a significant step to realising the Mayor's pledge to reopen Poplar Baths and that it would also enable the building of 100 much-needed housing units and a youth centre.

During discussion of the report two local residents who had been involved in the campaign to reopen the baths addressed Cabinet and welcomed the progress that had been made. They also looked forward to seeing Dame Collet House being rebuilt and the new youth centre being provided. Cabinet Members also welcomed the report and paid tribute to those who had

campaigned for Poplar Baths to be reopened. They urged that action be taken as soon as possible.

The **Mayor** welcomed the report and noted that there would be a further report to consider in Part II of the meeting.

Note – the report resolutions were considered alongside the Part II/Exempt report later in the meeting. For the final resolution please see Item 16.1.

7. A PROSPEROUS COMMUNITY

7.1 Future Commissioning Arrangements for Public Health Services

Councillor Abdul Asad, Cabinet Member for Health and Wellbeing introduced the report. He thanked officers and Members for the amount of work undertaken on this issue. He highlighted that once the contracts were transferred to the Local Authority the Mayor would be involved in deciding when they would end. In relation to paragraph 6.11 and the commissioning intentions for various groups of contracts, the Mayor and Cabinet Members would be fully involved in the re-design and procurement of the new Public Health services and Councillor Asad would be working with officers to produce procurement plans to reflect the Council's and community's wishes.

The Acting Corporate Director of Children, Schools and Families drew members attention to tabled changes to the report although she emphasised that these did not affect the recommendations.

The **Mayor** noted the discussion including around the need to advertise out to the community and the tabled question and answer from the Overview and Scrutiny Committee. He stated that it was important that locally based services were best able to benefit the community. He agreed with Councillor Abdul Assad's proposed alteration to recommendation 2 and approved the recommendations.

RESOLVED

- 1 To approve the commencement of competitive tender processes for the following contracts:
 - (See section 1a of the spread sheet appended to the report);
(Please note contracts will not be awarded if insufficient funding is allocated by the DoH and the matter will be brought back to the Mayor)
2. That once the contracts had been transferred to the Local Authority, they would fall under Council control and the Mayor would decide when they would end. This would be done as part of a programme of service redesign.
 - (See section 1b of the spread sheet appended to the report)

3. To approve the procurement, during 2013/14 of the following contracts scheduled to expire on 31 March 2014:
 - (See section 1c of the spread sheet appended to the report);
4. To note the contracts currently held by the NHS where the services are already provided by the Council. These will become directly provided services from 01 April 2013, and therefore no further commissioning is required:
 - (See section 1d of the spread sheet appended to the report);
5. To note the contracts which the NHS will not maintain beyond 31 March 2013 and will be decommissioned by the PCT. Therefore no commissioning activity is required by the Council:
 - (See section 1e of the spread sheet appended to the report);
6. To approve the transfer of responsibility to the Council for the elements of the current contracts with Barts Health NHS Trust and the East London Foundation Trust (ELFT) which pertain to services delivered to residents of Tower Hamlets and note that the Barts contract expires on 31 March 2014 and the ELFT contract on 30th June 2014. The services currently provided to Tower Hamlets residents under these contracts are:
 - (See section 2a of the spread sheet appended to the report);
7. To note the intention to work with the Tower Hamlets Clinical Commissioning Group, neighbouring Councils and their respective Clinical Commissioning Groups who have an interest in the contracts with the Barts Health NHS Trust during 2013/14 to determine longer term commissioning arrangements which balance local flexibility and priorities with a prudent approach to risk sharing;
8. To delegate authority to the Corporate Director responsible for the functions being exercised in the contracts in accordance with the Council's constitution in consultation with the Cabinet Member for Health and Wellbeing and Assistant Chief Executive (Legal Services), and subject to final approval by the Mayor, to enter into various agreements to give effect to the recommendations detailed above and also to enter an agreement with the Tower Hamlets Clinical Commissioning Group for the management of contractual arrangements with GPs and Pharmacists currently delivered under NHS Local Enhanced Services arrangements or direct employment contracts with the NHS, for the period 1 April 2013 to 31 March 2014. This is subject always to establishing adequate funding and satisfactory terms that protect the Council and deliver local objectives and or other appropriate providers. In particular the services currently provided to Tower Hamlets residents under these Local Enhanced Services arrangements are:
 - (See sections 2c and 2e of the spread sheet appended to the report);

9. To approve the proposed joint commissioning arrangements for the commissioning of sexual health services with the Commissioning Support Unit (who will commission health services on behalf of the Tower Hamlets Clinical Commissioning Group) acting as lead commissioner. The services currently provided to Tower Hamlets residents that fall within the remit of the proposed joint commissioning arrangements are:
 - (See sections 2b and 2d of the spread sheet appended to the report)
10. To delegate authority to the Corporate Director responsible for the functions being exercised in the contracts in consultation with the Cabinet Member for Health and Wellbeing and other relevant Lead Member(s) and chief officer(s), and the Assistant Chief Executive (Legal Services), and subject to final approval by the Mayor, to approve the award of contracts to the most economically advantageous tenderers following the completion of the procurement processes referred to in recommendations 2, 3 and 4 above subject always to the establishment of appropriate terms and appropriate measures to safeguard local priorities.
11. To delegate authority to the Corporate Director responsible for the functions being exercised in the contracts to undertake and to enter into all appropriate arrangements relating to Equality Impact Assessments and consideration of the Public Sector Equality Duty in accordance with the Equality Act 2010 prior to any decisions being taken on commissioning or de-commissioning of services .

8. A SAFE AND COHESIVE COMMUNITY

8.1 Bonner Primary School - Proposed Extension

Councillor Oliur Rahman, Cabinet Member for Children's Services, introduced the report. He highlighted the growing demand for school places in the borough and that Bonner Primary School was an outstanding school. He stated that recommendations 3, 4 and 5 should be altered to include the Cabinet Member for Children's Services in the consultation processes.

Responding to questions officers stated that adequate safeguards were in place in light of the building having shared uses.

The **Mayor** noted the tabled Overview and Scrutiny tabled question and answer, the concerns expressed in relation to the shared use of the site and the impact on the University of Cumbria's services and he agreed the recommendations subject to the amendments proposed.

RESOLVED

1. To note the contents of this report;
2. To agree that statutory proposals should be published for the enlargement of Bonner Primary School to admit 120 pupils in each year from September 2013.
3. To authorise the Acting Corporate Director Children Schools and Families, after consulting with the Mayor, Cabinet Member for Children's Services and the Assistant Chief Executive (Legal Services), to negotiate and agree such terms (including, in either case, the payment of appropriate financial compensation), as will enable the proposed extension to Bonner Primary School either to share the PDC with the University until 2018, or for the University to vacate those parts of the PDC which it occupies and move into alternative premises.
4. To authorise the Acting Corporate Director Children Schools and Families, after consulting with the Mayor, Cabinet Member for Children's Services and the Assistant Chief Executive (Legal Services) to negotiate and agree with the University such terms for the University's continued occupation of the PDC as will enable the University to continue to enjoy its current use of the PDC in a manner which is consonant with the University's reasonable expectations including (without prejudice to the generality of the foregoing), teaching both undergraduate and post-graduate students in an environment not inimical to academic study.
5. To authorise the Acting Corporate Director Children Schools and Families after consulting with the Mayor, Cabinet Member for Children's Services and the Assistant Chief Executive (Legal Services) to take such steps as are necessary in the planning and design process to ensure that the Council is enabled fully to comply with its legal obligations relating to the safeguarding of children.

9. A HEALTHY AND SUPPORTIVE COMMUNITY**9.1 Violence Against Women and Girls Plan**

Councillor Ohid Ahmed, Deputy Mayor, introduced the report. He welcomed the proposals and highlighted the four objectives that the Council wanted to achieve.

During discussion the impact on proposed benefits cuts was noted and officers confirmed that extensive consultation had taken place with service users in drawing up the plan.

The **Mayor** welcomed the report and agreed the recommendations.

RESOLVED

1. To agree the Violence Against Women and Girls Plan as set out in Appendix 1.
2. To consider the equality analysis in Appendix 2.
3. To note that the Violence Against Women and Girls Plan has been prepared with the Council's major partners to be the appropriate detailed service and partnership framework for addressing all forms of violence against women and girls within the Borough.

10. ONE TOWER HAMLETS**10.1 Housing Revenue Account First Budget and Rent Setting Report - 2013/14**

[Note – Agenda Items 10.1 (Housing Revenue Account), 10.2 (Council Tax Base Report), 10.3 (General Fund Capital and Revenue Budgets) and 10.4 (Council Tax Support Scheme) were considered together and the combined minute is presented here. The approved recommendations are listed under the relevant items]

Councillor Rabina Khan, Cabinet Member for Housing, introduced the report for Item 10.1. She highlighted that although the rents were increasing in line with government policy they were still very low in comparison to other boroughs.

Councillor Alibor Choudhury, Cabinet Member for Resources, introduced the reports for items 10.2, 10.3 and 10.4. In particular he highlighted that:

- There were proposed changes to Council Tax to encourage landlords to ensure properties were occupied.
- The Council budget presented was at a draft stage and would go out to consultation.
- The budget listed actions to deal with the funding gap from central government whilst tackling the Mayor's priorities.
- The Council Tax support scheme was important in these tough economic circumstances.

The reports were discussed and issues raised included:

- Consultations with unions over reductions in posts.
- Service charge levels for tenants.
- Actions to support families suffering economic difficulties.
- Positive actions being taken in areas such as supporting young people in education in spite of the government funding cuts.

The **Mayor** thanked everyone for their contributions and accepted the recommendations in the reports.

RESOLVED

1. To agree that the Authority will continue to follow rent restructuring guidelines, and that therefore, the average 2013/14 weekly rent increase for tenanted

Council dwellings will be £4.39 and the average weekly tenanted service charge increase will be £0.25 from the first rent week in April 2013.

2. To note that the HRA budget will be presented to Cabinet for approval in February 2013.

10.2 Council Tax Base Report

[Note – Agenda Items 10.1 (Housing Revenue Account), 10.2 (Council Tax Base Report), 10.3 (General Fund Capital and Revenue Budgets) and 10.4 (Council Tax Support Scheme) were considered together and the combined minute is presented under Item 10.1.]

RESOLVED

1. To consider and agree that:
 - in relation to second homes, furnished empty properties, properties undergoing refurbishment, and new properties, the Council can charge up to 100% of the full Council Tax payable;
 - for properties empty for more than 2 years, a levy of 1.5 times the full Council Tax payable be charged; and
 - agree the policy on “Section 13a Council Tax Reductions”
2. To approve, in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992, that the amount calculated by the London Borough of Tower Hamlets as its Council Tax Base for the year 2013/14 shall be 71,531 including the technical changes.

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

[Note – Agenda Items 10.1 (Housing Revenue Account), 10.2 (Council Tax Base Report), 10.3 (General Fund Capital and Revenue Budgets) and 10.4 (Council Tax Support Scheme) were considered together and the combined minute is presented under Item 10.1.]

RESOLVED

1. To agree to propose the items listed below for public consultation and consideration by the Overview & Scrutiny Committee in accordance with the Budget and Policy Framework (Section 15). A further report will then be submitted to the next Cabinet meeting in February detailing the results of consultations and inviting the Cabinet to recommend a budget Requirement and Council Tax for 2013-14 to Full Council.

a. 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).

b. Base Budget 2013-14

The Base Budget for 2013-14 as £293.865m as detailed in Appendix 2.

c. 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.

d. 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.

e. Savings

Savings items proposed to be included in budgets for 2013-14 and future years set out in Section 10 and in Appendices 4 and 5.

f. 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.

g. Dedicated Schools Grant

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

h. Housing Revenue Account

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

i. 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.

j. 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.

10.4 London Borough of Tower Hamlets Council Tax Support Scheme

[Note – Agenda Items 10.1 (Housing Revenue Account), 10.2 (Council Tax Base Report), 10.3 (General Fund Capital and Revenue Budgets) and 10.4 (Council Tax Support Scheme) were considered together and the combined minute is presented under Item 10.1.]

RESOLVED

1. To agree the proposed Council Tax Support scheme as the replacement to Council Tax Benefit from April 2013. (The draft scheme is published on the Council's website)
2. To note the results of the public consultation on the Council Tax Support scheme.
3. To note that the scheme will need to be agreed by full Council.
4. To note that adoption of the scheme will enable the council to apply for part of a £100m DCLG transition grant.

10.5 Contracts Forward Plan Q3

Councillor Abdul Asad, Cabinet Member for Health and Wellbeing introduced the report. He explained that the Domiciliary Care Contract on page 28 of the supplementary pack was being withdrawn from the report.

The **Mayor** welcomed the report and accepted the recommendations subject to the removal of the Domiciliary Care Contract.

RESOLVED

1. To consider the contract summary at Appendix 1, and to agree the following contracts be taken forward:
 - a. Resources R4414 – (Various insurances)
 - b. Resources R4357 – (Leaseholder Insurance)
 - c. Chief Executive CE3878 – (Print and Design Framework)
 - d. Chief Executive CE4364 – (Inter-borough print contract)
 - e. CLC 4383 – (Community Alcohol Service)
 - f. D&R 4370 – (Office equipment – printers and MFDs)
2. To authorise the relevant Corporate Director who holds the budget for the service area to award the contract or contracts set out in 1 above following consultation with the Assistant Chief Executive (Legal Services) on the relevant terms and conditions of contract and
3. To authorise the Assistant Chief Executive (Legal Services) to execute all necessary contract documents in respect of the awards of contracts referred to at recommendation 1 above.

10.6 Procurement Plan

Councillor Alibor Choudhury, Cabinet Member for Resources, welcomed the report. He thanked officers for their work and highlighted the importance of a good procurement plan in helping to target the Council's priorities.

The **Mayor** welcomed the report and highlighted its value in driving forward the Council's ambitions.

RESOLVED

1. To note the Procurement Policy Priorities.

11. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

Nil items.

12. UNRESTRICTED REPORTS FOR INFORMATION

12.1 Exercise of Corporate Directors' Discretions

The **Mayor** received the report and accepted the recommendation.

RESOLVED

1. To note the exercise of Corporate Directors' discretions as set out in Appendix 1.

13. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That pursuant to regulation 21(1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000, the press and public be excluded from the remainder of the meeting:

- (a) As it was likely, in view of the nature of the business to be transacted in Section Two of the agenda, that if members of the public were present during consideration of this business there would be disclosure of exempt information.
- Exempt information is defined in section 100I and, by reference, Schedule 12A of the Local Government Act 1972 ("the 1972 Act"). To be exempt, information must fall within one of the categories listed in paragraphs 1 to 7 of Schedule 12A, must not fall within one of the excluded categories in paragraphs 8 and 9 and the public interest in

maintaining the exemption must outweigh the public interest in disclosing the information.

- Agenda item 16.1. "Poplar Baths and Dame Colet House – Tender results report and recommendation" contained information relating to the financial or business affairs of any particular person (including the authority holding that information). In particular information relating to the financial affairs of the Council.

(b) As although there is a public interest favouring public access to local authority meetings, in this case the Cabinet concluded that given the information contained in:

- Agenda item 16.1. "Poplar Baths and Dame Colet House – Tender results report and recommendation" contained information relating to the financial or business affairs of any particular person (including the authority holding that information). In particular information relating to the financial affairs of the Council.

that the public interest in maintaining the exemption on the information outweighed the public interest in disclosing it.

14. EXEMPT / CONFIDENTIAL MINUTES

Nil items.

15. OVERVIEW & SCRUTINY COMMITTEE

15.1 Chair's advice of Key Issues or Questions in relation to Exempt / Confidential Business to be considered.

Nil items.

15.2 Any Exempt / Confidential Decisions "Called in" by the Overview & Scrutiny Committee

Nil items.

16. A GREAT PLACE TO LIVE

16.1 Poplar Baths and Dame Colet House - Tender results report and recommendation

There was a discussion of the report during which the various options were discussed. The **Mayor** accepted the report and, subject to a small amendment, approved the recommendations.

RESOLVED

1. To agree to the recommendation of the procurement evaluation panel to appoint bidder 1 as preferred bidder;
2. To authorise officers to proceed with the final stage of procurement in finalising the Development Agreement;
3. In consultation with the Mayor and the Cabinet Members for Housing and Resources, to nominate Bidder 2 as a reserve and to call upon this reserve Bidder if finalisation of the Development Agreement with the preferred bidder does not proceed as authorised;
4. To authorise the Director of Community Localities and Culture and the Assistant Chief Executive Legal in conjunction to finalise the Development Agreement terms in accordance with the bid and following consultation with the Mayor and the Lead Member for Resources to complete the Development Agreement and ancillary documents;
5. To adopt a capital estimate to the value of £36m for the development of the Poplar Baths and Dame Colet sites in order to make provision for the eventuality of the reserve bidder being required; and
6. To confirm that funding requirements as outlined in the Part 2 report will be available to meet the potential Development Agreement costs subject to entering into the Development Agreement.

17. A PROSPEROUS COMMUNITY

Nil items.

18. A SAFE AND COHESIVE COMMUNITY

Nil items.

19. A HEALTHY AND SUPPORTIVE COMMUNITY

Nil items.

20. ONE TOWER HAMLETS

Nil items.

21. ANY OTHER EXEMPT/ CONFIDENTIAL BUSINESS CONSIDERED TO BE URGENT

Nil items.

22. EXEMPT / CONFIDENTIAL REPORTS FOR INFORMATION

Nil items.

The meeting ended at 7.25 p.m.

Chair, Mayor Lutfur Rahman
Cabinet

Agenda Item 6.1

Committee/Meeting: Cabinet	Date: 13 February 2013	Classification: Unrestricted	Report No: CAB 72/123
Report of: Corporate Director of Development and Renewal Originating officer(s) Jackie Odunoye, Service Head, Strategy, Innovation & Sustainability		Title: Options for the refurbishment of Phase 3 of the Council's shortlife properties. Wards Affected: Bethnal Green North, Bromley-by-Bow, Whitechapel	

Lead Member	Cllr Rabina Khan, Lead Member for Housing, Heritage and Planning
Community Plan Theme	A Great Place to Live
Strategic Priority	Provide affordable housing and develop strong neighbourhoods

1. SUMMARY

- 1.1 The council currently owns twelve houses which are the remainder of its portfolio of shortlife properties, known as the Phase 3 properties. Previous phases of the shortlife portfolio have been disposed of over the past two years, either on the open market or sold to Registered Providers (RPs) to be refurbished and let to tenants. These properties are Victorian terraced houses with gardens and could be very desirable homes, but their current poor state of repair requires considerable investment to bring them up to the Decent Homes standard. This report outlines two options for achieving this refurbishment.
- 1.2 Four of these properties are occupied by squatters and eight of them have been occupied for many years by a shortlife housing coop called TUSH (Tower Hamlets Users of Shortlife Housing). The coop has presented a business plan to the council proposing a way of refurbishing all of the properties. The alternative proposal is for the council to invest its own resources in refurbishing the houses to bring them back into use as council tenancies. The two options are outlined in detail at sections 6 and 7 below.

2. DECISIONS REQUIRED

The Mayor in Cabinet is recommended to:-

- 2.1 Agree to Option 1, outlined at section 6 below, and authorise the investment of council resources in refurbishing eleven properties (numbers 9, 11, 46, 48, 50, 52, 58, 62 and 64 Bruce Road E3, 93 Old Ford Road E3 and 34 Mount Terrace E1) and bringing them back into use as council tenancies to

be managed by THH. The twelfth property is already in the process of refurbishment, as detailed at paragraph 5.5.

- 2.2 Agree to award all eligible TUSH members (as outlined at paragraph 6.8) resident in these properties and registered on the council's housing waiting list additional management priority points to enable them to bid for suitable replacement housing in line with the Council's lettings policy.
- 2.3 If Option 1 is agreed, approve the allocation of capital resources to accomplish the refurbishment of the eleven houses, and adopt a capital estimate of £1.7 million to enable the scheme to be included within the capital programme.
- 2.4 Delegate further decisions on the awarding of a contract to refurbish the properties and the options for carrying out additional works to one of the properties (see details of 34 Mount Terrace at paragraph 6.6) to the Corporate Director of Development & Renewal after consultation with the Assistant Chief Executive and the Mayor.

3. **REASONS FOR THE DECISIONS**

- 3.1 A decision was taken by Cabinet in November 2006 to dispose of all the shortlife properties to local RSLs in exchange for nominations to tenancies of the improved properties. This became impossible to implement for all of the shortlife portfolio, due to the high costs of refurbishment and the lack of availability of social housing grant to support the works costs.
- 3.2 The condition of the properties is almost certainly below the Decent Homes standard and most of them are evidently in need of major refurbishment. The poor condition of some of the properties, especially those which are squatted, degrades the local environment to the detriment of neighbouring residents.
- 3.3 The current head licensee of eight of the properties, Network Stadium Housing Association, have made the Council aware that they wish to hand responsibility for the houses back to the Council. Legal advice has been taken on the practical measures needed to accomplish the end of these shortlife licences, which were issued many years ago.
- 3.4 Alternative options have been considered for the future of these properties including the two being put forward in this report and are noted in section 4 below. Although the option being recommended for approval is the most costly in terms of Council resources, it will accomplish the return of all of these properties to the general housing stock owned by the Council and will provide a very valuable resource for families on the waiting list.

4. ALTERNATIVE OPTIONS

- 4.1 Option 1 Council investment in the refurbishment is considered at section 6 below. Option 2 Disposal via a lease to the TUSH coop is considered in detail at section 7 below.
- 4.2 Option 3 is to dispose of the properties to one of the Council's partner RPs. One RP carried out a desktop exercise in 2011 to assess the possible benefits of such a sale. It was estimated that 6 of the 12 properties could be refurbished for social rent nominations using funding raised by selling the remaining 6 on the open market, in the absence of available housing grant. This disposal would have resulted in no receipt for the council, but would have provided nominations to 6 three bedroom houses for social rent tenancies with the RP.
- 4.3 Option 4 is to dispose of the properties on the open market and use the receipt to finance other works to provide new affordable housing either on the council's own sites or via grants to RPs to subsidize the production of newbuild social rent tenancies.
- 4.4 Option 5, of leaving the houses in their current condition is not considered to be a valid alternative. Whilst the coop maintain their houses in a satisfactory state for their membership, the state of the squatted houses requires action by the Council.

5. BACKGROUND

- 5.1 The whole shortlife property portfolio came into the Council's ownership at the time of the transfer of the GLC's stock in 1985. They were used to house a number of different coops and over the years the lack of investment in the properties has resulted in most of the houses being handed back to the Council.
- 5.2 A Cabinet report on 8th November 2006 agreed to dispose of all 26 shortlife properties which had previously been managed on licence by RPs or coops to provide temporary accommodation for single sharers. They were to be sold to local RPs who would refurbish them and give the Council 100% of the subsequent tenancy nominations.
- 5.3 The 26 properties were split into three geographical groups and the disposals of the first two phases were accomplished in 2010 (9 properties sold to Network Housing Association and now refurbished and tenanted) and in 2011, when 5 properties were sold on the open market due to the lack of grant to allow RP refurbishment. Phase 3 is the portfolio under consideration in this report and consists of 10 properties in Bruce Road E3, one in Old Ford Road E3 and one in Mount Terrace E1.
- 5.4 The original licences on most of the Phase 3 properties were issued to a group called Solon Cooperative Housing Services. This group were taken over in 2007 by Network Stadium Housing Association who are now the head

licensees, with sub-licences being granted to TUSH coop whose members are mostly single people sharing the houses. Network Stadium now wish to hand back the properties to the Council.

- 5.5 One property out of the original twelve Phase 3 properties, 66 Bruce Road, was damaged by a fire in 2010 and since then has been the subject of an insurance claim. The insurance inspection also found subsidence in the basement and underpinning was required. The property was vacated by its TUSH residents, who moved to other TUSH houses, and expected that they would move back after the fire repair works. However, as Stadium have had to carry out the structural works at their own cost, the decision was made to upgrade the property from its shortlife standard and make it suitable for a permanent tenancy. Stadium are currently negotiating the details of the contract to carry out full repairs to the house and the Council has served Notice on Stadium to require the hand-back of this property. When works are completed in spring 2013, the 3 bedroom house will be advertised as a vacancy for a Council tenant through the Common Housing Register.

6. DETAILS OF OPTION 1: COUNCIL INVESTMENT IN REFURBISHMENT

- 6.1 The properties are all terraced houses with gardens, typically of 3 bedroom size, although one property in Bruce Road is a double fronted house which would provide 6 bedrooms. The property in Mount Terrace has the additional problem of being a grade II listed building in a conservation area and is in a very poor state of repair. Further details of this property are given at para 6.6.
- 6.2 Surveys carried out in March 2012 established a list of works required and cost estimates for each house ranging from £111,000 to £234,000. The properties occupied by the TUSH coop are in a better state of repair than the four squatted properties, but all of them require full internal refurbishment including new plaster for walls and ceilings, new internal doors, rewiring and upgrading of heating. A number of the properties require structural works, such as rebuilding of front bays and back extension walls as well as roof repairs and window replacement. The proposed standard of refurbishment to bring the houses up to Decent Homes standard would include these internal and external works and would also include some remodelling of room layouts to provide a better location for bathrooms, some of which are currently accessed via the downstairs kitchens.
- 6.3 Although each house could be refurbished in a contract of around six months, the full programme for carrying out all the works would be quite lengthy. It is likely that the properties would be split into a number of smaller packages, as vacant possession will not be available for all properties at once. The issues involved in decanting the properties are discussed at paragraphs 6.8 to 6.10 below.
- 6.4 It is proposed that the council tender the refurbishment contract to a number of local building firms and that the contract is managed in-house by the Asset Management Team. Consideration still needs to be given to the options of either entering into separate contracts for each package of properties or of

letting one contract with mechanisms in place to allow property packages to be added to the contract in stages. It is proposed that the decision on the most efficient contract mechanism is delegated to the Director of Development & Renewal after discussion with the Mayor.

- 6.5 The budget for these works will be confirmed in a further report to Cabinet. The current estimated cost of £1,700,000 includes fees and a 20% contingency sum and would produce 11 refurbished family houses, at an average cost of £154,000 each.
- 6.6 The listed building at 34 Mount Terrace presents some additional problems for refurbishment and long term maintenance. It is a three storey end of terrace building with structural problems which require some rebuilding. It also has a basement level which is currently not in a habitable condition, but which could be brought back into residential use to change the house from 3 beds to 4 beds. These additional works have not been allowed for in the current £210,000 works estimate for this house but it is considered that an opportunity to produce a larger dwelling would be missed by carrying out major works to the house, whilst leaving the two basement rooms in an unusable state. A revised cost estimate is to be obtained for the conversion of the basement and provision of an extra bathroom, to provide a 4 bed property and this additional cost will be contained within the current contingency budget.

The proposed process for decanting the properties and rehousing TUSH residents

- 6.7 Given the difficulties in ensuring empty properties are not squatted no eviction action against the people occupying the four squatted houses has yet been taken. Past experience had shown that expending resources on securing empty properties is not cost effective unless there are plans in place for the properties to be brought up to standard and relet as possession is obtained otherwise the properties are re-squatted. The current occupants have not created problems for their neighbours and have kept the houses in better repair than if they were left empty. Once the start date for the future council building contract is known the Council will apply for possession in the county courts and carry out an eviction. The squatters are all single people who are aware that they will have to leave at this point and no rehousing by the Council is expected.
- 6.8 The Cabinet decision on the disposal of the entire shortlife portfolio in 2006 stated in relation to the issue of rehousing that a one-off offer of reasonable accommodation would be made by the Council. It is proposed that if the Council refurbishment option is agreed, all existing TUSH residents who have lived in the properties for at least the past year are awarded the management priority which will enable them to be put into priority Band One for bidding for vacancies advertised by the Council. Current information indicates that this would apply to 18 single people and two families requiring 2 bed accommodation. More than half of these individuals are already registered on the Council's waiting list and the others have been encouraged to register an application.

6.9 The council's Housing Options team will be asked to advise on the appropriate mechanism for TUSH residents to be made a single offer of a suitable sized property. It is likely that the full rehousing process and decant of the properties may take some months. The council will wish to avoid having any of the properties standing empty before they are able to be passed into the hands of the refurbishment contractor, to avoid the possibility of squatting, and therefore may wish to closely manage the timetable for decant.

6.9 Legal advice has been taken which indicates that any occupant who declined to take up the rehousing offer would not be successful in mounting a defence in court to a claim for possession of the property by the Council. However the process of obtaining possession through the courts might be protracted. In a similar action by Lambeth Council in 2010, appeal proceedings for repossession of shortlife properties went as far as the European Court of Human Rights.

7. DETAILS OF OPTION 2: TUSH COOP'S PROPOSAL TO PURCHASE A LEASE ON THE PROPERTIES

7.1 The TUSH coop consists of their members who live in Bruce Road and Mount errace: they do not occupy any other properties. Many of their members have made their homes in these houses since the 1990s. The coop has had a long term interest in developing options to enable their members to obtain permanent tenure in these houses.

7.2 The TUSH proposals have recently focused on establishing a Community Land Trust (CLT). The coop has engaged the service of CDS Ltd (Coop Development Services) who have prepared a 30 year business plan and developed the detail of their current proposal. The CLT model allows the freehold of the properties to remain with the Council, whilst the CLT takes on a long lease and raises a loan against the value of the properties and their rental income stream to fund the refurbishment works.

7.3 The current proposal is that the CLT would use this loan finance to carry out full refurbishment of three of the houses (Old Ford Road and two of the squatted properties in Bruce Road) and would then provide LBTH with nomination rights in perpetuity to these family houses, which would remain part of the coop and be managed by CDS, who have a considerable portfolio of such houses in LBTH and other boroughs. The houses would be provided for nominations in the first three years of the business plan and would be let to tenants at Social Rent.

7.4 As well as the original loan finance, the refurbishment works would be funded by TUSH members paying an increased rental for their occupation of the shared houses. They currently pay a very low rent, but plan to increase this to around £80 per week per room.

7.5 The seven remaining houses would be maintained as shared accommodation, managed by the TUSH coop. The coop intends to

approach the occupants of the squatted houses to invite them to join the coop, if there are sufficient bedspaces available within the houses. The coop would take responsibility for obtaining legal possession of the three houses which are required for early refurbishment. As the shared houses are refurbished, any vacancies which arise would be offered to council nominations. Although the council does not currently offer shared accommodation for single people on the Common Housing Register (CHR), the Housing Options team may wish to consider if they would find these nominations useful. If not, then the coop would fill vacancies from their own waiting list and would prioritise local people who are already registered on the Councils CHR.

- 7.6 One of the TUSH houses is already divided into two 1 bed flats and will be retained in this layout. The CLT proposes that the council should have 50% of all future nominations to these units, so that coop members are occasionally able to take up the opportunity of self-contained housing whilst staying within the coop.
- 7.7 The shared houses would be refurbished after works have been carried out to the three houses for family nominations. Decent Homes works would take place in the first 6 years, including new kitchens and bathrooms, upgrades to heating, plumbing and electrics, and roof repairs. Details of the business plan have been provided to the council and indicate that the budget allowances for refurbishing the properties are lower than the council's estimates. The CLT would be prepared for the council to provide them with a minimum specification of works to be carried out to the three family houses and for the CLT agreement to require that this specification is met. Some elements of the works to the shared houses would be carried out using free labour from coop members, who currently undertake their own day to day maintenance.
- 7.7 Based on CDS's examination of the coop's own recent survey reports, they have concluded that the cost of refurbishing 34 Mount Terrace is too high to fit within their business plan and they propose to sell this property to provide cross-subsidy to the refurbishment costs for the other ten houses. Their assumption is that the property would raise £250,000, but they note that a proper valuation would be required, which might impact on their final offer to the Council.
- 7.8 The CLT financial proposal has a number of negotiable options. The current proposal is that the CLT will pay the Council the sum of £180,000 in three annual payments of £60,000 at the start of the long lease. They would also pay an annual rent for the lease, currently estimated at £10,000 for year one, increasing at RPI for subsequent years. If the Council finds that an annual contribution to the Housing Revenue Account is more useful than a capital receipt, then the CLT are willing to negotiate an open-book rebalancing of these two sums.
- 7.9 The CLT model envisages setting up a special purpose vehicle (SPV) with a structure including the Council (as custodian member), the TUSH coop

(as user member), CDS (as manager member) and another party (as developer member). The Council would be invited to be involved in ongoing decisions within the CLT, but the task of arranging the refurbishment works and managing the properties would be handled by the developer member (which might also be CDS). The SPV would be a not-for-profit organisation and the framework agreement defining the CLT responsibilities would allow for any cost savings to the business plan to be redistributed to members, including the Council.

7.10 A unique element of the CLT proposal is that the national CLT body is working towards a new financial model which involves peer to peer lending or the unitisation of the future revenue stream from rented properties. CDS and the new CLT would pursue this option to try to refinance the original loan which is to fund the first six years of refurbishment works. This has the potential to save a considerable sum for the business plan and any such savings would be shared amongst the CLT members.

7.11 Although this option presents a higher level of uncertainty at this stage than the Council's investment option, there are also many advantages.

The Council would:

- Obtain a receipt and a rental income.
- Receive nominations to three refurbished family houses without incurring any costs.
- Allow the community of TUSH members who have lived in these houses for many years to continue to operate their cooperative lifestyle and provide a unique element of diversity to the council's housing stock.
- Avoid having to provide rehousing in its mainstream stock for the current residents.
- Avoid any legal action to obtain possession of the squatted houses and any of the TUSH houses where residents might be unwilling to accept rehousing.
- Be involved in a second Community Land Trust initiative, following on from the acclaimed establishment of London's first CLT at the St Clements Hospital site.

8. COMMENTS OF THE CHIEF FINANCIAL OFFICER

8.1 This report seeks Mayoral approval to consider two options for the refurbishment of short-life properties which are currently licenced to a Registered Social Landlord. In all cases the freehold of the property is owned by the Council.

8.2 Of the twelve properties, all of which are Victorian terraced houses, eight are currently occupied by residents of a short-life housing coop (TUSH) and four are squatted. Ten of the houses are in Bruce Road, one in Old Ford Road and one in Mount Terrace. One of the Bruce Road properties is currently being refurbished following a fire so is not being considered as part of this report.

- 8.3 The Council does not currently incur any costs in connection with these properties, nor does it receive any income. The rental income generated on the properties is retained by the TUSH coop.
- 8.4 The report considers two options for the future of the properties as outlined below.

Option 1 – The full internal refurbishment of the properties to be undertaken by the Authority at an estimated capital cost of £1.7 million. The properties will return to the Council’s control and form part of the rented dwelling stock.

Option 2 – The granting of a lease for the properties to a Community Land Trust (CLT) established by the TUSH coop. The CLT will initially undertake the refurbishment works to three houses (paragraph 7.3), with the Borough being given nomination rights to these properties in perpetuity. The seven houses that are currently maintained as shared accommodation will be maintained by the TUSH co-operative and refurbished to decent homes standards within six years. The Coop considers that the cost of refurbishing the remaining property at 34 Mount Terrace is too high to be sustainable within the business plan, so propose that the freehold of the property be transferred to it at nil or notional value. The Coop intends to sell the property to generate resources to be applied towards financing the renovations of the other properties.

Under Option 2, the CLT proposes that the Council will be paid £180,000 in three annual instalments of £60,000 each for the first three years of the lease. In addition an annual lease rental of £10,000 (plus RPI) will be payable to the Authority.

A summary of the main elements of the proposals is shown in the table below.

	LBTH Capital Investment	Ownership of the Properties	Capital Receipt to LBTH	Annual Income to LBTH	LBTH Management and Maintenance Responsibility?
Option 1		LBTH	£	Dwelling Rent	
Option 2	£	TUSH *		Lease Rent	£

*TUSH will be granted a long lease on the properties. The Authority will continue to own the freehold, and will gain nomination rights to three properties.

- 8.5 The decision being considered within this report is basically whether the Council should invest £1.7 million in refurbishing the properties and provide eleven, three bedroom family homes for rent, with the properties being managed by Tower Hamlets Homes, or whether it grants a long lease on ten properties and disposes of one at notional value, to generate nomination rights to refurbished properties that will be managed by the TUSH coop.
- 8.6 A summary of the financial implications is shown in the table below, including a net present value assessment of the options, determined over a thirty year period.

	LBTH Capital Investment £	Capital Receipt to LBTH £	Annual Lease Income to LBTH £	Annual LBTH Management and Maintenance Costs? £	Annual Rental Income to LBTH? £	Estimated Value of Property Transferred to Coop £	30 Year Net Present Value Positive / (Negative) £
Option 1	(1,700,000)	-	-	(26,000)	69,000	-	(899,000)
Option 2	-	180,000	10,000	-	-	(250,000)	90,000

Overall, under the net present value assessment, Option 2 is financially more attractive, providing a positive net present value of £90,000 compared to the negative value of £899,000 under Option 1. However other non-financial factors will need to be taken into account when assessing the preferred option, as outlined in paragraph 8.5. In particular these will include consideration of the ownership of the properties.

- 8.7 Capital resources are extremely limited, and any proposals must be considered in the context of competing demands from other projects. However, as part of the budget process for 2012-13, Council earmarked £5.675 million of resources towards the development and progression of various housing initiatives to provide affordable housing units within the borough and projects to alleviate overcrowding. The resources were allocated across 2012/13 and 2013/14 as follows: 2012/13: £2.9 million; 2013/14: £2.775 million. To date no commitments have been made for these resources so if Option 1 is agreed, there is scope that an element (£1.7 million) of these funds could be earmarked to finance the required works to these properties. If Members agree this option, a capital estimate will need to be adopted in order that the scheme can be incorporated into the capital programme, and appropriate budgetary provision made within the Housing Revenue Account for the on-going management and maintenance of the properties.
- 8.8 If Option 2 is preferred, and a long lease is granted to TUSH for the redevelopment and letting of the properties, all the initial indicative financial

estimates will need to be finalised prior to any contracts being agreed and leases entered into. Under this option, it is proposed to dispose of 34 Mount Terrace at notional value to the coop in order that it can raise funds to renovate the other properties. Under Capital regulations, the Authority is able to dispose of property at less than market value to Registered Social Landlords, but specific Secretary of State consent may be required (see paragraphs 9.11 and 9.12 of the report of the Assistant Chief Executive (Legal services)). The Council will also be receiving capital receipts totalling £180,000 over the first three years of the project in relation to the granting of the property leases to the coop.

- 8.9 Several properties are currently occupied by TUSH coop members. In the case of Option 1, arrangements will be put in place to ensure that these existing residents will be given priority for alternative suitable social housing. In Option 2, existing TUSH residents will remain in the properties as tenants of the new Community Land Trust. Any costs necessary to recover and secure the properties that are currently squatted will have to be met from Housing Revenue Account resources.

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

- 9.1 The Council has held the freehold title to the 12 properties described in the report since transfer of ownership from the GLC in 1985. The properties were licensed by the Council to housing co-operatives (“co-ops”) for short-term use, continuing arrangements made originally by the GLC during its ownership. Those arrangements typically provided for the co-ops to grant licences to individual occupiers who each took a room in a shared house.
- 9.2 Stadium Housing Association holds the licences covering eight of the properties, and TUSH manages those properties on Stadium’s behalf. The properties are occupied by TUSH members, save for the house at 66 Bruce Road which unoccupied while undergoing major repair following fire damage (as explained at paragraph 5.5 above).

Option 1 – redevelopment by the Council

- 9.3 The intention through this option is for the properties to be redeveloped by the Council and returned to the Council’s stock of homes for mainstream letting, in accordance with the prevailing lettings policy, and under management by THH.
- 9.4 No change of ownership is involved under this proposal, and the cost will be met from the Council’s resources.
- 9.5 Following advice from counsel, Stadium’s licence from the Council has been terminated. The occupiers do not have security of tenure and counsel advises that there should be no bar to the recovery of possession (unlike the situation of a secure Council tenant, there is no statutory **entitlement** to

alternative accommodation and no requirement for the Council to convince a Court that it is reasonable to grant a possession order). The occupiers may attempt to raise defences to the claim which could cause delay, but those defences should not prevail.

- 9.6 The proposal to make one offer of suitable alternative accommodation will renew a commitment previously offered by the Council in 2006, and should avoid any potential human rights argument based on Article 8 – respect for an occupier’s home.
- 9.7 Four properties (in which TUSH is not involved) have been subject to long-term squatting. There is no reason to anticipate difficulty in obtaining possession orders and recovering vacant possession of the four properties once a scheme for the group of properties has been adopted.

Option 2 – TUSH proposal to take a lease on the properties and establish a Community Land Trust

- 9.8 This proposal would involve TUSH in establishing/promoting a Community Land Trust (“CLT”), a concept defined in the Housing and Regeneration Act 2008. TUSH has joined CDS Ltd (Co-op Development Services) in this scheme. CDS has a portfolio of properties, in Tower Hamlets and in other boroughs, which it manages. It is proposed that the CLT, in which the Council will be represented, will be created to manage the scheme, drawing on CDS’s expertise.
- 9.9 In the TUSH proposal, the first three properties to be redeveloped will be made available in perpetuity for the Council to allocate to families on the waiting list, through nomination rights. (Management would be undertaken by the CLT). The three properties concerned are presently squatted; they are not currently licensed to Stadium or managed by TUSH. Securing possession of those properties, and the execution of appropriate works, would be the responsibility of the CLT. The Council would need to be assured of the extent and quality of the proposed work and to obtain safeguards as to the CLT’s fulfilment of its obligations.
- 9.10 The proposal involves the Council granting a long lease of the properties to the CLT. This would represent a disposal of housing land by the Council for which consent of the Secretary of State would be required under section 32 of the Housing Act 1985 (as amended).
- 9.11 There are a number of general consents for disposals, last updated by the Department for Communities and Local Government in May 2012, and it may be possible for the proposed scheme to be brought within one of the general consents – for example if the disposal is for a consideration equal to its market value. Failing this, an application for a specific consent would be required.

- 9.12 Giving the Council nomination rights to the first group of three redeveloped properties to would represent valuable consideration in respect of the granting of a lease, but it would be necessary to obtain a professional determination of the value of those and to obtain appropriate valuations of the properties to determine whether the terms of the proposed lease would require a specific individual consent.
- 9.13 There are issues involved in such an assessment which cannot be properly considered until more details of the CLT proposal become available.

10. ONE TOWER HAMLETS CONSIDERATIONS

- 10.1 Option 1 - The provision of affordable housing in the Borough is one of the priorities of the LBTH Community Plan. The refurbishment work which would be facilitated by this investment will result in 11 new family sized houses being available at social target rents. These units will be offered to residents from the Common Housing Register.

Option 2 – This would enable the Council to establish a Community Land Trust with the Cooperative Development Agency. Ten of the eleven homes would be refurbished to the Decent Homes Standard. Three of the houses would be offered to families on the Common Housing Register and void rooms in the remaining seven could be made available to individuals on the waiting list requiring shared accommodation.

11. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 11.1 These properties have had no major works to improve their condition for a very long time and are currently very poorly insulated and have deficient heating systems. Refurbishment of the properties, whether carried out by the Council or the Community Land Trust, will bring them up to modern standards and contribute to a more sustainable neighbourhood.

12. RISK MANAGEMENT IMPLICATIONS

- 12.1 The recommended option introduces risks relating to the cost and duration of the refurbishment works and these risks will be mitigated by careful management of the works contract by council staff.
- 12.2 The decant process presents risks of houses remaining empty and vulnerable to vandalism or squatting before they are handed over to a contractor. This risk will be managed by close liaison between Tower Hamlets Homes housing management team and the contract administrator.
- 12.3 There is a risk that some current residents of the houses may not accept the proposed rehousing offer and that the Council may have to instigate legal action to recover vacant possession. Work has already commenced to obtain

expert advice on the legal position, to ensure that appropriate legal action is taken to ensure a successful outcome.

- 12.4 The second option of promoting the formation of a Community Land Trust introduces a number of risks, primarily to the draft timetable of refurbishment. The council will bear no financial responsibility for the refurbishment works, but any major delay or failure of the CLT to raise the required finance could create bad publicity and result in further deterioration in the condition of these properties. The Council may wish to become an active member of the CLT in order to oversee its progress, although the issue of staff or Member resources for this role will need to be considered.

13. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 13.1 There have been few complaints from local residents about these properties, so their inadequate state of repair does not seem to have contributed to any additional fear of crime. However, action by the Council to arrange for these houses to be refurbished will assist in reducing the negative impact of these houses and will contribute to a regeneration of this part of the borough.

14. EFFICIENCY STATEMENT

- 14.1 The housing resource represented by these 11 properties is currently much under-used, with 4 properties in unauthorised occupation and the others occupied by people who would not have priority on the Council's Common Housing Register. The investment of resources to refurbish these properties to a modern standard and bring them back into use as Council tenancies will add these desirable family houses to the Council's housing stock for a very reasonable average outlay of £154,000 per property.

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

Reports to Cabinet on 8th November
2006 and 1st December 2010

Agenda Item 6.2

Committee/Meeting: Cabinet	Date: 13/02/13	Classification: Unrestricted	Report No: CAB 73/123
Report of: Development and Renewal Originating officer(s) Martin Ling		Title: London Housing Consortium Wards Affected: All	

Lead Member	Cllr Rabina Khan – Cabinet Member for Housing
Community Plan Theme	A Great Place to Live
Strategic Priority	Improving and maintaining the quality of housing and the local neighbourhood

1. **SUMMARY**

Members will be aware that the Council reconfirmed its membership and commitment to the London Housing Consortium LHC at Cabinet on 20th June 2012 .Following the LHC Joint Committee meeting in December 2012, a revised constitution has been proposed which requires the approval of all Member Authorities. This report seeks that approval and the appointment of two members for the LHC in line with the membership criteria set out in the constitution.

2. **DECISIONS REQUIRED**

The Mayor in Cabinet is recommended to:-

- i. Agree the revised constitution for the LHC Appendix 1.
- ii. Appoint two Members, one Executive and one non-Executive to represent the Council on the joint Committee in line with the Council's external appointment procedures.
- iii. Authorise the Corporate Director of Development and Renewal in consultation with the Mayor to agree any future alterations to the Constitution for the London Housing Consortium

3. **REASONS FOR THE DECISIONS**

- 3.1 To enable the Council to continue to contribute to the LHC and benefit from the financial rebate that arises from membership of the organisation.

4. ALTERNATIVE OPTIONS

- 4.1 The Council could withdraw from the London Housing Consortium. If it was to pursue this option it could lead to a loss of revenue and result in higher procurement costs for works to Council owned properties.
- 4.2 It is possible for members to propose amendments to the proposed constitution for the London Housing Consortium but such amendments would need to be agreed by a majority of the members of the LHC Board.

5. BACKGROUND

- 5.1 The LHC is governed by a Board of Elected Members which comprises one voting Councillor representative from the eleven local authority members. The current Chairman is the Cabinet Member for Housing from the London Borough of Haringey and the Vice Chairman is the Cabinet Member for Social Services, Health and Housing from the London Borough of Hillingdon.
- 5.2 In addition to the Full LHC Members, the LHC also currently accepts Associate Members. There are currently 51 LHC Associate Members. The LHC also offers its services to the wider public sector community. There are currently approximately 100 public sector authorities using the LHC as non-members.
- 5.3 Tower Hamlets representatives on the current LHC Board are Cllr Rabina Khan and Cllr Rofique Ahmed.
- 5.4 The objectives have evolved and changed over time so that the LHC now very successfully supports large numbers of local authorities, arms length management organisations and registered housing providers and has the following aims:
- § To provide specialist technical and procurement services related to building programmes undertaken by LHC constituent authorities and other public sector bodies.
 - § To establish, develop and manage framework agreements for the procurement of building components and services for the use and benefit of all constituent authorities and other public sector bodies.
- 5.5 The day to day activities of the LHC are carried out by the LHC Operations Group, a team of 17 professional staff who are employed by the London Borough of Hillingdon. The LHC prepares an annual Business Plan which aims to generate a surplus of income over operating costs. In this way, the work of the LHC is self-financing and has not required any financial support from any of the LHC members and the surplus has been redistributed to all the LHC members who realise a financial gain. Over the past five years, a total sum of £5m has been redistributed. Tower Hamlets has received around £250,000.

- 5.6 Income is generated through levy earned on business transactions through the framework contract agreements and the provision of specialist technical and procurement advice to the LHC members and other public sector bodies which are paid for on a fee basis.
- 5.7 Over the last 45 years, the LHC has built a strong position as a respected procurement consortium for housing and, more recently, schools and corporate buildings. The key benefit to local authorities and other public sector bodies of using the LHC is that they can obtain expert support in critical areas of building procurement, covering quality, efficiency, sustainability and compliance. Through Tower Hamlets Homes, the Council has procured nearly £4m from LHC between 2009 and 2012.

6.0 Governance Arrangements

- 6.1 In June Cabinet agreed to a model constitution for LHC so that it operated as a Joint Committee set up under section 101[5] of the Local Government Act 1972 as amended.
- 6.2 The Joint Committee met on the 7th December 2012 and in ratifying the constitution agreed two further amendments:

Regarding clause 1.3

Replace:

- 1.3 The Joint Committee shall comprise one member from each of the Authorities. Each Authority's representative on the Joint Committee shall be appointed by [insert whoever in the council constitution has power to make the appointment]

with:

- 1.3 The Joint Committee shall comprise two members from each of the Authorities. Each Authority's representatives on the Joint Committee shall be appointed by the Authority's executive, a member of the executive or a committee of the executive, as appropriate. One member shall be an executive member and one a non-executive member.

and replace:

All references to 'Chair' or 'Chairman' with 'Chairperson'.

7. Further Alterations

- 7.1 Since the December meeting further amendments have been proposed to the constitution which can be summarised as follows:-

- 7.1.1 There should be a minimum of two meetings per year (at the moment no minimum number is provided) (Clause 4.1)
- 7.1.2 In accordance with paragraph 39 Part VI of Schedule 12 to the Local Government Act 1972 questions must be decided by a simple majority so the requirement for a two thirds majority for a constitutional change in the current constitution needs to be amended to a simple majority (Clause 9.1)
- 7.1.3 A new paragraph 16 has been added as there was no provision for withdrawal from the Joint Committee. This new provision ensures that at least 6 months notice is given and membership is retained for the full financial year so issues of payment and liability are clear cut
- 7.1.4 A few clerical errors in 7.2, 11.1 , 11.2 and 17 have also been resolved
- 7.2 All of these amendments are reflected in the revised constitution which is appended to this report.
- 7.3 In addition the procedure rules are to be amended by requiring a financial report in the business to be transacted at meetings in the interests of financial monitoring , noting that various officers cannot be excluded from the meeting with the public and the press (as is already provided in clause 7.2 of the constitution) and some other clerical errors resolved.
- 7.4 In order to ensure that any further changes can be dealt with speedily it is proposed that authority to agree changes to the constitution of the London Housing Consortium and their Procedure Rules be delegated to the Corporate Director of Development and Renewal in consultation with the Mayor. This reflect a similar position taken by other authority members of the LHC

8.0 Appointment to the London Housing Consortium Board

- 8.1 The Mayor is asked to agree the appointment of two Members, One Executive and one Non executive to the LHC Board in line with the revised constitution.

9.0 COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 9.1 At its meeting on 20 June 2012, Cabinet gave approval for the Authority to continue as a full member of the London Housing Consortium (LHC), along with various changes to the governance arrangements. This report seeks further approval to confirm the final governance arrangements.
- 9.2 There are no membership fees, and as a full member of the LHC, the Authority benefits from a share of the surpluses generated. This share is dependent upon the amount of work placed by the Council with the LHC, and the Authority has received approximately £250,000 over the last five years. These resources are used to support the HRA capital programme.
- 9.3 The LHC has historically generated significant surpluses, with in excess of £5 million being redistributed to members since 2006. However, it should be

noted that the constituent full members would bear the risk of any deficits that might arise.

10.0 CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 10.1 The functions of the LHC are described in section 4.4 of the report. These are executive functions by virtue of section 9D(2) of the Local Government Act 2000.
- 10.2 In June 2012 Cabinet resolved to enter into formal arrangements made under section 101(5) of the Local Government Act 1972 for the joint discharge of executive functions through a committee and approved a draft model constitution. This report deals with two amendments to that draft model constitution which are proposed by the LHC Board
- 10.3 Arrangements are required to be made in accordance with Part 4 of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 (“the 2012 Regulations”). Such arrangements must be made with the person who has power, by virtue of regulations 3 or 4, to make such arrangements. In Tower Hamlets this is the elected mayor.
- 10.4 Appointments to the joint committee are to be made under section 102(1) of the Local Government Act 1972, in the numbers fixed pursuant to section 102(2) of the Local Government Act 1972. By virtue of regulation 11(6) of the 2012 Regulations, the elected mayor has power to make the appointments. Each person appointed should be a member of the Council’s executive or of that authority and the political balance requirements do not apply.(Regulation 12(3)).

11. ONE TOWER HAMLETS CONSIDERATIONS

- 11.1 The financial gains from ongoing membership of the LHC can contribute to funding the Council’s wider community objectives set out in the Tower Hamlets Community Plan.

12. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 12.1 The financial gains from ongoing membership of LHC can contribute to funding the Council’s wider environmental objectives.

13. RISK MANAGEMENT IMPLICATIONS

- 13.1 There are no specific risks in not continuing membership with the LHC but any deficits could impact on the delivery of Council projects or services.

14. CRIME AND DISORDER REDUCTION IMPLICATIONS

14.1 There are no specific crime and disorder reduction implications

15. EFFICIENCY STATEMENT

15.1 The funding gained through membership of the LHC contributes towards the Councils' funds and the efficient delivery of its objectives.

16. APPENDICES

Appendix 1 – Draft constitution for the London Housing Consortium Joint Committee

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

Brief description of "background papers"	Name and telephone number of holder and address where open to inspection.
None	N/A

LHC Joint Committee Constitution

This Constitution had been approved by each of the Authorities as the Constitution of the LHC Joint Committee.

1. Establishment of the Joint Committee

- 1.1 The Joint Committee shall be the “LHC Joint Committee”
- 1.2 The Joint Committee is established under Section 101(5) of the Local Government Act 1972, as applied by Section 9EB of the Local Government Act 2000 and Part 4 of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 by the Executives of each of the Councils.
- 1.3 The Joint Committee shall comprise two members from each of the Authorities. Each Authority’s representatives on the Joint Committee shall be appointed by the Authority’s executive, a member of the executive or a committee of the executive, as appropriate. One member shall be an executive member and one a non-executive member.
- 1.4 A member of the Joint Committee shall cease to be a member of the Joint Committee, and a vacancy shall automatically arise, where the member ceases to be a member of the Executive of the Appointing Authority or a member of the Appointing Authority.
- 1.5 Upon being made aware of any member ceasing to be a member of the Joint Committee, the Secretary to the Joint Committee shall write to that member confirming that he/she has ceased to be a member of the Joint Committee, and notify the Appointing Authority and the other members of the Joint Committee accordingly. The relevant Appointing Authority shall appoint another qualifying member to the Joint Committee for the duration of the term of office of the original member.
- 1.6 When sitting on the Joint Committee members are bound by the provisions of the Members’ Code of Conduct for their authority.

2. Chairperson and Vice-Chairperson of the Joint Committee

- 2.1 At the first meeting of the Joint Committee and thereafter at the first meeting of the Joint Committee after 1 May in any year, the Joint Committee shall elect a Chairperson of the Joint Committee and a Vice Chairperson of the Joint Committee for the following year from among the members of the Joint Committee.
- 2.2 Where a member of one Authority is elected as the Chairperson of the Joint Committee, the Vice Chairperson of the Joint Committee shall be elected from among the members of the Joint Committee who are members of the other Authorities.
- 2.3 The Chairperson and Vice Chairperson of the Joint Committee shall each hold office until:
 - (i) A new Chairperson or Vice Chairperson of the Joint Committee is elected in accordance with Paragraph 2.1 above;
 - (ii) He/she ceases to be a member of the Joint Committee; or
 - (iii) He/she resigns from the office of Chairperson or Vice Chairperson by notification in writing to the Secretary to the Joint Committee.

2.4 Where a casual vacancy arises in the office of Chairperson or Vice Chairperson of the Joint Committee, the Joint Committee shall at its next meeting elect a Chairperson or Vice Chairperson, as the case may be, for the balance of the term of office of the previous Chairperson or Vice Chairperson.

2.5 Where, at any meeting or part of a meeting of the Joint Committee, both the Chairperson and Vice Chairperson of the Joint Committee are either absent or unable to act as Chairperson or Vice Chairperson, the Joint Committee shall elect one of the members of the Joint Committee present at the meeting to preside for the balance of that meeting or part of the meeting, as appropriate.

3. Secretary to the Joint Committee

3.1 The Joint Committee shall be supported by the Secretary to the Joint Committee.

3.2 The Secretary to the Joint Committee shall be an officer of one of the Authorities, appointed by the Joint Committee for this purpose.

3.3 The functions of the Secretary to the Joint Committee shall be:

- (i) To maintain a record of membership of the Joint Committee;
- (ii) To summon meetings of the Joint Committee in accordance with Paragraph 4 below;
- (iii) To prepare and send out the agenda for meetings of the Joint Committee after consultation with the Chairperson and the Vice Chairperson of the Committee and the Project Director;
- (iv) To keep a record of the proceedings of the Joint Committee and to publicise such record as is required by law;
- (v) To take such administrative action as may be necessary to give effect to decisions of the Joint Committee;
- (vi) Such other functions as may be determined by the Joint Committee.

4. Convening of Meetings of the Joint Committee

4.1 The Joint Committee shall meet at least twice in the course of each financial year.

4.2 Meetings of the Joint Committee shall be held at such times, dates and places as may be notified to the members of the Joint Committee by the Secretary to the Joint Committee, being such time, place and location as:

- (i) the Joint Committee shall from time to time resolve;
- (ii) the Chairperson of the Joint Committee, or if he/she is unable to act, the Vice Chairperson of the Joint Committee, shall notify to the Secretary to the Joint Committee; or
- (iii) The Secretary to the Joint Committee, after consultation where practicable with the Chairperson and Vice Chairperson of the Joint Committee, shall determine in response to receipt of a request in writing addressed to the Secretary to the Joint Committee:

(a) from and signed by two members of the Joint Committee, or

(b) from the Chief Executive of any of the Authorities,

which request sets out an urgent item of business within the functions of the Joint Committee.

4.3 The Secretary to the Joint Committee shall settle the agenda for any meeting of the Joint Committee after consulting, where practicable:

(i) The Chairperson of the Joint Committee;

(ii) The Vice Chairperson of the Joint Committee;

and shall incorporate in the agenda any items of business and any reports submitted by:

(a) the Chief Executive of any of the Authorities;

(b) the Chief Finance Officer to any of the Authorities;

(c) the Monitoring Officer to any of the Authorities;

(d) the Legal Adviser to the Joint Committee;

(e) the Director of the LHC Operations Group;

(f) any two members of the Joint Committee in accordance with Paragraph 8.1(iii) below.

5. Procedure at Meetings of the Joint Committee

5.1 The Joint Committee shall, unless the member of the Joint Committee presiding at a meeting or the Joint Committee determines otherwise, conduct its business in accordance with the Joint Committee Procedure Rules set out in Appendix One to this Constitution

5.2 The Chairperson of the Joint Committee, or in his/her absence the Vice Chairperson of the Joint Committee, or in his/her absence the member of the Joint Committee elected for this purpose, shall preside at any meeting of the Joint Committee.

6. Powers Delegated to the Joint Committee

6.1 The Joint Committee shall act as a strategic forum for LHC, providing direction to the Operations Group. Its executive decision-making powers shall include the following :

(i) identification of the overall strategic objectives of the LHC;

(ii) management of the LHC

(iii) overseeing and monitoring the work of the Operations Group;

(iv) setting the staffing structure of the LHC

(v) overseeing the procurement of framework agreements on behalf of the Authorities

(vi) overseeing the provision of technical advice and consultancy services provided by the LHC Operations Group.

6.2 The Joint Committee may make such other executive decisions from time to time as are necessary for the efficient operation of LHC.

6.3 Without prejudice to Paragraph 6.1 above, it is hereby declared that the following functions are reserved to each of the Authorities and shall not be within the powers of the Joint Committee:

- (i) All non-executive functions of any of the Authorities.
- (ii) Any decision which is contrary to or not wholly in accordance with the Budget approved by each Authority for the Joint Committee, or is contrary to an approved policy or strategy of any of the Authorities;

7. Attendance at meetings of the Joint Committee

7.1 Notwithstanding that a meeting or part of a meeting of the Joint Committee is not open to the press and public, the officers specified in Paragraph 7.2 below of each of the Authorities shall be entitled to attend all, and all parts, of such meetings, unless the particular officer has a conflict of interest as a result of a personal interest in the matter under consideration.

7.2 The following are the officers who shall have a right of attendance in accordance with Paragraph 7.1:

- (i) the Chief Executive of any of the Authorities;
- (ii) the Chief Finance Officer to any of the Authorities;
- (iii) the Monitoring Officer to any of the Authorities;
- (iv) the Director of the LHC Operations Group

8. Financial Regulations, Officer Employment Procedure Rules and Contract Standing Orders

8.1 The Joint Committee shall operate under the Financial Regulations, Officer Employment Procedure Rules and Contract Standing Orders of the London Borough of Hillingdon ('Hillingdon').

9. Amendment of this Constitution

9.1 This constitution may be altered by resolution of a meeting of the Joint Committee supported by a majority of the members voting provided that notice in writing of such alterations has been given to the Members of the Joint Committee by the Secretary to the Joint Committee not less than 21 clear days before the meeting.

10. Lead Borough Arrangements

10.1 Hillingdon shall act as lead borough for and on behalf of all the Authorities in relation to:

- (i) the employment of the staff of LHC,
- (ii) insurance,
- (iii) financial oversight,

(iv) the entering into of legal relations where LHC would enter such relations were it a competent legal entity,

(v) Secretary to the Joint Committee.

10.2 The LHC Operations Group shall be employed by Hillingdon and the terms and conditions of staff within the LHC Operations Group shall be those used by Hillingdon.

10.3 Hillingdon shall effect insurance for all the insurable risks of LHC including employer's, public, professional and motor contingency liability insurance together with all other risks which it considers appropriate to cover, in order to protect the liabilities and assets of the Authorities.

10.4 Hillingdon shall enter all contractual and other legal relations for LHC and shall defend or settle any proceedings issued for liabilities arising from the activities of LHC.

10.5 The method of calculating the reimbursement of the costs of performing lead borough functions shall be on such basis as the Joint Committee shall from time to time approve. Calculations relating to payments of reimbursement of costs to lead boroughs shall be presented to the Joint Committee for information.

11. Indemnities

11.1 The Authorities (which for the elimination of doubt includes Hillingdon) in equal shares shall indemnify Hillingdon against any costs, losses, liabilities and proceedings which Hillingdon may suffer as a result of or in connection with its obligations herein provided that any such costs are not due to any negligent act or omission (determined at law) of Hillingdon or any breach by it of its obligations.

11.2 Hillingdon shall indemnify the Authorities against any costs, losses, liabilities and proceedings which the Authorities may suffer as a result of or in connection with any breach by Hillingdon of its obligations and/or any negligent act or omission (determined law).

12. LHC Operations Group

12.1 Notwithstanding that Hillingdon shall be the employer of the staff, the Joint Committee shall determine the structure of the staffing group from time to time to ensure that the LHC can carry out its role efficiently and effectively.

12.2 The Director shall report to the Joint Committee on all activity relating to the work of the Operations Group at least annually.

12.3 Notwithstanding that Hillingdon shall, as employer, be responsible for the staff of the LHC in circumstances where either the Joint Committee or the LHC cease to exist, the Authorities shall co-operate with each other with a view to finding continued employment for the displaced staff with one or more of the Authorities.

13. Budget

13.1 An annual budget showing forecasts and estimates for income and expenditure for the following two years shall be presented for approval by the Joint Committee annually.

14. Surpluses and deficits

14.1 The method of calculating the share of the surplus due to LHC members shall be on such basis as the Joint Committee shall from time to time approve. Calculations relating to payments of surpluses to LHC members shall be presented to the Joint Committee for information. Any deficits arising from the activities of the LHC Operations Group shall be borne equally between the Authorities.

15. Premises

15.1 Any premises relating to the work of the LHC Joint Committee must be owned or leased by one of the Authorities.

15.2 Premises currently occupied by the LHC Operations Group are leased by the London Borough of Hillingdon.

16. Withdrawal from membership of the Joint Committee

16.1 If any of the authorities wishes to withdraw from membership of the Joint Committee that authority shall give notice to the Secretary to the Joint Committee by no later than 30 September in any year and that authority shall cease to be a member of the Joint Committee on 1 April in the following year.

16.2 From the date of giving notice up to and including 31 March in the following year the authority which has given notice shall remain a full member of the Joint Committee and shall be entitled to receive its full share of any distributed surplus or will be liable to pay its full share of any deficit, as the case may be, for the financial year in which its membership ceases.

17. Interpretation

17.1 In this Constitution the following words and phrases shall have the following meanings”

“Authority” means each of the London Boroughs of Ealing, Hackney, Haringey, Hillingdon, Islington, Tower Hamlets and Buckinghamshire County Council and “Authorities” shall mean all of these Authorities.

“Council” means each [as above] and “Councils” shall mean all of these Councils.

“Director” means the officer of the London Borough of Hillingdon who acts as Director of the LHC Operations Group

“The Joint Committee” means the LHC Joint Committee comprised of members of each of the Authorities.

“LHC” means the London Housing Consortium which exists to provide specialist technical and procurement services to building programmes undertaken by participating local authorities and other public sector bodies and provides framework arrangements for such procurement services to such bodies

“The LHC Operations Group” means such team of officers from the Authorities, as the Authorities shall establish to manage LHC under the guidance of the Joint Committee.

“The Secretary to the Joint Committee” means the officer of one of the Authorities appointed for the time being by the Joint Committee to perform this function.

Joint Committee Procedure Rules

1 Application

- 1.1 These procedure rules apply to all meetings of the Joint Committee, any Sub-Committee of the Joint Committee, and to decisions of individual Joint Committee Members and executive decisions taken by officers under powers delegated from the Joint Committee.

2 Allocation and Delegation of Functions

- 2.1 Where the Joint Committee is responsible for the discharge of a function, it may arrange for the discharge of that function by a Sub-Committee of the Joint Committee or by an officer.
- 2.2 Where a Sub-Committee is responsible for the discharge of a function, it may arrange for the discharge of that function by an officer.
- 2.3 Where a function has been delegated by the Joint Committee or a Sub-Committee of the Joint Committee, the Joint Committee or Sub-Committee may at any time resume responsibility for the discharge of that function by giving notice in writing to the person or body to whom the function has been delegated, with a copy to the Secretary to the Joint Committee.
- 2.4 Where a Sub-Committee of the Joint Committee or officer has been given delegated powers in respect of a function, that body or person may at any time refer the matter back for decision to the body by which the power was delegated.

3 Meetings

- 3.1 The Joint Committee shall meet as necessary for the effective discharge of its functions. Any Sub-Committees shall meet as necessary to discharge their functions.
- 3.2 The Joint Committee shall meet at such time, date and location as may be determined :
 - (i) by the Joint Committee;
 - (ii) by the Chairperson of the Joint Committee or if the Chairperson is unable to act, the Vice-Chairperson;
 - (iii) following a request from any two members of the Joint Committee and notified to the Secretary to the Joint Committee;
 - (iv) following a request from the Chief Executive of any of the Authorities and notified to the Secretary to the Joint Committee.

- 3.3 Meetings of Sub-Committees shall be on such time, date and location as the Sub-Committees may determine and notify to the Secretary to the Joint Committee.

4 Summons and Agenda Procedure

- 4.1 All meetings of Joint Committee and Sub-Committees shall be summoned by the Secretary to the Joint Committee.

- 4.2 Except in cases of special urgency, at least 5 clear working days before the meeting, the Secretary to the Joint Committee shall prepare and send to each member an agenda setting out:

- (i) The identity of the body;
- (ii) The time, date and location of the meeting;
- (iii) The business to be transacted at the meeting, including:
 - (a) A report concerning the finances of LHC
 - (b) Any reports and recommendations from any of the Authorities;
 - (c) Any reports or recommendations from the Joint Committee, or a Sub-Committee;
 - (d) Any notices of motion to, or referred to, the Joint Committee;
 - (e) Any petitions to, or referred to, the Joint Committee;
 - (f) Any reports to be made by statutory officers of any of the Authorities;
 - (g) Any matters which the Chair has notified to the Secretary to the Joint Committee for inclusion in the agenda;
 - (h) Any reports to be made by the Project Director or other officers of any of the Authorities appropriate to the proper discharge of the Joint Committee's business;
 - (i) Consideration of the Joint Committee's work programme
 - (j) Where practicable, an indication that the Secretary to the Joint Committee is of the opinion that it is likely that the press and public will be excluded from all or part of the meeting.

- 4.3 No business may be transacted at a meeting which is not specified in the agenda or supplementary agenda for the meeting unless the Chairperson of the Joint Committee or Sub-Committee agrees that the item should be considered as a matter of urgency. The reason for the urgency shall be specified in the statement of decision.

- 4.4 The agenda shall be accompanied by any reports and documents necessary for the decision-maker(s) to discharge the business effectively. Each such report shall be in such standard form as the Secretary to the Joint Committee may prescribe and shall include a list of all background papers which the author of the report has relied upon in compiling the report. As a matter of principle, any written report relating to a matter included in the agenda should be made available and circulated at the same time as the agenda, but where this is not practicable because of the urgent nature of the matter, the agenda will state that the report is to follow and the report will be circulated as soon as possible after the circulation of the agenda for the meeting.

5 Rights of Attendance and Audience

- 5.1 Agendas of the Joint Committee and of any Sub-Committee meetings and reports, except those marked "Not for Publication", will be available for inspection on request by the public at the offices of the constituent Authorities during normal office hours.
- 5.2 The presumption is that all meetings of the Joint Committee and of any Sub-Committees shall be open to the public. However:
- (i) Where the Secretary to the Joint Committee is of the opinion that it is likely that the press and public will be excluded from all or part of a meeting, he/she shall so indicate on the agenda and may withhold from the press and public any report or background paper which would disclose confidential or exempt information;
 - (ii) The Joint Committee and any Sub-Committee must exclude the press and public from any part of a meeting at which confidential information is likely to be disclosed;
 - (iii) The Joint Committee and any Sub-Committee may exclude the press and public from any part of a meeting:
 - (a) at which exempt information is likely to be disclosed; or
 - (b) at which officers will provide a briefing to members on a matter on which a decision is likely to be taken on the matter within the next 28 days;
- 5.3 Where the Joint Committee or a Sub-Committee excludes the press and public from a meeting, all members of the constituent authorities who are not members of the Joint Committee or Sub-Committee, as appropriate, shall leave the meeting unless specifically invited to remain. This provision shall not apply to:
- (i) the Chief Executive of any of the Authorities;
 - (ii) the Chief Finance Officer to any of the Authorities;
 - (iii) the Monitoring Officer to any of the Authorities;
 - (iv) the Director of the LHC Operations Group.
- 5.4 All documents which are open to public inspection, will normally be available at least five clear days before the relevant meeting. Where a report is not available when the agenda is published, the report shall be made available for public inspection when it is made available to members of the Joint Committee.
- 5.5 Any Member (of any of the Authorities) may:
- (i) Provide the Secretary to the Joint Committee, before the day on which the meeting is to be held, with representations in writing in respect of any matter on such an agenda, in which case the Secretary to the Joint Committee shall ensure that such representations are provided to the

- (ii) Attend the meeting and address the decision-maker for up to 5 minutes in respect of the matter to be decided.

5.6 Members of the public may submit to the Secretary to the Joint Committee comments in writing about any matter on an agenda for a meeting before the day on which the meeting is to be held. Where practicable, such comments will be reported to the decision-maker(s)

6 Departure Decisions

6.1 The Joint Committee and any Sub-Committee shall not take a decision which is contrary to or not wholly in accordance with an Authority's approved Budget or the Authority's approved plan or strategy for borrowing and capital expenditure, and which is not within the approved virement limits, but shall refer the proposed decision to all relevant Authorities for determination.

6.2 The Joint Committee and any Sub-Committee shall not take a decision which is contrary to an Authority's Policy Framework, but shall refer the proposed decision to all relevant Authorities for determination.

6.3 Paragraphs 6.1 and 6.2 shall not apply where the decision -

- (i) is urgent (in the sense that the interests of the Authority, its area or the inhabitants of the area are at risk of suffering unacceptable damage if the decision were to be deferred.); and
- (ii) the Secretary to the Joint Committee has notified the Chairperson of Scrutiny Committee of the relevant Authority or, if he/she is unable to act, the Chairperson of Council or, if he/she is unable to act, the Vice-Chairperson of Council of the intended decision and the reasons for urgency and that Councillor has notified the Secretary to the Joint Committee in writing that he/she agrees that the matter needs to be determined as a matter of urgency.

6.4 In each instance where an urgent decision is taken under Paragraph 6.3 above, the decision-maker(s) shall as soon as reasonably practicable after the making of the decision, submit a report to each relevant Authority setting out the particulars of:

- (i) the decision which has been taken
- (ii) the reasons why the decision was urgent, and
- (iii) the reasons for the decision itself.

6.5 The Secretary to the Joint Committee shall ensure that a report setting out each urgent departure decision is presented to the next convenient meeting of the relevant Scrutiny Committee.

7. Overview and Scrutiny

- 7.1 Decisions of the Joint Committee will be subject to scrutiny and call-in by the Authorities. Each of the Authorities will apply their existing overview and scrutiny arrangements to decisions of the Joint Committee.
- 7.2 The Secretary to the Joint Committee will publish a record of the decisions of the Joint Committee within 3 clear working days of a meeting and will send a copy of the decisions to a nominated person of each Authority.
- 7.3 Each nominated person will publish the record of decisions within his/her Authority on the day of notification at which point the requirements of the Authorities' Overview and Scrutiny Procedure Rules shall apply in relation to the call-in of any decision.
- 7.4 If a decision of the Joint Committee is not called-in in any of the Authorities by the expiration of 5 clear working days from the date on which the nominated persons were provided with a record of the decision and the Secretary to the Joint Committee has not been notified of any such call-in then the decision may be implemented forthwith.
- 7.5 If a decision is called-in in one or more of the Authorities, the overview and scrutiny arrangements of each Authority which has called-in the decision shall apply as if the decision was one made by that Authority's own executive. When the appropriate overview and scrutiny committee has considered the matter and determined whether or not to agree with the decision of the Joint Committee, the nominated officer of each Authority which has called-in the decision shall notify the Secretary to the Joint Committee of the outcome of such consideration.
- 7.6 If the decision of each relevant overview and scrutiny committee is to agree with the decision of the Joint Committee, the Secretary to the Joint Committee will notify each nominated officer and the decision may be implemented forthwith.
- 7.7 If the decision of one or more relevant overview and scrutiny committees is to recommend to the Joint Committee an alternative course of action, then the decision of the Joint Committee shall be held in abeyance until further consideration is given to the matter at the next appropriate meeting of the Joint Committee.
- 7.8 At the meeting of the Joint Committee at which the matter is considered further, the Chair of the relevant overview and scrutiny committee(s) may attend and address the Joint Committee upon the decision of his/her overview and scrutiny committee and in relation to the alternative course of action recommended.
- 7.9 The Joint Committee will reconsider the proposed decision and may affirm it, or amend it as it considers appropriate.

8 Rules of Procedure

- 8.1 The Chairperson shall preside at meetings of the Joint Committee. In his/her absence, the Vice Chairperson shall preside. In the absence of both Chairperson and Vice Chairperson, the meeting shall elect a member of the Joint Committee to preside for the duration of the meeting.

- 8.2 Each Sub-Committee shall elect a Chairperson. In his/her absence, the Sub-Committee shall elect a member to preside for the duration of the meeting.
- 8.3 At each meeting of the Joint Committee the following business will be transacted:
- (i) Apologies for absence
 - (ii) Declarations of interest
 - (iii) Matters arising from the minutes of the previous meeting
 - (iv) Matters set out in the agenda for the meeting.
- 8.4 The person presiding at a meeting shall conduct the meeting in accordance with these Procedure Rules.
- 8.5 The person presiding at the meeting may vary the order of business at the meeting.
- 8.6 The person presiding at the meeting may invite any person, whether a member or officer of the Joint Committee or a third party, to attend the meeting and to speak on any matter before the meeting.

9 Quorum

- 9.1 The quorum for a meeting of the Joint Committee or a Sub-Committee shall be three members each from a separate authority

10 Record of Attendance

- 10.1 All Joint Committee Members and Sub-Committee members present during the whole or part of a meeting must sign their names on the attendance sheet before the conclusion of the meeting.

11 Disorderly Conduct

- 11.1 If in the opinion of the person presiding, any member of the Joint Committee or of a Sub-Committee misbehaves at a meeting by persistently disregarding the ruling of the person presiding, or by behaving irregularly, improperly or offensively, or by wilfully obstructing the business of the Joint Committee or a Sub-Committee, the person presiding may move not to hear the member further. If the motion is seconded it shall be put to the vote without discussion.
- 11.2 If in the opinion of the person presiding, the member persistently misbehaves after such a motion has been carried, the person presiding may require the removal of the member for such period as the person presiding shall determine. The person presiding may if necessary adjourn or suspend the sitting of the Joint Committee or Sub-Committee.
- 11.3 If a member is required to leave a meeting under this Procedure Rule, the member is not entitled to vote during the period of exclusion.
- 11.4 If a member of the public or Councillor who is not a Joint Committee or Sub-Committee Member interrupts the proceedings at any meeting, the person presiding may issue a warning. If the interruption continues the person presiding may order the person's removal from the room or chamber in which the meeting is

- 11.5 In case of general disturbance in any part of the chamber open to the public the person presiding may order that part cleared. If the person presiding considers it necessary, he may adjourn or suspend the sitting of the Joint Committee or Sub-Committee.

12 Voting

- 12.1 Whilst the Joint Committee shall seek to operate by consensus, matters under consideration shall be determined by a majority vote of those members present and voting
- 12.2 Voting is generally by a show of hands.
- 12.3 Any Joint Committee or Sub-Committee Member may ask for a vote to be recorded. Individual votes will then be taken by way of a roll call and recorded in the minutes so as to show how each member present and voting gave his vote.
- 12.4 Any Joint Committee or Sub-Committee Member may ask that his/her individual vote be recorded in the minutes.
- 12.5 Whenever a vote is taken by show of hands and not by roll call, the person presiding shall ask for those in favour, and those against to vote in turn. He will then ask those abstaining from voting to indicate accordingly. Any member may ask for the number of those in favour, the number of those against and the number of those abstaining to be recorded in the minutes.
- 12.6 A member may not change his/her vote once he/she has cast it and another member has been called upon to vote.
- 12.7 If a member arrives before the casting of votes has been commenced he/she is entitled to vote.
- 12.8 Immediately after a vote is taken any member may ask for it to be recorded in the minutes that he/she voted for or against the question, or that he/she abstained.
- 12.9 A matter shall be considered to be approved if it receives the votes of a majority of those members entitled to vote who are present and voting. In the event that the votes cast for and against a proposal are equal, the person presiding, will have a second and/or casting vote.. There shall be no restriction on the manner in which the casting vote is exercised.
- 12.10 Where there are more than two persons nominated for any position to be filled by the Joint Committee or a Sub-Committee, and no person receives more than one half of the votes given, the name of the person having the least number of votes will be struck off the list and a fresh vote taken, and so on until a clear majority of votes is given in favour of one person.

13 Recording the Decision

- 13.1 The person presiding shall be responsible for ensuring that the Secretary to the Joint Committee is clear as to the decision taken and the reasons for that

13.2 The Secretary to the Joint Committee shall then, as soon as reasonably practicable after the end of the meeting, prepare a statement of the decisions taken at the meeting, including:

- (i) The Joint Committee and Sub-Committee and other members of the Authorities attending the meeting
- (ii) Any disclosures of personal or prejudicial interests
- (iii) The decisions taken and the date of those decisions
- (iv) Whether the decision is urgent and should be implemented directly
- (v) A summary of the reasons for the decision
- (vi) The options which were considered at, but rejected by, the meeting

The Secretary to the Joint Committee may consult the person presiding at the meeting as to the matters to be recorded in the minute.

13.3 Where the statement of decision(s) would disclose confidential or exempt information, the Secretary to the Joint Committee shall produce a formal statement of decisions of the meeting and a summary of the decisions taken at the meeting excluding such confidential and exempt information but providing a coherent account of the matters decided.

13.4 Where the decision is a decision upon a reconsideration of a decision on a Call-In by a Scrutiny Committee, the Secretary to the Joint Committee shall be responsible for reporting that reconsideration decision to the Scrutiny Committee.

13.5 The Secretary to the Joint Committee shall be responsible for circulating the statement of decisions to officers of the authority responsible for the implementation of the decision(s).

14 Implementing decisions

14.1 Decisions shall not be implemented until 5 clear days from the publication of the statement of decision(s) of the meeting or the decision.

14.2 Paragraph (a) shall not apply where the author of any report has stated therein, or the decision-maker(s) have determined, that the matter is urgent and that the interests of one or more of the constituent authorities, its area or the inhabitants of the area are at risk of suffering unacceptable damage if the decision were not to be implemented directly.

14.3 Where a non-urgent decision is called in by a Scrutiny Committee before it is implemented, implementation of the decision will be deferred until the decision-maker has had the opportunity to consider any request from the Scrutiny Committee for the re-consideration of the matter.

Agenda Item 10.1

Committee/Meeting: Cabinet	Date: 13 th February 2013	Classification: Unrestricted	Report No: CAB 74/123
Report of: Corporate Director Development and Renewal Originating officer(s) Chris Holme – Service Head Resources, Paul Leeson – Finance Manager, Katherine Ball – Senior Accountant, Development & Renewal		Title: Housing Revenue Account – Budget Report 2013/14 Adoption of Housing General Fund Capital Estimates Adoption of Development & Renewal Capital Estimates Wards Affected: All	

Lead Member	Housing and Development
Community Plan Theme	One Tower Hamlets
Strategic Priority	Ensuring Value for money across the Council

1. **SUMMARY**

- 1.1 This is the second report on the Housing Revenue Account (HRA) for 2013/14, and follows decisions of the Mayor in Cabinet on 9th January 2013 regarding rents and tenant service charges. This report seeks Mayoral approval of the draft HRA budget for 2013/14 as set out in Appendix 1, and of the Management Fee payable to Tower Hamlets Homes.
- 1.2 This report also seeks Mayoral approval for the adoption of various housing and non-housing capital estimates.

2. **DECISIONS REQUIRED**

The Mayor in Cabinet is recommended to:-

Revenue

- 2.1 Approve the draft 2013/14 Housing Revenue Account budget as set out in Appendix 1.
- 2.2 Approve the draft 2013/14 Management Fee payable to Tower Hamlets Homes (THH) of £32.429 million as set out in Table 3 in section 9.2.

- 2.3 Subject to 2.2 above, note that under the Management Agreement between the Council and THH, THH will manage delegated income budgets of £84.2 million and delegated expenditure budgets of £25.1 million on behalf of the Council in 2013/14.
- 2.4 Note the HRA Medium Term Financial Plan (2013-16) outlined in Appendix 2.

Capital

- 2.5 Adopt a capital estimate of £980,000 for the award of Disabled Facilities Grants, as outlined in paragraph 12.1, subject to funding being confirmed by the DCLG and the Department of Health.
- 2.6 Adopt a capital estimate of £250,000 in respect of Private Sector Improvement Grants, including Empty Property Grants, for 2013-14, to be financed from ring-fenced resources received from the East London Renewal Partnership (paragraph 12.2).
- 2.7 Agree to increase the capital estimate in respect of conservation works for Bethnal Green Terrace by £351,000, as outlined in paragraph 13.1.
- 2.8 Adopt a capital estimate of £320,000 in respect of pedestrian crossing works in Whitechapel Road, as outlined in paragraph 13.2.

3. REASONS FOR THE DECISIONS

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

4. ALTERNATIVE OPTIONS

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

5. BACKGROUND

- 5.1 The Housing Revenue Account (HRA) relates to the activities of the Council as landlord of its dwelling stock, and the items to be credited to the HRA are prescribed by statute. Income is primarily derived from tenants' rents and service charges, and expenditure includes repairs and maintenance and the provision of services to manage the Council's housing stock.
- 5.2 Since 1990 the HRA has been "ring-fenced"; this was introduced as part IV of the Local Government & Housing Act 1989 and was designed to ensure that rents paid by local authority tenants reflect the associated cost of services; this means that the HRA cannot subsidise nor be subsidised by Council Tax i.e. any deficits or surpluses that arise on the HRA cannot be met from or transferred to the General Fund. In addition, the HRA must remain in balance.
- 5.3 At its meeting on 9th January 2013, the Mayor in Cabinet considered the Housing Revenue Account and Rent Setting report which recommended an average weekly rent increase of £4.39 from April 2013. This rent increase has been incorporated into the 2013/14 HRA budget set out in Appendix 1.
- 5.4 This report is also seeking capital estimates for various Housing General Fund elements of the capital programme, as well as certain funding regimes that are administered by the Council.
- 5.5 The Council's Housing Strategy includes the following objectives:
- Delivering and maintaining decent homes
 - Place making and sustainable communities
 - Managing demand, reducing overcrowding
 - New housing supply

The investment programme addresses these aims where appropriate.

6. HRA 30 YEAR FINANCIAL MODEL

- 6.1 Since April 2012, HRA Self-Financing has been in place, with each Authority required to develop and maintain a 30 Year HRA Business Plan.
- 6.2 The modelling indicated that annual revenue surpluses would be generated over the first 10-15 years; these would subsequently be needed to fund the capital programme over the remaining part of the 30 year plan as the Authority would have reached its debt cap by that point, and would be unable to borrow any further to finance the capital programme. This will enable the anticipated required capital works to be delivered over the life of the Business Plan - including the delivery of the enhanced Decent Homes programme over the early years of the model.

7. PROJECTED OUTTURN 2012/13

- 7.1 Appendix 1 shows the agreed 2012/13 HRA budget. On December 5th 2012, the Mayor in Cabinet considered the Performance and Corporate Budget Monitoring Report (Quarter 2), which reported that the HRA was forecast to underspend by £0.425m, this will be used for future capital investment, as outlined in paragraph 6.2.

8. RISKS

- 8.1 A number of recent Cabinet decisions relate to the HRA and will affect the viability of the 30 Year Financial Model. In addition there are a number of risks to the HRA that have emerged since the initial modelling was undertaken; the most substantial being various Welfare Reform changes and the reinvigorated Right to Buy scheme.

8.2 Welfare Reform

8.2.1 Changes to the Benefits System

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

(1) Benefit Cap

Under the new rules an upper limit will be applied to claimants, so that:

- No family household will receive more than £500 per week
- No single person household will receive more than £350 per week

Originally the benefit cap was to come into effect across the country from April 2013. In December 2012 the government announced that from April 2013 the cap would only apply in four London Boroughs, (Bromley, Croydon, Enfield & Haringey) before being rolled out across the country by September 2013. It is not yet known when the benefit cap will take effect in Tower Hamlets.

(2) Under-occupancy

From April 2013, if a tenant is of working age the Government will no longer pay full housing benefit if they are under-occupying their home. Where claimants are assessed as under-occupying by one bedroom, housing benefit will be reduced by 14%; estimated to be £12.50 a week for a three bedroom home. If under-occupying by 2 bedrooms or more, housing benefit will be reduced by 25%; estimated to be £22.50 a week for a three bedroom home.

(3) Universal Credit and Direct Payments

From October 2013, Universal Credit will be introduced to replace income-based Job Seekers' Allowance, income-related Employment & Support Allowance, Income

Support (including Support for Mortgage Interest), Working Tax Credits, Child Tax Credits and Housing Benefit.

Direct Payments will be made to claimants' bank accounts on a monthly basis, starting in October 2013 for new claimants and people with a change of circumstances, and gradually then extended to all claimants by the end of 2017.

8.2.2 Impact on Tower Hamlets tenants

Benefit Cap

Latest figures from the Department for Work and Pensions (DWP) indicate that approximately 150 THH tenanted households will find that their current benefits are more than the new capped amounts, and their benefits will therefore be reduced. The average loss for these households is estimated to be roughly £3,500 a year, and will mean that, potentially, over £500,000 of income will be harder for Tower Hamlets Homes to collect.

(1) Under-occupancy

It is estimated that approximately 1,000 households will be affected by the under-occupancy cap, with an average loss for these households is roughly £900 a year, meaning that, potentially, over £900,000 of income will be harder to collect.

(2) Universal Credit and Direct Payments

Data was released by the DWP in December 2012 relating to six demonstration projects from around the country. In terms of the scale of these, 6,220 tenants across the UK were paid directly in the first four months of the projects.

Across the different areas, levels of rent payments by tenants ranged from 88% to 97%; on average therefore, landlords testing direct payment of benefit failed to collect 8% of rent in the first four months.

8.2.3 Impact of Welfare Reform changes on the HRA

The impact on the HRA of these changes will not be clear until they take effect, however for planning purposes, provision has been made in the 2013/14 budget to reflect the possibility of an increase in bad debts equivalent to 3% of the 2013/14 rental income budget.

The MTFP (Appendix 2) assumes that the level of bad debts will reduce in 2014/15 and 2015/16, however as Universal Credit & Direct Payments take effect in stages, any adverse effect on income will be felt over several financial years, and the current level of budget provision may need to be reviewed.

The extent to which HRA budget pressures caused by welfare changes prove to be temporary in nature will depend on the Council's response to future cases of rent arrears. If tenants cannot pay their rent in full, this will lead to an ongoing budget

pressure, and as rent constitutes the main source of income for the HRA, this could have a significant impact on the future viability of the HRA.

8.3 Right to Buy

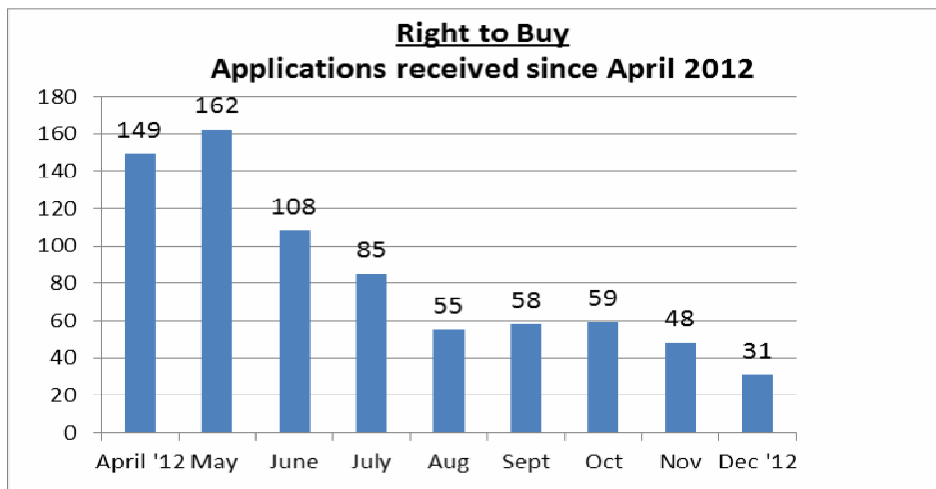
8.3.1 Changes to the Right to Buy Policy

From April 1st 2012 the maximum Right to Buy discount offered to tenants in London increased to £75,000. The government also allowed Local Authorities to enter into an agreement with the Secretary of State whereby they would be allowed to retain part of the receipt from Right to Buy sales, providing that the retained receipts were spent on the re-provision of social housing within three years, and limited to a maximum of 30% of the cost of the re-provision.

Tower Hamlets returned its signed agreement to the Department of Communities & Local Government in September 2012, and the agreement takes effect from the second quarter of 2012/13. The Authority is able to terminate the agreement in future if it wishes; in that case the retained receipts would no longer be retained by the Authority and would be payable to the government.

8.3.2 Right to Buy Applications

Between April and December 2012, 755 Right to Buy applications were received by Tower Hamlets Homes.



Graph 1 – RTB Applications received since April 2012

8.3.3 Right to Buy Sales to Date

There have been five Right to Buy sales since April 2012, all with the maximum discount of £75,000, with an average receipt of £90,000 received by the Council. It is anticipated that successful applications received after April 2012 will take between nine and 15 months to complete.

8.3.4 Future Right to Buy Sales

Modelling the number and timing of future sales is difficult; the current unfavourable economic conditions may mean that the number of sales could be relatively low, and in addition, some tenants may not fully appreciate the responsibilities arising from being a leaseholder, and once aware, may decide not to continue with their application.

However, the increased discount is substantial and the Department for Communities & Local Government has carried out a marketing campaign promoting its reinvigorated right to buy policy direct to tenants. Tower Hamlets Homes estimates that 12% of applications received will reach completion, although a trend will only be discernible as sales take place in greater numbers.

8.3.5 Impact of Right to Buy Sales on the HRA

As sales take place and properties change from tenanted to leasehold, there is a net loss to the HRA of approximately £4,800 per property per year.

For budget planning purposes it has been assumed that there will be 100 sales in both 2012/13 & 2013/14, and then approximately 20 in both 2014/15 and 2015/16. The HRA 30 Year Financial Model originally assumed a much lower number of sales in 2012/13 and 2013/14 - as per the government's projections dating from prior to the changes to the Right to Buy scheme being announced. Table 1 below shows the loss of 2013/14 rental income as a result of these projected additional sales.

	Projected additional sales	Loss of income from 2012/13 sales	Loss of income from 2013/14 sales	Total
2013/14	91	£0.4m	£0.2m	£0.6m

Table 1 – Loss of 2013/14 rental income due to projected RTB sales in 2012/13 & 2013/14

8.4 Leaseholder Recovery

8.4.1 Leaseholders represent approximately 40% of the HRA stock, and where capital works required are of an external or communal nature, they are required to contribute to their share of the costs. At its meeting on January 9th 2013, the Mayor in Cabinet agreed a number of changes relating to leaseholder payment options, including the introduction of a discount for early payment of major works invoices, and amended interest free payment options.

8.4.2 Whilst it is anticipated that the new payment options will lead to an improved collection rate for major works, it remains crucial that leasehold major works debt is pursued in a robust manner, and that the impact of these policies on the Authority's cashflow is kept under review. The HRA 30 Year Financial Model assumes a certain level of leaseholder major works recovery, and if this is not achieved, this will result in a budget pressure within the HRA.

8.5 Interest Rates and Debt

- 8.5.1 Over the next few years, the Authority will need to prudentially borrow in order to finance the capital programme. Although interest rates are currently at historically low levels, they will not remain so indefinitely; additionally, with a residual loan portfolio mostly consisting of variable rate market loans, the HRA will be exposed to interest rate risks.

9. DRAFT BUDGET 2013/14

9.1 Inflation

- 9.1.1 September 2012's inflation indices were as follows; the Retail Price Index (RPI) - on which the following year's rent increase is based - was 2.6% and the Consumer Price Index (CPI) was 2.2%. CPI has risen since September, with the latest reported figure being 2.7%.

9.1.2 Rent Increase

The HRA Settlement assumed that local authorities would achieve rent convergence in 2015/16 in line with the government's rent restructuring policy, and then implement subsequent annual rent increases of RPI + 0.5%.

On January 9th 2013 the Mayor in Cabinet agreed an average 2013/14 rent increase of 4.47% - equating to £4.39 per week - and this level of rent increase has been incorporated into the 2013/14 budget figures at Appendix 1.

9.1.3 Tenant Service Charges

On January 9th 2013 the Mayor in Cabinet agreed an average 2013/14 increase in tenant service charges of £0.25 per week. This level of tenant service charges is reflected in the 2013/14 budget figures at Appendix 1.

9.1.4 2013/14 Inflation - salaries

The General Fund medium term financial plan provides for an assumed 1% inflationary uplift on salaries in 2013/14 and 2014/15, and this has been replicated for the HRA where salaries constitute approximately £20m of the management fee. The management fee calculation includes a sum to reflect this inflationary uplift.

9.1.5 2013/14 Inflation - other

In line with the General Fund medium term financial plan which provides for an assumed 2.5% inflationary uplift on other prices in 2013/14, most other expenditure items within the HRA have been uplifted by this amount.

9.1.6 2013/14 Inflation - energy

Current forecasts for 2013/14 energy contract prices are shown in Table 2 below.

Gas & Power	2013/14 forecast increase
Gas*	4.4 – 5.9%
Half Hourly Electricity**	4.9 – 5.4%
Non Half hourly Electricity***	3.81 – 6.78%
Unmetered supply****	1.4%

Table 2 – Forecast 2013/14 energy contract increases

*73% of our gas has been already been procured for 2013/14

**83% of the half hourly electricity has already been procured for 2013/14

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

****10% of the unmetered supply has been procured, this is the least volatile of all and increases / decreases tend to be less significant

9.2 Management Fee

9.2.1 In February 2012, The Mayor in Cabinet approved the 2012/13 Management Fee payable to THH for services provided to the Council. At £32.215 million, the Management Fee represented the largest single expenditure element of the HRA 2012/13 budget.

9.2.2 In order to mitigate against the anticipated impact of the risks detailed at 8.2 & 8.3, the 2013/14 Management Fee reflects savings of £1.332 million.

9.2.3 Table 3 below shows the calculation of the 2013/14 Management Fee payable to Tower Hamlets Homes.

Description	Total Fee £'000
Base Budget 2012/13	32,215
2013/14 savings to mitigate against risks (RTB & Welfare Reform)	-1,332
Fee to reflect increased capital programme in 2013/14*	955
Inflation on salaries (1%)	201
Inflation on repairs element of management fee	45
Additional items –lease costs, Welfare Reform & HR Self-Service	255
TMO management cost (transferred from delegated budget)	90
Indicative Management Fee 2013/14	32,429

Table 3 – Calculation of the 2013/14 Management Fee

* For the purposes of the indicative management fee, a 2013/14 capital programme of £53m has been assumed. Although certain elements of the 2013/14 capital programme have already been approved, a report will be presented to Cabinet in due course regarding the full 2013/14 programme of works, the remaining

capital estimates to be adopted and the financing sources. This will incorporate the non Decent Homes element of the programme, as well as detailed profiling of the Decent Homes programme. The level of the management fee relating to the delivery of the capital programme will be adjusted – if necessary – at this stage.

- 9.2.4 The major budgetary savings must by necessity be delivered from the management fee. In addition, Table 4 shows a number of additional savings that have been built into the 2012/13 budget.

Description	Amount £'000
Reduction in Special Services budget (energy costs)	-500
External decorations saving (Repairs & Maintenance)	-250
Special Services savings (cleaning)	-100
Reduction in Lettings recharge	-200
	-1,050

Table 4 – Other 2013/14 HRA savings

- 9.2.5 Overall Savings

Overall, the 2013/14 HRA budget includes gross savings of £2.382m, although as some of the savings will result in lower service costs there will be a consequent reduction in leaseholder income. Therefore the net impact of the 2013/14 savings is £1.811m.

10. MEDIUM TERM FINANCIAL PLAN

- 10.1 Appendix 2 shows the HRA Medium Term Financial Plan (MTFP) for the period 2013-2016.
- 10.2 The MTFP incorporates various income and expenditure assumptions and includes known changes that will affect the budget, including the effects of changes to stock numbers due to the impact of various regeneration schemes. As can be seen, the HRA is balanced over the three year period of the MTFP, with the current planning assumption being that anticipated revenue surpluses will contribute to the financing of the HRA capital programme.
- 10.3 As referred to in paragraph 8.2.3, the MTFP currently assumes that the level of bad debts will increase in 2013/14, but subsequently reduce in 2014/15 and ultimately return to historic levels in 2015/16. However, as the cumulative impact of the various Welfare Reforms take effect, this assumption will be reviewed, and the budgeted provision may need to be increased.
- 10.4 As highlighted in paragraph 8.3.5, the assumptions in the MTFP about the number of future Right to Buy sales will need to be kept under review. If sales are higher than currently assumed, compensatory savings will need to be made in order to offset the loss of the income to the HRA.

10.5 Regeneration Schemes

- 10.5.1 At its meeting on January 9th 2013 the Mayor in Cabinet agreed the recommendation of the procurement evaluation panel to appoint bidder 1 as its preferred partner, to authorise officers to proceed with the final stage of procurement in finalising the Development Agreement, and to adopt a capital estimate to the value of £36m for the development of the Poplar Baths and Dame Colet sites.
- 10.5.2 The HRA MTFP includes indicative figures in 2014/15 and 2015/16 to reflect the anticipated annual revenue income and expenditure associated with the scheme. Because the scheme is treated for accounting purposes as a finance lease, it impacts on the Authority's debt cap, and the Authority will reach its cap earlier than originally anticipated. The notional borrowing on the Poplar Baths/ Dame Colet House schemes will reduce the resources available to finance the necessary planned capital expenditure within the 30 year HRA financial model and therefore these resources must be replenished; assumed total savings to the sum of £0.7m have been incorporated into the HRA Medium Term Financial Plan to address this.
- 10.5.3 Going forward, the HRA 30 Year Financial Plan provides the possibility for limited new supply development.

11. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

- 11.1 The Council's projected three year capital programme is included with the 'General Fund Revenue and Capital' report elsewhere on this agenda. This incorporates indicative funding of £216 million for the Housing Revenue Account element of the capital programme over the three year period from 2013-14 to 2015-16, which is summarised in Table 5 below, and detailed in Appendix 3.

	2013/14 £m	2014/15 £m	2015/16 £m
Indicative HRA Programme	78.48	76.59	61.00

Table 5 – Summary HRA Capital Programme 2013/14 to 2015/16

Mainstream HRA Capital Programme - Non Decent Homes

- 11.2 Although Members have already approved certain elements of the programme, it will be necessary for a future Cabinet to adopt capital estimates for the remainder of the programme. The HRA Business Plan identifies £15.933m of available resources earmarked for 2013/14 to fund the non Decent Homes element of the HRA capital programme. A report proposing capital schemes to be financed from these uncommitted resources will be considered by Cabinet in due course.

12. ADOPTION OF HOUSING GENERAL FUND CAPITAL ESTIMATES

12.1 Disabled Facilities Grants

12.1.1 Mayoral approval is sought to formally adopt a capital estimate of £980,000 for the inclusion of the Private Sector Disabled Facilities Grant programme within the General Fund element of the housing capital programme, subject to funding being confirmed by the DCLG and the Department of Health.

12.2 Private Sector Renewal Grant

12.2.1 Mayoral approval is sought to formally adopt a capital estimate of £250,000 for the inclusion of the Private Sector Renewal Grant programme within the General Fund element of the housing capital programme. These resources will support the aims and objectives of the Council's Private Sector Housing and Empty Properties Framework, including Home Repairs Grants for minor aids and adaptations, energy efficiency, minor repairs, home security, hazard removal and relocation assistance; Empty Property Grants and Discretionary Disabled Facilities Grants. The scheme will be financed from ring-fenced resources received from the East London Renewal Partnership.

13. ADOPTION OF NON HOUSING CAPITAL ESTIMATES

13.1 Bethnal Green Terrace

13.1.1 The Bethnal Green Terrace Project has previously been approved by Members, and is funded from English Heritage Grant, Section 106 resources and Local Authority Business Growth Initiative (LABGI) grant. The Council has now secured additional grant funding from English Heritage (£291,000) and specific Section 106 resources (£60,000) to complete the final phase of the project. Although the additional works are externally funded, in accordance with Financial Regulations, the existing capital estimate must be increased by £351,000 prior to the additional works being commissioned. This report seeks the adoption of the necessary revised capital estimate in order that the scheme can progress.

13.2 Whitechapel Road Pedestrian Crossing

13.2.1 Transport for London is undertaking a project to improve a pedestrian crossing outside the East London Mosque in Whitechapel Road. The works will include improvements to the footways and enhancements to the overall urban realm. Funding for the project is derived through Section 106 resources which are specific to this project. Although the Section 106 agreements specify the use of the funding, in accordance with Financial Regulations, capital schemes must be included within the Council's capital programme, and capital estimates adopted prior to any expenditure being incurred. This report therefore seeks the adoption of the necessary capital estimate of £320,000 in order that the Section 106 resources can be transferred to Transport for London.

14. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 14.1 This report sets out the proposed budget for the Housing Revenue Account for 2013/14 and also asks Members to approve the draft management fee payable to Tower Hamlets Homes to manage the dwelling stock on behalf of the Authority.
- 14.2 The budgets have been prepared by the Authority in conjunction with Tower Hamlets Homes, in accordance with the terms of the management agreement. Section 9 of the report outlines the efficiency and other savings that have been incorporated across delegated budgets, and within the management fee.
- 14.3 The Council is required to maintain a reasonable level of reserves in the HRA to mitigate possible financial risks. Since April 2012 the Authority has been responsible for the financing of all HRA expenditure, including the capital works necessary to maintain and improve the housing stock, including completion of the Decent Homes programme. All future capital work will be funded through a combination of, primarily, borrowing (within the constraints of HRA Business plan viability and the HRA's debt cap), contributions from reserves, leaseholder contributions and grants.
- 14.4 Although the 2013/14 budget incorporates significant savings, it is essential that the process is continued, in conjunction with Tower Hamlets Homes, to identify and generate further efficiencies and savings within this and future years' budgets, to ensure that the Council complies with its statutory requirement to maintain a balanced Housing Revenue Account, and that the capital investment programme is fully financed.
- 14.5 This report outlines the indicative HRA Housing Investment Programme for 2013-14 to 2015-16 (Appendix 3). The programme will be financed through available resources identified within the Authority's HRA 30 Year Financial Model. The capital estimates for the main elements of the Decent Homes programme are already in place, however a report will be submitted to a future Cabinet meeting outlining proposals for the non-Decent Homes projects to be adopted within the mainstream HRA Programme. This will be in line with the available resources detailed in this report.
- 14.6 The indicative capital programme proposed in this report will be undertaken over the same time period as the currently ongoing substantial Decent Homes programme. In a capital programme of this size over a long period, there will inevitably be changes to the scope and timing of some schemes as they are worked up and detailed consultation takes place. It is therefore important that sufficient flexibility exists within the programme to ensure that schemes can be managed in line with available resources, and to ensure that, in particular, the Authority maximises its external year-specific financing, e.g. Decent Homes backlog funding.
- 14.7 The capital programme will continue to be managed robustly in line with resources available, with commitments only being entered into if they remain affordable within the HRA 30 Year Financial Model.

- 14.8 It should be noted that a significant element of the costs of the capital programme will be chargeable to leaseholders, and although the Authority will be required to finance the works initially, it is vital that all costs are appropriately recharged in accordance with the terms of the lease.
- 14.9 The report seeks the formal adoption of a capital estimate of £980,000 to fund the Authority's Disabled Facilities Grant regime. As outlined in paragraph 12.1, the resources to fund this programme are assumed to consist of the anticipated DCLG grant funding of £730,000, plus £250,000 from within the Department of Health Personal Social Services capital grant. Confirmation of this funding is awaited and if the external funding is not at the level anticipated, the programme will have to be adjusted in line with the specific resources allocated.
- 14.10 This report also seeks the adoption of capital estimates for Private Sector Renewal Grants and Section 106 funded schemes (paragraphs 12.2, 13.1 and 13.2). Resources are already held to fully finance these projects, but although the financing is specific to these schemes, under the Council's Financial Regulations, capital estimates must first be approved in order that the initiatives can be included within the capital programme prior to any expenditure being incurred.

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

- 15.1 The report proposes that the Mayor approves the HRA budget for 2013/2014. The Council is subject to an obligation under Part VI of the Local Government and Housing Act 1989 to maintain a housing revenue account (HRA). The Council is required to prepare proposals in January and February each year relating to the income of the authority from rents and other charges, expenditure in respect of repair, maintenance, supervision and management of HRA property and other prescribed matters. The proposals should be based on the best assumptions and estimates available and should be designed to secure that the housing revenue account for the coming year does not show a debit balance. The report sets out information relevant to these considerations.
- 15.2 The Mayor is asked to agree the management fee for Tower Hamlets Homes. Schedule 6 of the management agreement with Tower Hamlets Homes provides the method for calculation of the management fee. The report proposes that the management fee reflect specified savings and it is understood that the proposed management fee is put forward as an amount that it would be reasonable for the Council to pay for the services provided by Tower Hamlets Homes.
- 15.3 The report seeks approval for capital estimates in relation to a variety of schemes. In compliance with section 151 of the Local Government Act 1972, the Council has in place Financial Regulations and Financial Procedures. The Financial Regulations set a threshold of £250,000, above for which Cabinet approval is required for a capital estimate. The Financial Procedures supplement this requirement. The various capital schemes must be capable of being carried out within the Council's statutory powers. To the extent that the details of the schemes appear from the body of the report, it does appear that the proposed works do meet this requirement. In

particular the maintenance and repair of dwellings and may be considered consistent with the Council's repairing obligation under section 11 of the Landlord and Tenant Act 1985.

- 15.4 The Council administers the disabled facilities grant scheme under Part 1 of the Housing Grants, Construction and Regeneration Act 1996. The Secretary of State makes a contribution to the expenditure incurred, but there is no barrier to a further allocation being made by the Council if the cost of the scheme exceeds the government contribution. The Council has obligations to provide aids and adaptations under a variety of legislation.
- 15.5 It will be for officers to ensure that individual commitments are carried out in accordance with legal requirements. The terms of specific grant funding must be complied with, as must the terms of any section 106 agreement under which funding is to be made available. Any procurement associated with works or projects must be carried out in accordance with the Council's procurement procedures and the requirements of the Public Contract Regulations 2006. If the costs of works are to be recharged to leaseholders must comply with the statutory consultation requirements.
- 15.6 Before agreeing any of the report's recommendations, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't. Information relevant to these considerations is contained in section 16 of the report.

16. ONE TOWER HAMLETS CONSIDERATIONS

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

17. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

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

18. RISK MANAGEMENT IMPLICATIONS

18.1 Since the introduction of Self-Financing, Tower Hamlets is responsible for running its HRA as a viable business, using HRA income in order to fund all HRA expenditure, including the capital works necessary to maintain and improve the housing stock, and the Decent Homes programme.

18.2 Various areas of risk and uncertainty are highlighted in section 8. Over the next few months, it will be essential to review and update the HRA medium-term financial strategy to reflect economic conditions and policy changes.

19. CRIME AND DISORDER REDUCTION IMPLICATIONS

19.1 There are no significant implications arising from these specific recommendations.

20. EFFICIENCY STATEMENT

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

21. APPENDICES

Appendix 1 – HRA Draft Budget 2013/14

Appendix 2 – HRA Medium Term Financial Plan projections 2013-2016

Appendix 3 – Indicative HRA Capital Programme – 2013/14 to 2015/16

Appendix 4 – Equality Impact Assessment - Rent Review 2013/14

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

List of “Background Papers” used in the preparation of this report

There are no working papers applicable to this report

HOUSING REVENUE ACCOUNT

DRAFT BUDGET 2013/14

2012/13	Housing Revenue Account	2012/13	2012/13	2013/14
Approved Budget		Latest Budget	Projected Outturn	Draft Budget
£,000		£'000	£'000	£'000
	INCOME			
(63,200)	Dwelling Rents	(63,200)	(62,812)	(65,300)
(3,495)	Non-dwelling Rents	(3,495)	(3,543)	(3,653)
(6,762)	Tenant Charges for Services & Facilities	(6,762)	(6,620)	(6,749)
(10,100)	Leaseholder Charges for Services & Facilities	(10,100)	(10,661)	(10,500)
(115)	Contributions towards expenditure	(115)	(115)	(115)
-	HRA Subsidy Receivable	-	-	-
(83,672)	GROSS INCOME	(83,672)	(83,751)	(86,317)
	EXPENDITURE			
21,411	Repair & Maintenance	21,411	21,567	21,795
25,215	Supervision & Management	25,215	23,922	23,458
14,034	Special Services	14,034	13,676	13,023
3,076	Rents, Rates, Taxes and other charges	3,076	3,014	3,049
900	Provision for Bad Debts	900	900	1,900
1,853	Interest Payable - Item 8	1,853	1,812	3,105
15,174	Depreciation - HRA Dwellings	15,174	15,174	14,086
1,493	Depreciation - Non Dwellings	1,493	1,758	1,552
76	Debt Management Costs	76	76	76
83,233	GROSS EXPENDITURE	83,233	81,899	82,044
(440)	NET COST OF HRA SERVICES	(440)	(1,852)	(4,272)
175	Amortisation of Premiums & Discounts	175	175	(78)
(51)	Supporting People Contribution	(51)	-	-
(190)	Interest & Investment Income	(190)	(190)	(160)
(507)	(SURPLUS)/ DEFICIT ON HRA	(507)	(1,867)	(4,510)
	Appropriations			
2,000	Revenue Contribution to Capital Expenditure	2,000	3,200	6,062
1,493	NET POSITION	1,493	1,333	1,552
(1,493)	Contribution from Major Repairs Reserve	(1,493)	(1,758)	(1,552)
-	NET POSITION AFTER RESERVE DRAWDOWN	-	-	-
	Balances			
(12,786)	Opening balance	(12,786)	(14,578)	(15,003)
-	Net (Surplus)/ Deficit on HRA	-	(425)	-
(12,786)	Closing balance	(12,786)	(15,003)	(15,003)

MEDIUM-TERM FINANCIAL PLAN 2013/14 – 2015/16

INDICATIVE HRA BUDGETS

Housing Revenue Account	2013/14	2014/15	2015/16
	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000
INCOME			
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)
GROSS INCOME	(86,477)	(89,184)	(91,356)
EXPENDITURE			
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
GROSS EXPENDITURE	81,966	83,018	84,413
NET COST OF HRA SERVICES	(4,510)	(6,166)	(6,944)
Appropriations			
Revenue Contribution to Capital Outlay (RCCO)	6,062	7,757	8,574
NET POSITION	1,552	1,591	1,630
Balances			
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
Closing balance	(15,003)	(15,003)	(15,003)

**INDICATIVE HRA CAPITAL PROGRAMME
2013/14 – 2015/16**

	2013-14 £m	2014-15 £m	2015-16 £m	Total £m
<u>Anticipated Expenditure</u>				
<u>Capital Estimates already in place:</u>				
Decent Homes Programme	33.77	46.00	-	79.77
Ocean Estate Regeneration	6.19	-	-	6.19
Blackwall Reach	2.59	-	-	2.59
Dame Colet House / Poplar Baths (HRA Element)	-	-	16.00	16.00
	42.55	46.00	16.00	104.55
<u>Schemes under Development:</u>				
Notional Residual Decent Homes Capital Profiling	20.00	16.47	-	36.47
Non Decent Homes Schemes	15.93	14.12	23.00	53.05
Watts Grove	-	-	22.00	22.00
Indicative HRA Capital Programme	78.48	76.59	61.00	216.07
<u>Summarised Assumed Financing</u>				
Decent Homes Backlog Funding	25.00	46.00	-	71.00
Major Repairs Reserve	15.00	15.00	15.00	45.00
Net Use of HRA and other Balances / Unsupported Borrowing	29.70	15.59	8.00	53.29
Section 106 and Earmarked Capital Receipts (re Ocean Estate and Blackwall Reach)	8.78	-	-	8.78
Credit Approvals	-	-	38.00	38.00
	78.48	76.59	61.00	216.07

Equality Analysis (EA)

Section 1 – General Information

Name of the proposal including aims, objectives and purpose:

2013/14 Rent Review

An average increase of £4.39 in Council rents is being proposed from 1st April 2013. This equates to 4.47%.

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

The proposed rent increase is at a level that will sustain the Council's obligations under the HRA self-financial regulations and meets the requirements of rent convergence by 2015/16.

Even with a 4.47% increase, the social rents charged by the Council for its housing stock will still be the lowest in Tower Hamlets.

The rent increase is required in order to adhere to the assumptions contained within the Self-Financing Final Determination, published in February 2012. This valued Tower Hamlets' HRA business over 30 years, and assumed that the Authority will continue with rent restructuring with the aim of achieving rent convergence in 2015/16.

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

Rent is the major component of HRA income, a lower increase would also be problematic as regards the self-financing settlement as this assumed rent income at the government set guideline level, and any shortfall is embedded in the calculation of the debt settlement. This would mean a higher level of debt to be financed with a lower level of rental income in future years.

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

Notes:

Under **HRA Self Financing**, there has been a substantial change in the way in which Tower Hamlets' HRA is financed. The annual HRA subsidy system has been abolished, and the Council now retains all HEA income but is responsible for financing all HRA expenditure. Therefore, implementation of a 2013/14 rent increase consistent with that assumed in the Self-Financing Draft Determination is crucial in contributing to the long-term viability of the HRA.

Rent Convergence Under the original proposals announced in 2000, similar properties would be

charged similar rents by 2012 (the date has been subsequently moved to 2015), regardless of whether the property was owned by the local authority or a social housing provider; this is known as rent convergence. Under the HRA Subsidy system each year, the Department of Communities and Local Government issued a “guideline” rent level to which councils should move their present rents in order to help them reach rent convergence in 2015/16. The HRA Self-Financing Final Settlement assumed that Authorities will continue with rent restructuring.

The formula for calculating rent increases in order to follow rent restructuring for local authorities is RPI + 0.5% plus £2 per week. The reference point for RPI is the September in the year preceding the start of the financial year to 31 March.

Who is expected to benefit from the proposal?

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

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

Is this a policy or function? Policy Function

Is this a new or existing policy or function? New Existing

Is the policy or function strategic, developmental or operational/functional?

Strategic Developmental Operational/Functional

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

Date on which the policy/function is to be reviewed: Rent levels are reviewed on an annual basis. The last rent review was approved by Cabinet in February 2012.

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

Dyana Browne – Project Lead
 James Caspell – Customer Insight Officer, Diversity, Tower Hamlets Homes
 Katherine Ball – Senior Accountant
 Aman Berhanu – Resources and Business Support Analyst, Tower Hamlets Homes
 Beverley Greenidge – Head of Rents, Tower Hamlets Homes
 Chris Smith – Head of ICT, Risk & Contract Governance, Tower Hamlets Homes

Section 2 – Evidence

Key Findings

Profile of Council tenants is set out in Annex A to this document.

The average rent increase proposed is £4.39 per week, equating to 4.47%. This increase is below last year's increase of 7.5%.

The rent increase is applied to all Council dwellings and will therefore affect all Council tenants. The rent increase does not target or disproportionately affect any group of people based any of the protected characteristics.

Households on lower incomes will feel the impact of the increase more than families on higher incomes. In 2012 the median gross income of Tower Hamlets residents was £29,550. (Source: Median household income CACI Paycheck data).

The actual amount of increase as a proportion on current rent will vary across property sizes. Smaller properties tend to have a greater rent increase than larger units e.g. (studio and one bed units). (See Table 1 – Average Increase per dwelling - by bedsize).

As with any rent increase there is the risk that it may result in some tenants not paying some or all of their rent increase, causing them to fall into arrears, which will lead to recovery action and possibly eviction. Where Housing Benefit has often covered a rent increase for many tenants in the past who were on low income or not working, the Welfare Reform Act 2012 will introduce additional changes to the welfare system in April 2013, which will have the effect of reducing the amount of housing benefit for a number of tenants.

Housing Benefit

Currently approx.. 71% of Council tenants are in receipt of Housing Benefit. Housing Benefit covers 90 - 99% of rent for 48% of Council tenants. From April 2013 a "Benefits Cap" will be introduced. The effect will be that where the total amount of benefits awarded to a household is more than the maximum "cap" amount the Housing Benefit element will be cut.

To date higher take up of HB receipt tends to correlate with lower arrears. It is not possible to accurately estimate the likely effect of the Welfare Reform changes, however, it is anticipated that there is a high probability that this will lead to a greater rise in rent arrears.

Based on current rent levels, DWP (Department of Work and Pension) figures show that approximately 160 (1%) of households (in Tower Hamlets? THH tenants?) will be immediately affected by the benefits cap.

Older People

Approximately 22% of tenants are over 60, some of whom are retired and are on state pensions without any other source of income (Table 2 shows the age profile of the Council Tenants). The basic state pension will increase by 2.5% to £110.15 per week from April 2013. Pensioners are expected to see a £2.70 increase in their basic state pension, which the government states is in line with both average earnings and inflation.

Younger People

Those most impacted by rent increase are likely to be younger single people, on lower incomes that do not qualify for Housing Benefit. THH has identified that early intervention is particularly effective with this group when they are guided on money and debt management or directed to money advice agencies.

Women

Since women constitute 55% of tenancy holders, there will be a greater proportion of women impacted by the increase.

Non-dependants

Approx. £2.1m of annual income has been identified as being at risk following the non-dependant deductions in 12/13 due to further increases in non-dependant deductions.

Evidence Base

What initial evidence do we have which may help us to think about the impacts or likely impacts on service users?

Data and information has been used from the following:

- § Tower Hamlets Homes Tenancy Profile
- § DWP Benefits Analysis
- § THH Rent Arrears analysis
- § CACI Paycheck Data 2012

Stock Profile

Tower Hamlets currently owns 12,498¹ Council Homes, which are managed by Tower Hamlets Homes; the Council's ALMO (Arm's Length Management Organisation).

Table 1- Average Increase per dwelling - by bedsize

Bedsize	Average of Actual Rent 2012-13	Average of RENT CHARGE 13/14	Difference	Increase 13-14
0	75.36	79.11	£ 3.75	4.98%
1	87.98	92.09	£ 4.10	4.67%
2	100.03	104.36	£ 4.34	4.34%
3	112.38	117.21	£ 4.83	4.30%
4	126.38	131.63	£ 5.26	4.16%
5	140.63	146.47	£ 5.84	4.15%
6	143.40	149.49	£ 6.09	4.25%
7	150.52	156.15	£ 5.63	3.74%
8	180.83	184.44	£ 3.61	1.99%

¹ SX3 Integrated Housing System Dec 2013)

Table 2 - Age Profile of Tenants

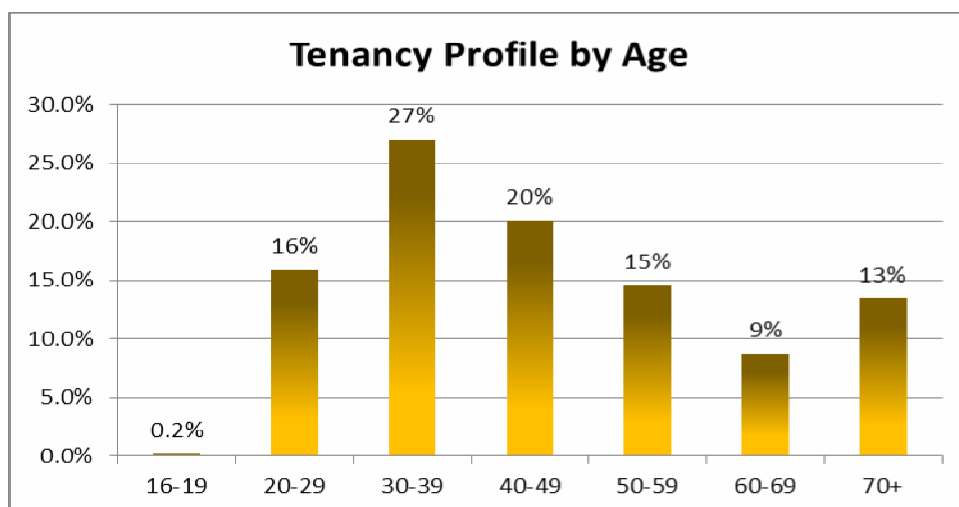


Table 3 - Average Weekly Rent by Bedsize (2013-14)

	Bedsit	1 Bed	2 Bed	3 Bed	4 Bed	5 Bed	6 Bed	7 Bed	8 Bed
Average LBTH	79.11	92.09	104.36	117.21	131.63	146.47	149.49	156.15	184.44
Target Rent	79.41	92.35	104.71	117.64	132.21	147.50	150.88	157.15	180.70

Socio – Economic – Median Gross Income

We know that 29% of Council tenants are not in receipt of any kind of benefit.
The median gross income in Tower Hamlets of £28,199

Housing Benefit

71% of Council tenants claim housing benefit. Housing Benefit covers 90-99% of rent for 48% of council tenants in receipt of Housing Benefit.

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

Target Groups What impact will the 'new' or 'significantly' amended policy or function have on specific groups of service users?	Impact – Positive or Adverse	Reason(s) <ul style="list-style-type: none"> • Please add a narrative to justify your claims around impacts and, • Please describe the analysis and interpretation of evidence to support your conclusion as this will inform members decision making • Can the negative impact be justified on the grounds of promoting equality?
Race Page 81	A	<p>At 52.3% people of Asian heritage make up over half of Council tenants. People describing their ethnicity as White are the next largest group, making up 27.6% of tenants. White British people make up 19.2% of tenants.</p> <p>Whilst all households are affected. Those in smaller properties 0-1 bed sized properties are likely to face a slightly larger increase. Families of Bangladeshi descent tend to occupy larger family sized accommodation where the percentage increase is likely to be lower than for studios & one bedroom properties.</p> <p>As Somali tenants were twice as likely to be in arrears compared to White British tenants; and had a disproportionately lower take up of Housing Benefit; outreach and other advice services have been put in place to support this group. These initiatives will continue.</p>
Disability		<p>18.5% of Council tenants have some kind of disability. Currently a Disability Living Allowance or an attendance allowance may be claimed.</p> <p>This group will not suffer disproportionately from the proposed rent increase.</p>
Gender	A	<p>Females make up 55% of Council tenants. The rent increase does not disproportionately impact this group, however, since they make up more than half of the Council tenants, they will form a greater proportion of those impacted by the welfare reform non- dependant deductions which are being increased in 2013.</p>
Gender		<p>Whilst data collection with regards to this characteristic is in place a large proportion (41.6%) of people prefer not to</p>

Reassignment		say. However, because the increase charge is not of a personal nature, it is not considered to disproportionately disadvantage people with this protected characteristic.
Sexual Orientation		A significant proportion (38%) of people prefer not to indicate their sexual orientation on monitoring forms, however because the increase charge is not of a personal nature the proposed rent increase is not considered to disproportionately disadvantage people with this protected characteristic.
Religion or Belief		The rent increase does not have disproportionately negatively impact on tenants due to their Religion or Belief.
Age	A	Over 77% of Council tenants are of working age and therefore and are likely to meet the Welfare Reform work requirements if they find themselves subject to the benefits cap. Tower Hamlets Homes, rents arrears analysis shows that age appeared to be the most indicative factor of a tenant's ability to pay/afford their rent. Tenants between 20-29 were three times more likely to experience difficulty in paying their rent and in turn had a higher level of rent arrears than those over 70. Older people on state pensions are not expected to be disproportionately disadvantaged as those on state pensions will receive pension increases above the average pay increases in 2011.
Socio-economic		Social Housing is generally the preferred option for people on lower incomes. The Government's "rent convergence" requires the rents on similar sized social housing in the same area should be equivalent, whether owned by a local authority, RSL or other provider. Rent practices proactively encourage the early take-up of HB to help tenants meet their rent payments. The take up of HB is currently high with 71% of THH tenants in receipt of Housing Benefit.
Marriage and Civil Partnerships.		Improved data collection over the past year enables better identification and classification of people in this area. The rent increase being applied to property rather than households does not disproportionately disadvantage people with this protected characteristic.
Pregnancy and		Based on data identifying people with this protected characteristic, the proposed rent increase being applied to

Maternity		property rather than households or individuals does not disproportionately disadvantage people with this protected characteristic.
Other		Tower Hamlets Homes, the ALMO (Arms Length Management Company) that manages the Council's homes has very effective system for collecting, recording and using information about their residents to ensure that the best use is made of contact with tenants, this includes tenants' communication preferences and other needs, including disability and vulnerability.

Section 4 – Conclusions and Recommendations

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

Yes? No?

Section 5 – Action Plan and Monitoring Systems

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
<p>Proactively identify and engage households likely to be affected by benefits to minimise the impact</p> <p>Identifying case that needs Employment support and referring them to partner organisations for Advice on alternative housing options.</p>	<p>Identify cases likely to experience shortfall of £100+ bedroom tax impacted households</p> <p>Work with (44) high risk households identified as likely to be affected by benefit cap. Carrying out visits to all tenants affected by Benefits Cap/Bedroom Tax & Non-dependant deductions</p> <p>Hold 'rent surgeries' twice a week.</p> <p>Book appointments with tenants for the most convenient day and time they want to be seen.</p> <p>Works with household to encourage non-dependants to contribute where possible</p>	<p>All impacted and affected households for both Bedroom Tax and Benefit Cap to have been seen by end of February 2013.</p>	<p>Beverley Greenidge - THH</p>	

ANNEX 1

Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
Provide guidance & advice sessions to 'high risk households'	Assist tenants to apply for Discretionary Housing Payments where applicable.			
Provide advice to tenants on benefits on potential impact on entitlements.	Implements a series of daytime and evening rent surgeries from September 2013 through to May 2013	All identified vulnerable household invited to surgeries by Dec 2012	THH Rent Teams	
Provide advice to non-dependants on the impact the changes will have on their entitlement.	Arrange Daytime evenings and weekend surgeries since	April 2012 to May 2013.		
Proactively identify and engage households likely to be affected by benefits to minimise the impact Identifying case that needs Employment support and referring them to partner	Identify cases likely to experience shortfall of £100+ bedroom tax impacted households Work with (44) high risk households identified as likely to be affected by benefit cap. Carrying out visits to all tenants affected by Benefits Cap/Bedroom Tax & Non-dependant deductions Hold 'rent surgeries' twice a week.	All impacted and affected households for both Bedroom Tax and Benefit Cap to have been seen by end of February 2013.	Beverley Greenidge - THH	

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Recommendation	Key activity	Progress milestones including target dates for either completion or progress	Officer responsible	Progress
organisations for Advice on alternative housing options. Provide guidance & advice sessions to 'high risk households'	Book appointments with tenants for the most convenient day and time they want to be seen. Works with household to encourage non-dependants to contribute where possible Assist tenants to apply for Discretionary Housing Payments where applicable.			
Provide advice to tenants on benefits on potential impact on entitlements.	Implements a series of daytime and evening rent surgeries from September 2013 through to May 2013	All identified vulnerable household invited to surgeries by Dec 2012	THH Rent Teams	

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

Yes? No?

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

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

Section 6 – Sign off and Publication

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

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Section 7 Appendix – FOR OFFICE USE ONLY

Policy Hyperlink :

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

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

Annex A : Tenant Profile by Protected Characteristics

Table 1 - Tenant profile by Ethnicity

Ethnicity	% of tenants
White:British	19.22%
White:English	0.10%
White:Irish	1.29%
White: Any Other White Background	4.39%
White:Unknown	2.65%
Black Or Black British:African	2.72%
Black Or Black British:Caribbean	2.70%
Black Or Black British:Unknown	0.22%
Black Or Black British:Other Black	1.30%
Black Or Black British:Somali	3.40%
Black Or Black British:Other African	0.51%
Asian Or Asian British:Pakistani	0.52%
Asian Or Asian British:Bangladeshi	46.09%
Asian Or Asian British:Indian	0.74%
Asian Or Asian British:Vietnamese	0.65%
Asian Or Asian British:Chinese	0.57%
Asian Or Asian British:Other Asian	1.40%
Asian Or Asian British:Unknown	2.39%
Dual:Black African & White	0.56%
Dual:Black Caribbean & White	0.33%
Dual:Other	0.26%
Dual:Asian & White	0.15%
Any Other Ethnic Group	0.68%
Refused	6.92%
Unknown:Unknown	0.11%
100%	

Table 2 - Tenant profile by Gender

Gender	% of tenants
Female	54.98%
Male	44.91%
Unknown	0.11%
100%	

Table 3 - Tenant profile by Age

Age band	% of tenants
16-19	0.2%
20-29	16%
30-39	27%
40-49	20%
50-59	15%
60-69	9%
70+	13%
100%	

Table 4 - Tenant profile by Disability

Disability	% of tenants
Not disabled	81.51%
Disabled	18.49%
100%	

Table 5 - Tenant profile by Faith

Religion or belief	% of tenants
MUSLIM	48.51%
Prefer not to say	25.63%
CHRISTIAN	17.39%
NORELIGION	6.73%
JEWISH	0.60%
BUDDHIST	0.40%
OTHER	0.38%
HINDU	0.20%
SIKH	0.16%
100%	

Table 6 - Tenant profile by Orientation

Sexual orientation	% of tenants
HETEROSEX	61.02%
Prefer not to say	38.17%
BISEXUAL	0.40%
GAY	0.36%
LESBIAN	0.06%
100%	

Table 7 - Tenant profile by Gender Re-assignment

Gender reassignment	% of tenants
Gender as assigned at birth	58.10%
Prefer not to say	41.67%
Gender reassigned	0.23%
100%	

Table 8 - Tenant profile by Marriage /Civil Partnership

Marriage and civil partnership	% of tenants
Married	86.95%
Single	9.71%
Separated Marriage/Civil Partnership	1.79%
Widowed	0.55%
Divorced	0.51%
Co-Habiting	0.46%
Refused	0.04%
100%	

Table 9 - Pregnancy & Maternity

Pregnancy and maternity	42 households with expected babies
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Agenda Item 10.2

Committee: Cabinet	Date: 13 th February 2013	Classification: Unrestricted	Report No: CAB 75/123
Report of: Interim Corporate Director of Resources Originating officer(s): Alan Finch, Service Head, Financial Services, Risk and Accountability		Title: General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2013-2016 Wards Affected: ALL	

Lead Member	Cllr Alibor Choudhury (Cabinet Member for Resources)
Community Plan Theme	One Tower Hamlets
Strategic Priority	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 5th 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 19th 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 1.2.

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.

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 7th 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 detailed local government settlement providing authority-by-authority figures for 2013/14 was announced for consultation on December 19th. At the time of publication, final figures have yet to be announced and further information will be provided as necessary.

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.

	2012-13 Adjusted £million	2013-14 £million	2014-15 £million
Start-up funding allocation	254.060	243.867	219.024
Non ringfenced core grants	17.006	21.581	24.041
Total	271.066	265.448	243.065
Annual Change in £m		-5.618	-22.383
Annual Change %		-2.1%	-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);

	2013-14 £million	2014-15 £million	2015-16 £million
Forecast business rates income	96.361	98.763	100.232
Top up/ tariff	4.229	4.358	4.467
Revenue Support Grant	146.443	118.501	101.409
Total funding	247.033	221.622	206.108

- 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 1st 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.

GRANTS TRANSFERRING INTO SPENDING BASELINE	2012/13 Allocation £'000	2013/14 Indicative £'000
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
	27,281	20,778
Council Tax Support Grant	-	20,424
Central Education Funding	-	(5,473)
TOTAL GRANT TRANSFERS	27,281	35,729

- 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.

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

- 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.

NON-RINGFENCED CORE GRANTS	2012/13 Allocation £'000	2013/14 Indicative £'000	2014/15 Indicative £'000	2015/16 Indicative £'000
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
TOTAL NON- RINGFENCED	17,006	21,581	24,041	26,280

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.

RINGFENCED CORE GRANTS	2012/13 Allocation £'000	2013/14 Indicative £'000
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
TOTAL RINGFENCED	310,282	347,440

- 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 1st 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 £1m 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 9th 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 31st 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 4th 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
Net Service Costs		310,960	293,865	297,806	301,117
Growth (Incl Public Health)		6,005	38,908	4,636	4,145
CLG Grants transferring into baseline		0	23,717	0	0
Savings					
Approved		(23,656)	(20,771)	(6,577)	0
New			(5,258)	(115)	0
Inflation		4,100	5,760	6,342	7,000
Core Grants (incl Public Health)		(3,647)	(40,309)	(460)	(406)
Earmarked Reserves (Directorates)		103	(530)	(565)	0
Funding Available for Mayoral Priorities		0	2,424	50	(2,474)
Total Funding Requirement		<u>293,865</u>	<u>297,806</u>	<u>301,117</u>	<u>309,382</u>
Government Funding		(211,835)	(150,672)	(122,859)	(105,876)
Retained Business Rates			(96,361)	(98,763)	(100,232)
Council Tax		(80,430)	(63,343)	(64,927)	(66,550)
Collection Fund Surplus		0	(1,645)	0	0
Total Funding		<u>(292,265)</u>	<u>(312,021)</u>	<u>(286,549)</u>	<u>(272,658)</u>
Budget Gap (excl use of Reserves)		1,600	(14,215)	14,568	36,724
Unallocated Contingencies		(8,117)			
General Fund Reserves		6,517	14,215	(14,568)	(12,544)
Unfunded Gap		0	0	0	24,180

	31/03/2012	31/03/2013	31/03/2014	31/03/2015	31/03/2016
Balance on General Fund Reserves (£000s)	26,380	32,897	47,112	32,544	20,000

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			
Adults Health & Wellbeing	100,813	(2,335)	(1,376)	3,344	(1,356)	99,090	(1,000)	(50)	1,571	(300)	99,311	0	0	1,697		101,008
Children, Schools and Families	82,838	(1,415)	(2,534)	16,482	(828)	94,543	(960)	0	(20)	(410)	93,153	0	0	(90)		93,063
Communities, Localities and Culture	78,855	(5,017)	(249)	4,557	(3,319)	74,827	(350)	(65)	885	(565)	74,733	0	0	538		75,271
Development & Renewal	20,192	(5,542)	0	1,720	(597)	15,773	(1,534)	0	0	0	14,239	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		10,631
Chief Executives	9,545	(187)	0	0	(909)	8,449	0	0	0	0	8,449	0	0	0		8,449
Public Health	0	0	0	31,382	0	31,382	0	0	0	0	31,382	0	0	0		31,382
Net Service Costs	304,054	(15,702)	(4,249)	58,735	(7,913)	334,925	(4,074)	(115)	2,436	(1,275)	331,897	0	0	2,145		334,042
Other Net Costs																
Capital Charges	10,010	0	(150)	1,000	0	10,860	0	0	1,000	0	11,860	0	0	0		11,860
Levies	2,415	0	(399)	0	0	2,016	0	0	0	0	2,016	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		19,592
Other Corporate Costs	(19,022)	(1,669)	(460)	640	2,642	(17,869)	(2,503)	0	(1,000)	0	(21,372)	0	0	0		(21,372)
Total Other Net costs	6,545	(1,669)	(1,009)	3,890	2,642	10,399	(2,503)	0	2,200		10,096	0	0	2,000		12,096
Public Health Grant	0	0	0	(31,382)	0	(31,382)	0	0	0	0	(31,382)	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		(24,105)
Reserves																
General Fund (Corporate)	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		(2,983)
General Fund (Smoothing)	(105)	0	0	0	2,717	2,612	0	0	0	0	2,612	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		19,102
Funding Available for Mayoral Priorities	0	0	0	2,424	0	2,424	0	0	50		2,474			(2,474)		0
Total Financing Requirement	293,865	(20,803)	(16,437)	39,287	(530)	297,806	(8,577)	(1,115)	13,518	(565)	301,117	(2,000)	(1,000)	13,739		309,382
Government Funding	(211,835)	0	0	61,163	0	(150,672)	0	0	27,813	0	(122,859)	0	0	16,983		(105,876)
Retained Business Rates	0			(96,361)	0	(96,361)			(2,402)		(98,763)			(1,469)		(100,232)
Council Tax	(80,430)	(554)	0	17,641	0	(63,343)	0	0	(1,584)	0	(64,927)	0	0	(1,623)		(66,550)
Collection Fund Surplus	0	0	(1,645)	0	0	(1,645)										
Total Financing	(292,265)	(554)	0	78,804	0	(312,021)	0	0	26,229		(286,549)	0	0	15,360		(272,658)

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;

Current System	New System
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

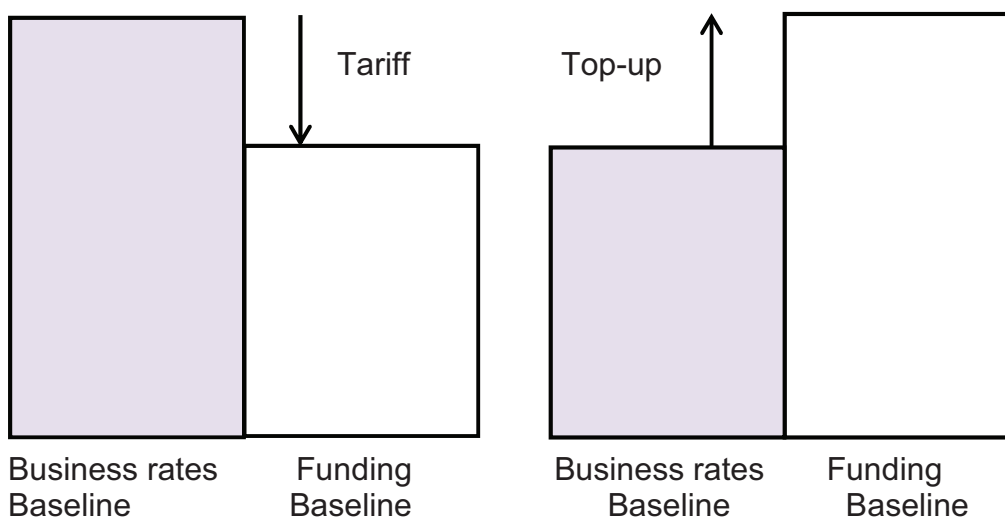
The starting point (“baseline”) of the new system will be fixed at the level of funding the Council would have received if Formula Grant had operated in 2013/14. This is not the same as the amount of funding it is receiving this year, because the Government will apply the formula to the lower spending 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	Adults, Health & WellBeing	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
		£000's	£000's	£000's	£000's
GRO AHWB 1-13	Demographic Growth Pressures – Older People with Dementia	587	616	647	1850
GRO AHWB 2-13	Learning Disability Transition Clients	868	955	1,050	2873
		1455	1571	1697	4723

REF	Communities, Localities & Culture	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
		£000's	£000's	£000's	£000's
GRO CLC 1-13	Freedom Pass	601	0	0	601
GRO CLC 2-13	Transportation, treatment and disposal of waste (including recycle materials)	310	320	538	1168
		911	320	538	1769

REF	Children Schools & Families & AHWB	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
		£000's	£000's	£000's	£000's
GRO CSF 1-13	Home – School Transport	-150	-20	-90	-260
GRO CSF 2-13	Discretionary Awards Post-16	-713	-410	0	-1123
	Earmarked Reserves	713	410	0	1123
		-150	-20	-90	-260

REF	Resources	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
		£000's	£000's	£000's	£000's
GRO RES 1-13	Housing Benefit Expenditure Adjustment	1,000	0	0	1000
		1,000	0	0	1,000

REF	Corporate Costs	2013/14	2014/15	2015/16	Total 2013/14 - 2015/16
		£000's	£000's	£000's	£000's
	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
		10,010	8,542	9,000	27,552
	Total Growth Bids (All directorates)	13,226	10,413	11,145	34,784

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

Item Ref. No:
GRO AHWB 1-13

TITLE OF ITEM:	Demographic Growth Pressures – Older People with Dementia		
DIRECTORATE:	Adults Health & Wellbeing		
SERVICE AREA:	Commissioning & Strategy	LEAD OFFICER:	Deborah Cohen
FINANCIAL INFORMATION:	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				
TOTAL	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.

People aged 45 and over predicted to have dementia	2012	2015	2020
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

TITLE OF ITEM:	Learning Disability Transition Clients		
DIRECTORATE:	Adults Health & Wellbeing		
SERVICE AREA:	Commissioning & Strategy	LEAD OFFICER:	Deborah Cohen
FINANCIAL INFORMATION:	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				
TOTAL	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

TITLE OF ITEM:	Freedom Pass		
DIRECTORATE:	Communities, Localities & Culture		
SERVICE AREA:	Public Realm	LEAD OFFICER:	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				
TOTAL	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**

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

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

TITLE OF ITEM: Home – School Travel

DIRECTORATE: Children, Schools and Families

SERVICE AREA: G78 Pupil Support **LEAD OFFICER:** 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				
TOTAL	0	-150	-20	-90

*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
Grand Total	91	35	-56

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	-£0.041m
2013-14**	£1.140m	£0.993m	-£0.147m
2014-15**	£1.040m	£0.872m	-£0.168m
2015-16**	£0.980m	£0.720m	-£0.260m

**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
Total	308	45	£ 3,328.00	£ 908,656.00	£ 15.05

** 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	1	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
Total	308	42	350	348	45	393	306	59	365	265	53	318	210	50	260

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

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

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

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		-713	-410	
Income				
To Reserves		+713	+410	
TOTAL		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

DESCRIPTION & JUSTIFICATION	
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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:
GRO/CSF/02/13

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)			
TOTAL	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
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

**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

TITLE OF ITEM: Pension Fund Contributions

DIRECTORATE: All

SERVICE AREA: All **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	15,250	NIL	2,000	2,000	
Other Costs					
Income					
TOTAL	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**

1.	RISKS AND IMPLICATIONS:
<p>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.</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>	
2	VALUE FOR MONEY/EFFICIENCY
<p>Provide evidence that the proposed expenditure will offer value for money. Where the expenditure is additional to existing budgetary provision for this service, evidence should also be provided of the value for money of the base provision. Evidence should be drawn from BVPIs, unit costs comparisons, benchmarking exercises or audit/ inspection judgements</p> <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					
TOTAL	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
		Total (Adults Health & Wellbeing)	3,380	2,378	4,587	3,190	900	1,000	8,867	6,568
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
		Total (Chief Executive)	303	303	100	0	100	0	503	303
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
		Total (Communities, Localities and Culture)	3,177	3,177	1,945	1,945	350	350	5,472	5,472
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
		Total (Children, Schools & Families)	530	530	345	345	960	960	1,835	1,835
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
		Total (Development & Renewal)	496	496	2,701	2,701	1,534	1,534	4,731	4,731
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
		Total (Resources)	2,630	2,630	907	907	230	230	3,767	3,767
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
			4,662	4,662	4,834	4,834	2,503	2,503	11,999	11,999
ALL/1	All Directorates	Directorate Supplies & Service Efficiencies	776	776	639	639	0	0	1,415	1,415
		Total (All Directorates)	776	776	639	639	0	0	1,415	1,415
PROGRAMME SAVINGS										
BAM/1	Development & Renewal	Better Asset Management	481	481	418	418	0	0	899	899
		Total (Better Asset Management)	481	481	418	418	0	0	899	899
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
		Total (Income Optimisation)	964	964	704	704	0	0	1,668	1,668
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
		Total (Lean)	2,843	2,843	1,310	1,087	0	0	4,153	3,930
MOI/1	Resources	Managing our information	650	650	200	200	0	0	850	850
		Total (Managing Our Information)	650	650	200	200	0	0	850	850
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
		Total (Successful Strategic Partnership)	2,676	2,676	2,978	2,801	0	0	5,654	5,477
SW/1	Resources	Smarter Working	0	0	2,340	2,340	0	0	2,340	2,340
		Total (Smarter Working)	0	0	2,340	2,340	0	0	2,340	2,340
		Various efficiency savings each below £50k	788	788	216	216	0	0	1,004	1,004
		Total (Other)	788	788	216	216	0	0	1,004	1,004
		Total	24,356	23,354	24,224	22,327	6,577	6,577	55,157	52,258

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
Total (Adults Health & Wellbeing)			1,376	50	0	1,426
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
Total (Communities, Localities and Culture)			249	65	0	314
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
Total (Children, Schools & Families)			2,534	0	0	2,534
RES 1 (2013)	Resources	L&D - Agilysis Training	90	0	0	90
Total (Resources)			90	0	0	90
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
Total (Corporate Costs & Capital Financing)			1,009	0	0	1,009
Grand Total			5,258	115	0	5,373

* 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

TITLE OF SAVINGS OPTION: Office supplies					
DIRECTORATE: Adults Health and Wellbeing					
SERVICE AREA: All			LEAD OFFICER: Isobel Cattermole		
FINANCE CONTACT: Ekbal Hussain					
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)					
Employee Costs					
Other Costs	2,299	46			46
Income					
TOTAL SAVINGS	2,299	46			46
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO					
		Saving £000s (Incremental)			
		2013/14	2014/15	2015/16	2016/17+
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , 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.	Service implications of saving:																																																					
There are no service implications identified at this stage .																																																						
3.	Actions required to achieve saving:																																																					
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**SAVING PROPOSALS
BUDGET 2013/14 – 2015/16**

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

TITLE OF SAVINGS OPTION		Vacancy Management			
DIRECTORATE:		AHWB			
SERVICE AREA:		All	LEAD OFFICER:		Isobel Cattermole
FINANCE CONTACT:		Ekbal Hussain			
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)	627	0			0
Employee Costs	25,680	1,280			1,280
Other Costs					
Income					
TOTAL SAVINGS	25,680	1,280			1,280
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO					
		Saving £000s (Incremental)			
		2013/14	2014/15	2015/16	2016/17+
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , 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>					

2. Service implications of saving:

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.

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.

This proposal would help to reduce staffing budgets whilst protecting staff from risk of redundancy.

3. Actions required to achieve saving:

Staffing budgets will be reduced by 5%. Impact to be monitored via existing budget and performance management processes.

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)

No impact on 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				
TOTAL				

Notes

5.	Other risk factors which could prevent this saving being achieved following implementation
<p>If vacancy levels reduce significantly from current levels this may impact on our ability to deliver this saving.</p>	
6.	Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p>This 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**

TITLE OF SAVINGS OPTION: Roll out of Generic Working and Enhanced Deployment Methods					
DIRECTORATE: Communities, Localities & Culture					
SERVICE AREA: Public Realm/Safer Communities			LEAD OFFICER: Jamie Blake/ Andy Bamber		
FINANCE CONTACT: Stephen Adams					
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)		4			
Employee Costs		154			154
Other Costs					
Income					
TOTAL SAVINGS		154			154
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO YES – Please complete the table below and also provide the reference no. of corresponding bid:					
	Saving £000s (Incremental)				
	2013/14	2014/15	2015/16	2016/17+	
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , 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				
TOTAL				

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

TITLE OF SAVINGS OPTION:		Improvements to procurement of Office Supplies			
DIRECTORATE:		Communities, Localities & Culture			
SERVICE AREA:		Cross Directorate	LEAD OFFICER:		Service Heads
FINANCE CONTACT:		Stephen Adams			
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)					
Employee Costs					
Other Costs		70			70
Income					
TOTAL SAVINGS		70			70
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO YES – Please complete the table below and also provide the reference no. of corresponding bid:					
		Saving £000s (Incremental)			
		2013/14	2014/15	2015/16	2016/17+
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , 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				
TOTAL				

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**

TITLE OF SAVINGS OPTION:		Rationalising and Rebalancing Increase Market Fees.			
DIRECTORATE:		Communities, Localities & Culture			
SERVICE AREA:		Safer Communities	LEAD OFFICER:		Andy Bamber
FINANCE CONTACT:		Stephen Adams			
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)					
Employee Costs					
Other Costs					
Income			65		65
TOTAL SAVINGS			65		65
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO YES – Please complete the table below and also provide the reference no. of corresponding bid:					
		Saving £000s (Incremental)			
		2013/14	2014/15	2015/16	2016/17+
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , 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.	Service implications of saving:																																																		
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.	Actions required to achieve saving:																																																		
<p>Engagement with Traders.</p> <p>Formal cabinet process to increase charges specific to the Street Trading account.</p> <p>EqIA</p>																																																			
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**SAVING PROPOSALS
BUDGET 2013/14 – 2015/16**

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

TITLE OF SAVINGS OPTION: Office supplies					
DIRECTORATE: Children Schools and Families					
SERVICE AREA: All			LEAD OFFICER: Isobel Cattermole		
FINANCE CONTACT: David Tully					
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)					
Employee Costs					
Other Costs	2,560	51			51
Income					
TOTAL SAVINGS	2.560	51			51
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO					
		Saving £000s (Incremental)			
		2013/14	2014/15	2015/16	2016/17+
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , 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>					

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

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

TITLE OF SAVINGS OPTION:		Vacancy Management			
DIRECTORATE:		Children, Schools and Families			
SERVICE AREA:		All	LEAD OFFICER:		Isobel Cattermole
FINANCE CONTACT:		David Tully			
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)	2,698	0			0
Employee Costs	45,969	2,298			2,298
Other Costs					
Income					
TOTAL SAVINGS	45,969	2,298			2,298
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO					
		Saving £000s (Incremental)			
		2013/14	2014/15	2015/16	2016/17+
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , 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>					

2.	Service implications of saving:																																																		
<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>																																																			
3.	Actions required to achieve saving:																																																		
<p>Staffing budgets will be reduced by 5%. Impact to be monitored via existing budget and performance management processes.</p>																																																			
4.	Potential implications for staff, contractors, partners, assets and other Directorates:																																																		
<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 1021 1337 1406"> <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 & 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>TOTAL</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Notes</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					TOTAL				
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5.	Other risk factors which could prevent this saving being achieved following implementation																																																		
<p>If vacancy levels reduce significantly from current levels this may impact on our ability to deliver this saving.</p>																																																			
6.	Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?																																																		
<p>This 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**

TITLE OF SAVINGS OPTION:		Integration of Children, Schools and Families and Adults Health and Wellbeing Directorates			
DIRECTORATE:		Adults Health and Well-Being and Children Schools and Families			
SERVICE AREA:		All		LEAD OFFICER: Isobel Cattermole	
FINANCE CONTACT:		Ekbal Hussain/ David Tully			
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)	3,325	1.5			
Employee Costs	45,969				
Other Costs		100			100
Income					
TOTAL SAVINGS	45.969	100			100
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO					
		Saving £000s (Incremental)			
		2013/14	2014/15	2015/16	2016/17+
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , 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.	Service implications of saving:																																																		
By better integrating non frontline support services and removing duplication we will be able to improve delivery whilst reducing cost.																																																			
3.	Actions required to achieve saving:																																																		
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.	Potential implications for staff, contractors, partners, assets and other Directorates:																																																		
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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**

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

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
TOTAL	90			90

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

TITLE OF SAVINGS OPTION: Audit Fees	
DIRECTORATE: Resources	
SERVICE AREA: Corporate Finance	LEAD OFFICER: Alan Finch
FINANCE CONTACT: Alan Finch	
	Current Budget
	2012/13 £000
	Saving £000s (Incremental)
	2013/14 2014/15 2015/16 Total Savings
Employees (FTE)	NIL
Employee Costs	
Other Costs	462 185
Income	
TOTAL SAVINGS	462 185
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO	
	Saving £000s (Incremental)
	2013/14 2014/15 2015/16 2016/17+
Revenue Expenditure – REF ()	
Capital Expenditure – REF ()	
Total	
Nature of expenditure:	
1.	<p>Outline/ details of savings proposal, including indications of stage of development, and work and timescales needed to finalise proposal:</p> <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			
TOTAL	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.	Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
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There are no efficiency implications as such.

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

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

TITLE OF SAVINGS OPTION:		Levies & Subscriptions			
DIRECTORATE:		Resources			
SERVICE AREA:		Corporate Finance	LEAD OFFICER:		Alan Finch
FINANCE CONTACT:		Alan Finch			
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)	NIL				
Employee Costs					
Other Costs	2,628	399			
Income					
TOTAL SAVINGS	2,628	399			
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO					
		Saving £000s (Incremental)			
		2013/14	2014/15	2015/16	2016/17+
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , 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			
TOTAL	None			

Notes

5.	Other risk factors which could prevent this saving being achieved following implementation
<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.	Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
<p>None.</p>	

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

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

TITLE OF SAVINGS OPTION: Review of staff travel allowances					
DIRECTORATE: Corporate					
SERVICE AREA: All			LEAD OFFICER: Simon Kilbey		
FINANCE CONTACT: Martin McGrath					
	Current Budget	Saving £000s (Incremental)			
	2012/13 £000	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)					
Employee Costs					
Other Costs		275			275
Income					
TOTAL SAVINGS		275			275
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? NO					
		Saving £000s (Incremental)			
		2013/14	2014/15	2015/16	2016/17+
Revenue Expenditure – REF ()					
Capital Expenditure – REF ()					
Total					
Nature of expenditure:					
1.	Outline/ details of savings proposal , including indications of stage of development, and work and timescales needed to finalise proposal:				
This is a draft proposal at early stages.					
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				
TOTAL				

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

TITLE OF SAVINGS OPTION:		Treasury Management: Investment Income			
DIRECTORATE:		Resources			
SERVICE AREA:		Corporate Finance	LEAD OFFICER:		Alan Finch
FINANCE CONTACT:		Oladapo Shonola			
	Current Budget	Saving £000s (Incremental)			
£'000	2012/13	2013/14	2014/15	2015/16	Total Savings
Employees (FTE)		NIL			
Employees					
Others					
Income	2,395	150			
TOTAL SAVINGS	2,395	150			
Revenue/Capital Costs: Are there any revenue or capital costs associated with this proposal? No					
1.	Outline/ details of savings proposal , 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.	
2.	Service implications of saving:
There are no service implications. The treasury team will continue to manage investments on a day to day basis in accordance with current practice.	
3.	Actions required to achieve saving:
The introduction of the new investment strategy will enable the saving to be delivered without any special measures being taken.	
4.	Potential implications for staff, contractors, partners, assets and other Directorates:
None	
5.	Other risk factors which could prevent this saving being achieved following implementation
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.	
6.	Efficiency/ value for money - how will this proposal contribute towards greater efficiency/ better value for money and how will the efficiency improvement be measured?
The 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**

PART 1:		
TITLE OF ACCELERATED DELIVERY INITIATIVE:	Mayor's Higher Education Bursary	
COMMUNITY PLAN THEME:		
PRIORITY: (identify which)	Education	
DIRECTORATE:	Education, Social Care and Wellbeing	
SERVICE AREA:	School Improvement Secondary (G26)	LEAD OFFICER: Di Warne
SHORT DESCRIPTION OF ACTIVITY PROPOSED:		
<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>		
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	630
- HRA	-	-
Capital		
	630	630

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

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

KEY DECISIONS ON MOBILISATION : Please indicate proposed approach to decision making on mobilisation of new initiative	
Cabinet Decision (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:
Add-on to existing service or contract	N Date effective from/to: September 2013 until August 2015 (2 academic years)
Participatory Budgeting exercise	N Indicative date:
Other	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.

OUTLINE TIMESCALE FOR DELIVERY	
Decision and/or resource allocation by:	February 2013
Mobilisation – initiative underway by:	June 2013
Key delivery milestones	
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.

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

PART 1:

TITLE OF ACCELERATED DELIVERY INITIATIVE:	Borough Wide Deep Clean and Education Programme		
COMMUNITY PLAN THEME:			
PRIORITY: (identify which)	Cleanliness		
DIRECTORATE:	Communities, Localities and Culture		
SERVICE AREA:	Public Realm	LEAD OFFICER:	Jamie Blake

SHORT DESCRIPTION OF ACTIVITY PROPOSED:

Introduction

The Olympic Games gave the authority the opportunity to showcase to the world the very unique and diverse opportunities the Borough has to offer. To achieve this we developed a waste and cleansing plan to enable services to be developed and delivered with minimum disruption to residents and businesses.

The main principle & purpose of this proposal was to maintain the very high standards of cleanliness delivered in Tower Hamlets throughout the Olympic period and encourage visitors to enjoy the delights this borough has to offer from the unique curry capital of the world in Brick lane and the world famous Petticoat Lane market to the wonderful parks and open spaces across the borough, in particular Victoria Park and the live site events it produced.

Having been given this opportunity and seen the impact of the changes made for the Olympic games we have reviewed the services to continue to promote Tower Hamlets and hopefully encourage additional business investment borough wide.

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 the perception of the games by introducing changes to the cleaning regimes across the borough combined with improved communication and the use of innovative equipment and methods.

Deep Clean

Prior to the Olympics a successful programme of intensive 'deep cleaning' was undertaken which covered both public and private land.

We are proposing to extend this service across the borough and further supplement the cleansing regime by introducing additional resources into 'hot spot' areas of the borough.

Find it Fix it Love it-FiFiLi

We are always looking for innovative ways of working to improve services and assist the public in participating in our service delivery.

Two years ago we introduced two find it and 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.

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

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

We are now proposing increasing the amount of resources on the ground 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, overflowing litter bins and of course abuse of bins. This service will operate seven days a week.

Managing large events

The Council organises and promotes some fantastic events throughout the year and these draw crowds of up to 40,000 at any one time. This does have an impact on the levels of litter and other environmental blight. The additional funding would be used to build on the success from the Olympic 'live site' which would ensure that our community enjoy litter free streets and parks during this period of celebration and entertainment.

Education

Following a disappointing qualitative result in the public perception survey that does not accurately reflect the quantitative service delivery KPI's; a need has been identified to work with the community to raise the levels of satisfaction felt by the residents with the services that Clean and Green provide to more closely reflect the actual situation. 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 ensuring that residents and visitors understand the cost and environmental damage cause by littering and the amount of litter dropped.

The proposed actions should help to reduce the gap between customer expectations and the perception of the service they have received.

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	£666	£134
- HRA		
Capital		
	£666	£134

Operation	Over a 12 month period
Managing Large Events	£100,000.
FIFILI (find it fix it love it) crews	£240,000.
Education	£100,000.
Additional Deep Clean Sweepers	£310,000.
Find it Fix it Love it Apprentices	£50,000
Total	£800,000.
	Includes estimated contract uplift of 2.5%

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

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

KEY DECISIONS ON MOBILISATION : Please indicate proposed approach to decision making on mobilisation of new initiative	
Cabinet Decision (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:
Add-on to existing service or contract	Y/N Date effective from/to:
Participatory Budgeting exercise	Y/N Indicative date:
Other	Describe:

OUTLINE TIMESCALE FOR DELIVERY	
Decision and/or resource allocation by:	April 2013
Mobilisation – initiative underway by:	May 2013
Key delivery milestones	
By December 2013	Summer event cleaning
By March 2014	75% of roads 'deep cleansed'
By March 2015	Improved public perception results

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

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

**Item Ref. No:
GRO/CLC/ 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

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/D&R/01**

PART 1:

TITLE OF ACCELERATED DELIVERY INITIATIVE: Roman Road Town Centre Improvements and Brick Lane Commercial District 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 two town centre improvement initiatives, focusing on the Roman Road and Brick Lane areas. These will be two-year pilot projects in the first instance, but ensuring that the interventions deliver long-term sustainable improvements in the two locations will be a key objective of the schemes.

Both initiatives will aim 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 area

Although the aims of the initiatives are the same, the contexts, strengths and needs of Brick Lane and Roman Road are quite different. It is therefore likely that different types of intervention will be required in the two locations in order to achieve the aims.

An early task in both locations 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

**ACCELERATING DELIVERY – CABINET KEY PRIORITIES
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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 through existing staff resources or via the appointment of a Brick Lane commercial district manager.

These town centre improvement initiatives for Roman Road and Brick Lane 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
Revenue		
- General Fund	150	150
- HRA		
Capital		
	150	150

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

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

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

Cabinet Decision (Only required for 2013/14 expenditure proposals and those requiring early decision in order to be implemented in 2014/15).	No
Add-on to existing service or contract	No
Participatory Budgeting exercise	No
Other	Describe:

OUTLINE TIMESCALE FOR DELIVERY

Decision and/or resource allocation by:	March 2013
Mobilisation – initiative underway by:	June 2013
Key delivery milestones	
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 and action plan agreed
By September 2014	Implementation of recommended actions from competitiveness audit underway
By March 2015	Interim evaluation of town centre/commercial district support programmes

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

Risk identified	Mitigating action
<i>To be finalised prior to Cabinet</i>	
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 and Brick Lane 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

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

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.

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

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

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
Strategic226: Overall / general satisfaction with the local area (ARS)	Targets TBA – see note above			
<p>VALUE FOR MONEY/EFFICIENCY</p> <p>Provide evidence that the proposed expenditure will offer value for money, e.g.</p> <ul style="list-style-type: none"> - unit cost comparisons of proposed provision <p>Where existing provision is being extended</p> <ul style="list-style-type: none"> - cost/performance benchmarking of existing provision which is to be extended - internal/external evaluation of existing provision to be extended <p>Where proposed provision is new /innovative</p> <ul style="list-style-type: none"> - evidence/rationale for effectiveness and value for money of approach proposed 				
<p>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%.</p> <p>An additional benefit will be that lessons learned in Roman Road could in principle be applied to town centres elsewhere in the borough.</p>				

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

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

PART 1:	
TITLE OF ACCELERATED DELIVERY INITIATIVE:	Welfare Reform – Measures to Protect Vulnerable Residents in Temporary Accommodation
COMMUNITY PLAN THEME:	A Prosperous Community
PRIORITY:	Housing
DIRECTORATE:	Development and Renewal
SERVICE AREA:	Housing Options
LEAD OFFICER:	Colin Cormack
SHORT DESCRIPTION OF ACTIVITY PROPOSED:	
<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		
	1,000	-1,000

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

Cabinet Decision (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
ONE OFF SPENDING PROPOSALS**

**Item Ref. No:
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Add-on to existing service or contract	Yes Date effective from/to:
Participatory Budgeting exercise	No Indicative date:
Other	Describe:

OUTLINE TIMESCALE FOR DELIVERY

Decision and/or resource allocation by:	
Mobilisation – initiative underway by:	
Key delivery milestones	
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

Risk identified	Mitigating action

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

Item Ref. No:
GRO/D&R/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

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 31st 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 31st 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 31st 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.

Scenario	Estimated annual financial impact £'000
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
General Economic Climate				
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
Service Demand (inc. ring fenced grants)				
Children's Services	300			
Adult Services	100			
Demographics	300			
Welfare Reform	n/a			
Public Health transfer	30			
		5.0	9.5	19.0
Savings programme				
Slippage and non-achievement of savings	50			
Cost of implementation	50			
		2.5	4.0	9.5
Unidentified risks	n/a	3.0	3.0	5.0
Opportunities				
Tax base growth	200			
Public Health transfer	30			
		-2.5	0.0	-3.0
Risk and contingency provisions		-3.0	-4.0	-6.0
TOTAL RISK EVALUATION		20.0	20.0	45.0

Projected movement in Reserves April 2012 to March 2016

	31.3.12	31.3.13	31.3.14	31.3.15	31.3.16
	£million	£million	£million	£million	£million
General Fund Reserve	26.4	32.9	47.1	32.5	20.0
Earmarked Reserves					
Corporate					
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			
Service Specific					
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	-	-	-	-
Revenue Reserves, Other					
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
Capital	20.9	13.4	9.0	5.0	-
Earmarked Reserves surplus to requirements	-	1.2	-	-	-
	164.7	149.9	138.5	109.9	88.4

1. SCHOOLS FUNDING

- 1.1. Appendix 7 of the report to Cabinet on 9th 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 23rd 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
Total DSG	310,815

- 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
Total	316,743
Funded from	
DSG 2013/14 confirmed by DfE	310,815
Unapplied DSG 2012/13	5,928
Total funding	316,743

- 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 23rd 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 th 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 22nd 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	As primaries above.
	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	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)	237,878,862	7,316,803	245,195,665		
	DEDELEGATED ITEMS new header					
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

Appendix 7.2

		Baseline	Change	Emerging	Explanation of baseline	Explanation of change
		2013/14		total		
1	SCHOOLS BUDGET <i>Note on De-delegation</i>	-56,563	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
	HIGH NEEDS BUDGET new header			0		
1.2.1	Top up funding - maintained providers new	22,480,554	-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 new	101,325	99,330	200,655	2012/13 S251 figures	
1.2.3	Top up funding - independent providers new	5,798,458	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 new	2,133,598	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		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 new	460,000		460,000	Agreed figure with DfE so far for 2012/13.	
1.2.9	Special schools and PRUs in financial difficulty new	0		0		
1.2.10	PFI and BSF costs at special schools new	25,692	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) new	0		0		

Update on Schools Budget allocations for 2013/14

Appendix 7.2

1	SCHOOLS BUDGET	Baseline 2013/14	Change	Emerging total	Explanation of baseline	Explanation of change
	EARLY YEARS BUDGET new header			0		
	new			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)
	CENTRAL PROVISION WITHIN SCHOOLS BUDGET new header			0		
	new header			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	

Update on Schools Budget allocations for 2013/14

		Baseline	Change	Emerging	Explanation of baseline
		2013/14		total	
1	SCHOOLS BUDGET				
1.4.9	Equal pay - back pay new	0		0	
1.4.10	Pupil growth/ Infant class sizes new	830,000	813,705	1,643,705	S251 for Primary and Secondary only
1.4.11	Exceptions agreed by Secretary of State new	0	58,178	58,178	
				0	
1.5.1	Other Specific Grants	0		0	
1.6.1	TOTAL SCHOOLS BUDGET (before Academy recoupment)	306,211,124	10,531,876	316,743,000	
RECONCILIATION OF SCHOOLS BUDGET					
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)	317,310,000	-567,000	316,743,000	
	Implied unallocated amount	11,098,876	-11,098,876	0	

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.

MEDIUM-TERM FINANCIAL PLAN 2013/14 – 2015/16

INDICATIVE HRA BUDGETS

Housing Revenue Account	2013/14	2014/15	2015/16
	Draft Budget £'000	Draft Budget £'000	Draft Budget £'000
INCOME			
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)
GROSS INCOME	(86,477)	(89,184)	(91,356)
EXPENDITURE			
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
GROSS EXPENDITURE	81,966	83,018	84,413
NET COST OF HRA SERVICES	(4,510)	(6,166)	(6,944)
Appropriations			
Revenue Contribution to Capital Outlay (RCCO)	6,062	7,757	8,574
NET POSITION	1,552	1,591	1,630
Balances			
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
Closing balance	(15,003)	(15,003)	(15,003)

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
ADULTS, HEALTH & WELLBEING						
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
ADULTS, HEALTH & WELLBEING TOTAL		0.242	0.260	0.180	0.000	0.682

CHILDREN, SCHOOLS & FAMILIES						
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
Marner - 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 (Phase1)	Condition & Improvement	0.070				0.070
William Davis - Heating Replacement	Condition & Improvement	0.027				0.027

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
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
Arnhem Wharf - Security	Condition & Improvement	0.009				0.009
Marner 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

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
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
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
CHILDREN, SCHOOLS & FAMILIES TOTAL		16.998	20.650	4.955	0.000	42.603

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

COMMUNITIES, LOCALITIES AND CULTURE						
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
COMMUNITIES, LOCALITIES AND CULTURE TOTAL		13.007	5.661	1.000	0.000	19.668

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

BUILDING SCHOOLS for the FUTURE						
Wessex	Wessex	0.250				0.250
Bethnal Green Tech. College	Bethnal Green Tech. College	0.220				0.220
Morpeth	Morpeth	2.461				2.461
Sir John Cass	Sir John Cass	0.501				0.501
Beatrice Tate	Beatrice Tate	3.346	3.500			6.846
Bowden House	Bowden House	0.265				0.265
Swanlea	Swanlea	1.318				1.318
Raines	Raines	11.031	4.833			15.864
Central Foundation	Central Foundation	9.135	5.732	2.036		16.903
Langdon Park	Langdon Park	3.491	5.554	1.430		10.475
Phoenix	Phoenix	3.471	1.003			4.474
Stepney Green	Stepney Green	9.877	1.186			11.063
Bow Boys	Bow Boys	11.988	21.200	1.800		34.988
George Greens	George Greens	3.062	5.000	2.900		10.962
Central Services	ICT	1.437	0.986	0.794		3.217
Bethnal Green TC	ICT	0.109	0.086	0.153		0.348
St Pauls Way	ICT	0.077	0.170	0.264		0.511
Raines	ICT	0.011	0.606	0.341		0.958
Sir John Cass	ICT	0.000	0.148	0.606		0.754
Morpeth	ICT	0.086	0.148	0.150		0.384
Oaklands	ICT	0.131	0.096	0.183		0.409
Ian Mikardo	ICT	0.087	0.007	0.013		0.107
Cambridge Heath	ICT	0.000	0.021	0.025		0.046
Central Foundation	ICT	0.000	0.644	0.431		1.076
Bowden House	ICT	0.240	0.037	0.072		0.349
Beatrice Tate	ICT	0.176	0.043	0.067		0.285
Stepney Green	ICT	0.000	0.666	0.438		1.104
Harpley PRU	ICT	0.011	0.033	0.075		0.119
Langdon Park	ICT	0.000	0.608	0.354		0.962
Swanlea	ICT	0.669	0.149	0.441		1.259
Bow Boys	ICT	0.010	0.466	0.228		0.705
Phoenix	ICT	0.264	0.041	0.056		0.361
Building Schools for the Future Programme.	Wave 5 BSF	1.520		1.100		2.620
BUILDING SCHOOLS for the FUTURE TOTAL		65.244	52.963	13.958	0.000	132.165

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
DEVELOPMENT & RENEWAL						
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
DEVELOPMENT & RENEWAL TOTAL		21.109	6.705	0.730	0.000	28.544

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
CHIEF EXEC'S & RESOURCES						
Priority Service Remediation/Backup Expansion	CCNs Charges and GCSX PC DSI Compliance works	0.128				0.128
CHIEF EXEC'S & RESOURCES TOTAL		0.128	0.000	0.000	0.000	0.128
HOUSING REVENUE ACCOUNT						
Decent Homes Backlog	Decent Homes	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
HOUSING REVENUE ACCOUNT TOTAL		57.658	78.481	76.590	0.000	212.729
CORPORATE PROVISION FOR SCHEMES UNDER DEVELOPMENT		0.000	10.000	0.000	20.000	30.000
TOTAL CAPITAL PROGRAMME		174.385	174.720	97.413	20.000	466.518

Indicative Schemes to be funded from External Resources

Appendix 9.2

Directorate/Programme	Scheme Name	Scheme Description	Funding Profile			
			2013-14	2014-15	2015-16*	Total
			£m	£m	£m	£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
HOUSING REVENUE ACCOUNT TOTAL			0.000	0.000	61.000	61.000
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 TOTAL			3.927	3.349	3.349	10.625
Children, Schools & Families	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
CHILDREN, SCHOOLS & FAMILIES TOTAL			1.300	0.000	0.000	1.300
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 TOTAL			0.601	0.000	5.750	6.351
TOTAL NEW SCHEMES TO BE FUNDED FROM EXTERNAL RESOURCES			5.828	3.349	70.099	79.276

*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	Budget	Budget	Budget	Total
	£m	£m	£m	£m	£m	£m	£m
Adults, Health and Wellbeing	0.057	0.185	0.242	0.260	0.180	0.000	0.682
Children , Schools and Families	1.474	15.523	16.998	21.950	4.955	0.000	43.903
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	9.588	4.349	3.349	30.293
Development & Renewal (Excluding HRA)	3.440	17.669	21.109	7.306	0.730	5.750	34.895
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
Total excluding Housing HRA	0.198	116.530	116.728	102.067	24.172	29.099	272.066
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
Total HRA	6.056	51.602	57.658	78.481	76.590	61.000	273.729
Total Budget	6.254	168.132	174.385	180.548	100.762	90.099	545.794

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
Adults, Health and Wellbeing	0.682	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.682	0.242	0.260	0.180	0.000	0.682
Children , Schools and Families	41.119	0.800	0.000	0.000	1.668	0.000	0.300	0.000	0.015	43.902	16.998	21.950	4.955	0.000	43.903
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	4.571	0.000	6.247	0.000	0.761	30.293	13.007	9.588	4.349	3.349	30.293
Development & Renewal (Excluding HRA)	14.563	0.000	0.000	0.000	7.040	0.000	12.895	0.000	0.397	34.895	21.109	7.306	0.730	5.750	34.895
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
Total excluding Housing HRA	197.458	0.800	0.000	2.036	21.156	10.000	19.442	20.000	1.173	272.065	116.728	102.067	24.172	29.099	272.066
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
Total Budget	297.133	0.800	67.181	2.036	37.246	26.261	32.019	58.000	25.117	545.794	174.385	180.548	100.762	90.099	545.794

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

Agenda Item 10.3

COMMITTEE Cabinet	DATE 13 February 2013	CLASSIFICATION Unrestricted	REPORT NO. CAB 76/123
REPORT OF: Interim Corporate Director of Resources ORIGINATING OFFICER(S): Alan Finch: Service Head – Financial Services, Risk and Accountability Oladapo Shonola – Chief Financial Strategy Officer		TITLE: Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2013-14 WARDS AFFECTED: ALL	

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

1. SUMMARY

- 1.1 The Council is required by legislation and guidance to produce three strategy statements in relation to its treasury management arrangements. The three statements are :
- a Treasury Management Strategy which sets out the Council’s proposed borrowing for the financial year and establishes the parameters (prudential and treasury indicators) within which officers under delegated authority may undertake such activities;
 - an annual Investment Strategy 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
External Debt						
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
Actual debt at 31 March	91.351	92.437	90.406	99.561	113.962	164.903
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

Institution	Minimum High Credit Criteria	Money Limit	Term Limit
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
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)			
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

Institution	Minimum High Credit Criteria	Money Limit	Term Limit
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

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
SECTOR Treasury Management Strategy Statement/ Annual Investment Guidance	Oladapo Shonola (ext 4733) Chief Financial Strategy Officer, 4 th 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
Capital Expenditure						
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
TOTAL	162.332	185.366	174.385	180.548	100.762	90.099
Ratio of Financing Costs To Net Revenue Stream						
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
Gross Debt and Capital Financing Requirement						
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)
In Year Capital Financing Requirement						
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
TOTAL	11.514	6.551	(4.954)	3.628	8.580	45.527
Capital Financing Requirement as at 31 March						
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
TOTAL	231.735	240.732	226.781	230.409	238.989	284.516
Incremental Impact of Financing Costs (£)						
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
Authorised Limit For External Debt -						
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
TOTAL	276.735	285.732	285.732	275.409	283.989	329.516
Operational Boundary For External Debt -						
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
TOTAL	256.735	265.732	265.732	255.409	263.989	309.516
Gross Borrowing	91.351	92.437	90.406	99.561	113.962	164.903
HRA Debt Limit*	0.000	184.381	184.381	184.381	184.381	184.381
Upper Limit For Fixed Interest Rate Exposure						
Net principal re fixed rate borrowing / investments	100%	100%	100%	100%	100%	100%
Upper Limit For Variable Rate Exposure						
Net interest payable on variable rate borrowing / investments	20%	20%	20%	20%	20%	20%
Upper limit for total principal sums invested for over 364 days (per maturity date)	£25m	£25m	£25m	£25m	£25m	£25m

*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	Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.
F2	Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
F3	Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.

Long-term Ratings

Rating	Current Definition (August 2003)
AAA	Highest credit quality. 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality. 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality. 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
BBB	Good credit quality. 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category

Individual Ratings

Rating	
A	A very strong bank. Characteristics may include outstanding profitability and balance sheet integrity, franchise, management, operating environment or prospects.
B	A strong bank. There are no major concerns regarding the bank. Characteristics may include strong profitability and balance sheet integrity, franchise, management, operating environment or prospects
C	An adequate bank, which, however, possesses one or more troublesome aspects. There may be some concerns regarding its profitability and balance sheet integrity, franchise, management, operating environment or prospects.
D	A bank, which has weaknesses of internal and/or external origin. There are concerns regarding its profitability, substance and resilience, balance sheet integrity, franchise, management, operating environment or prospects. Banks in emerging markets are necessarily faced with a greater number of potential deficiencies of external origin.
E	A bank with very serious problems, which either requires or is likely to require external support.

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

Area of Responsibility	Council/Committee/Officer	Frequency
Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Full Council	Annually before the start of the financial year to which policies relate
Treasury Management Strategy Statement/ Annual Investment Strategy/ Minimum Revenue Provision Policy	Full Council	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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Agenda Item 10.4

Committee/Meeting: CABINET	Date: 13 February 2013	Classification: Unrestricted	Report No: CAB 77/123
Report of: Corporate Director: Resources Originating officer(s) Service Head Procurement and Corporate Programmes Resources Ext 4608		Title: Special Contracts Forward Plan Wards Affected: All	

Lead Member	Resources
Community Plan Theme	One Tower Hamlets
Strategic Priority	Resources

1. **SUMMARY**

- 1.1 The Council's Procurement Procedures require a quarterly report to be submitted to Cabinet, laying down a forward plan of supply and service contracts over £250,000 in value, or capital works contracts over £5 million. This provides Cabinet with the visibility of all high value contracting activity, and the opportunity to request further information regarding any of the contracts identified. This report provides the information in period Q3/Q4 of the Financial Year.
- 1.2 Only contracts which have not previously been reported are included in this report.

2. **DECISION REQUIRED:**

The Mayor in Cabinet is recommended to:-

1. Consider the contract summary at Appendix 1, and identify those contracts about which specific reports – relating either to contracting strategy or to contract award – should be brought before Cabinet prior to contract award by the appropriate Corporate Director for the service area; and
2. Authorise the relevant Corporate Director who holds the budget for the service area to award the contract or contracts in consultation with the Assistant Chief Executive (Legal Services),

3. Authorise the Assistant Chief Executive (Legal Services) to execute all necessary contract documents in respect of the awards of contracts referred to at recommendation 2 above .

3. REASONS FOR THE DECISIONS

- 3.1 The Council's Procurement Procedures require submission of a quarterly forward plan of contracts for Cabinet consideration, and it is a requirement of the Constitution that "The contracting strategy and/or award of any contract for goods or services with an estimated value exceeding £250,000, and any contract for capital works with an estimated value exceeding £5,000,000, shall be approved by the Cabinet in accordance with the Procurement Procedures". This report fulfils these requirements for contracts to be let during and after the period Q3/Q4 of the Financial Year.

4. ALTERNATIVE OPTIONS

- 4.1 Bringing a consolidated report on contracting activity is considered the most efficient way of meeting the requirement in the Constitution, whilst providing full visibility of contracting activity, therefore no alternative proposals are being made.

5. BACKGROUND

- 5.1 This report provides the forward plan for the period Q3/Q4 of the Financial Year in Appendix 1, and gives Cabinet Members the opportunity to select contracts about which they would wish to receive further information, through subsequent specific reports.

6. FORWARD PLAN OF CONTRACTS

- 6.1 Appendix 1 details the new contracts which are planned during the period Q3/Q4 of the Financial Year. This plan lists all of the new contracts which have been registered with the Procurement Service, and which are scheduled for action during the reporting period.

Contracts which have previously been reported are not included in this report. Whilst every effort has been made to include all contracts which are likely to arise, it is possible that other, urgent requirements may emerge. Such cases will need to be reported separately to Cabinet as individual contract reports.

- 6.2 Cabinet is asked to review the forward plan of contracts, confirm its agreement to the proposed programme, and identify any individual contracts about which separate reports – relating either to contracting strategy or to contract award – will be required before proceeding.
- 6.3 Equalities and diversity implications – and other One Tower Hamlets issues – are addressed through the Council's Tollgate process which provides an

independent assessment of all high value contracts, and ensures that contracting proposals adequately and proportionately address both social considerations and financial ones (such as savings targets). The work of the Competition Board and the Procurement & Corporate Programmes' Service ensures a joined-up approach to procurement.

- 6.4 The Tollgate process is a procurement project assurance methodology, which is designed to assist in achieving successful outcomes from the Council's high value contracting activities (over £250,000 for revenue contracts, and £5,000,000 for capital works contracts which have not gone through the Asset Management Board approval system). All Tollgate reviews are reported to Competition Board, and when appropriate contract owners are interviewed by the Board; contracts require approval of the Board before proceeding.

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 7.1 This report describes the quarterly procurement report of the forward plan for Q3/Q4 of the Financial Year and beyond, to be presented to Cabinet for revenue contracts over £250,000 in value and capital contracts over £5 million.
- 7.2 Approximately £4m of goods, services and works will be procured from external suppliers. Procured services comprise around 40% of the Council's annual expenditure and control of procurement processes is thus crucial to delivering value for money for local residents as well as managing the risks that may arise if procurement procedures go wrong. Consideration of the plan by Cabinet operates as an internal control and also provides the opportunity for the Mayor to comment on specific procurements at an early stage.

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

- 8.1 The Council has adopted financial procedures for the proper administration of its financial affairs pursuant to section 151 of the Local Government Act 1972. These generally require Cabinet approval for expenditure over £250,000. In November 2009, Cabinet approved the procurement procedures, which are designed to help the Council discharge its duty as a best value authority under the Local Government Act 1999 and comply with the requirements of the Public Contract Regulations 2006. The procurement procedures contain the arrangements specified in the report under which Cabinet is presented with forward plans of proposed contracts that exceed the thresholds in paragraph 3.1 of this report. The arrangements are consistent with the proper administration of the Council's financial affairs.

9. ONE TOWER HAMLETS CONSIDERATIONS

- 9.1 Equalities and diversity implications – and other One Tower Hamlets issues – are addressed through the tollgate process, and all contracting proposals are required to demonstrate that both financial and social considerations are

adequately and proportionately addressed. The work of the Competition Board and the Procurement & Corporate Programmes' Service ensures a joined-up approach to procurement.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

10.1 Contracts are required to address sustainability issues in their planning, letting and management. Again, this is assured through the Tollgate process, and supported through the Procurement & Corporate Programmes' Corporate Social Responsibility work stream.

11. RISK MANAGEMENT IMPLICATIONS

11.1 Risk management is addressed in each individual contracting project, and assessed through the tollgate process.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

12.1 There are no specific crime and disorder reduction implications.

13. EFFICIENCY STATEMENT

13.1 Contract owners are required to demonstrate how they will achieve cashable savings and other efficiencies through individual contracting proposals. These are then monitored throughout implementation.

14. APPENDICES

Appendix 1 – new contracts planned: Q3/Q4 of the Financial Year and beyond.

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

Brief description of “background papers” Name and telephone number of holder and address where open to inspection.

None

N/A

Appendix one – new contracts planned: Q3/Q4of the Financial Year

Directorate Contract	Contract Value	Scope of Contract	Length of New Contract, or Contract Extension	Funding	Planned Date for Invitation to Tender or * Contract signature.	Category
<p>Communities Localities & Culture</p> <p>EC 2997</p>	<p>£700,000 – £1,000,000</p> <p>Total value</p>	<p><u>Contract extension for Street Lighting contract, EC 2809.</u></p> <p>The extension being sought is so that the Highways contracts are all brought in line to be managed strategically.</p> <p>This contract extension will facilitate the re-alignment of the Highways contracts to support a re-procurement process in the future.</p> <p>Please note that the extension does not require capital spend.</p>	<p>12 months</p> <p>[01 July 2013 – 30 June 2014]</p>	<p>Revenue</p>	<p>July 2013</p>	<p>Construction and Hard FM</p>
<p>Communities Localities & Culture</p> <p>EC 2986</p>	<p>£200,000</p> <p>Total value</p>	<p><u>Contract extension for Gully Cleansing Works contract</u></p> <p>Maintenance and repair of highway gully, cleanout, jetting and washing etcEC 2986.</p> <p>The extension being sought is so that the Highways contracts are all brought in line to be managed strategically.</p> <p>This contract extension will facilitate the re-alignment of the Highways contracts to support a re-procurement process in the future.</p> <p>Please note that the extension does not require capital spend.</p>	<p>12 months</p> <p>[01 July 2013 – 30 June 2014]</p>	<p>Revenue</p>	<p>July 2013</p>	<p>Construction and Hard FM</p>

Directorate Contract	Contract Value	Scope of Contract	Length of New Contract, or Contract Extension	Funding	Planned Date for Invitation to Tender or * Contract signature.	Category
Adults Health and Wellbeing AHWB 4223	£609,000 total value	In Tower Hamlets, the LinkAge Plus service is commissioned jointly by the London Borough of Tower Hamlets and Tower Hamlets Primary Care Trust. Individuals aged fifty and over are eligible to access LinkAge Plus services, and referrals can be made by health professionals and care providers. Outreach workers seek-out clients who may be vulnerable and have been missed by other services, and older people can also self-refer to the service.	Contract extension 12 months	LBTH funding £309k and PCT funding £300k	April 2013	Care & Commissioning
Development & Renewal H4340	£225,000 Per annum £675,000 Total value	<p><u>Tower Hamlets Rough Sleeper Outreach Project</u></p> <p>Reduce the number of people rough sleeping in Tower Hamlets to as close to zero as possible.</p> <p>Ensure the delivery of a reliable, innovative service that provide value for money, improve the health of rough sleepers and ensures that services are developed, delivered and reviewed in consultation with rough sleepers and the Council.</p> <p>The successful provider will deliver an innovative and effective service to speedily accommodate or reconnect rough sleepers. The Service will work in partnership with a range of agencies including the police, hostel providers, UKBA, day services, drug and alcohol services and health providers.</p>	24 months with 12 months extension.	Grant Funded	28 August 2012 (Has been given agreement from the mayor via lead member briefing from Colin Cormack)	Care and Commissioning

Agenda Item 12.1

Committee: Cabinet	Date: 13 February 2013	Classification: Unrestricted	Report No: CAB 78/123
Report of: Corporate Director Resources Originating officer(s) Oladapo Shonola Chief Financial Strategy Officer; Lisa Stone Finance Officer		Title: Exercise of Corporate Directors' Discretions Wards Affected: All	

1. **SUMMARY**

- 1.1. This report sets out the exercise of Corporate Directors' discretions under Financial Regulation B8 which stipulates that such actions be the subject of a noting report to Cabinet if they involve expenditure between £0.100 million and £0.250 million.

2. **DECISIONS REQUIRED**

The Mayor in Cabinet is recommended to:-

- 2.1 Note the exercise of Corporate Directors' discretions as set out in Appendix 1.

3. **REASONS FOR DECISIONS**

- 3.1 Financial Regulations requires that regular reports be submitted to Council/Committee setting out financial decisions taken under Financial Regulation B8.
- 3.2 The regular reporting of Corporate Director's Discretions should assist in ensuring that Members are able to scrutinise officer decisions.

4. **ALTERNATIVE OPTIONS**

- 4.1 The Council is bound by its Financial Regulations (which have been approved by Council) to report to Council/Committee setting out financial decisions taken under Financial Regulation B8.

4.2 If the Council were to deviate from those requirements, there would need to be a good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that Members are kept informed about decisions made under the delegated authority threshold and to ensure that these activities are in accordance with Financial Regulations.

5. BACKGROUND

5.1 Regulation B8 sets out the Cabinet Reporting Thresholds for specific financial transactions.

6. FINANCIAL REGULATION B8

6.1 Financial Regulation B8 sets out the reporting thresholds for the following financial transactions: -

Virements

Capital Estimates

Waiving Competition Requirements for Contracts and Orders (Subject to EU threshold)

Capital Overspends

Settlement Of Uninsured Claims

6.2 Under Financial Regulation B8, if the transaction involves a sum between £0.100 million and £0.250 million it can be authorised by the Corporate Director under the scheme of delegation but must also be the subject of a noting report to the next available Cabinet.

6.3 Appendix 1 sets out the exercises of Corporate Directors' discretions, under the stipulations in 4.2 above, that have taken place since the previous Cabinet

7. COMMENTS OF THE CHIEF FINANCIAL OFFICER

7.1 The comments of the Director of Resources have been incorporated into the report and Appendix.

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

- 8.1. The report sets out the individual exercises of Directors' Discretions as required by Financial Regulations.
- 8.2 The legal implications of each of the individual decisions would have been provided as part of the decision making process. These will be recorded on the "Record of Corporate Directors' Actions" maintained by Directorates
- 8.3 The procedure for recording and reporting Corporate Director's Actions has recently been revised and strengthened. All proposed actions where the value exceeds £100,000 are now required to be agreed with the Mayor prior to officer's sign off and approval. The revised procedure came into effect in December 2011.

9. ONE TOWER HAMLETS CONSIDERATIONS

- 9.1 This report is concerned with the notification of officers' discretions under Standing Orders and has no direct One Tower Hamlets implications. To the extent that there are One Tower Hamlets Considerations arising from the individual actions, these would have been addressed in the records of each action.

10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 10.1 There are no Sustainable Action for A Greener Environment implications arising from this report.

11. RISK MANAGEMENT IMPLICATIONS

- 11.1 The risks associated with each of the Corporate Directors' discretions as set out in Appendix 1 would have been identified and evaluated as an integral part of the process, which lead to the decision.

12. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 12.1 There are no Crime and Disorder Reduction Implications arising from this report.

13. EFFICIENCY STATEMENT

- 13.1 The works referred to in the report will be procured in line with established practices, taking account of best value.

14. APPENDICES

Appendix 1 – Exercise of Corporate Directors’ Discretions under Financial Regulation B8

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

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
Record of Corporate Directors actions	Paul Leeson, Finance Manager, Development & Renewal Ext 4996 David Tully, Interim Head of Finance, Childrens Schools & Families Ext 4960

Appendix 1: Exercise of Corporate Directors Discretions under Financial Regulation B8

Corporate Director	Amount	Description of Exercise of Discretion	Justification for Action	Contractor's Name and Address (including postcode)	Contact
D & R (Legal ref 69-2012)	£118,000	Waiving financial regulations	Extension of the contract of Julian Harap Architects to provide technical services to the Historic Buildings conservation element of the High Street 2012 project	Julian Harap Architects 95 Kingsland Road London E2 8AG	Tunde Awofolaju x1659
CSF (CDA Ref. 372)	£242,000	Settlement of uninsured claims	This represents the Authority's contribution to a settlement for a financial dispute arising from two schools entering into a lease agreement for photocopiers. The Authority acquired possession of 7 photocopiers as part of this settlement. The costs were met from the Schools Specific Contingency with in the	ING Lease (UK) Ltd 60 High Street Redhill Surrey RH1 1NY	David Tully x4960

			overall Schools Budget (Dedicated Schools Grant) on the grounds that it was unreasonable to expect the two primary schools to meet the whole cost from their own devolved budget share.		
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