

LONDON BOROUGH OF TOWER HAMLETS

REPORT OF THE CABINET

10 FEBRUARY 2010

To receive the report of the Cabinet at its meeting held on Wednesday **10 February 2010**.

The Members who attended our meeting were: -

Councillor Lutfur Rahman (Chair)	(Leader of the Council)
Councillor Joshua Peck (Vice-Chair)	(Deputy Leader of the Council)
Councillor Ohid Ahmed	(Lead Member, Resources and Performance)
Councillor Rofique U Ahmed	(Lead Member, Culture and Leisure)
Councillor Anwara Ali	(Lead Member, Health & Wellbeing)
Councillor Abdul Asad	(Lead Member, Children, Schools and Families)
Councillor Marc Francis	(Lead Member, Housing and Development)
Councillor Rania Khan	(Lead Member, Regeneration, Localisation and Community Partnerships)
Councillor Oliur Rahman	(Lead Member, Employment and Skills)
Councillor Abdal Ullah	(Lead Member, Cleaner, Safer, Greener)

Other Members present: -

Councillor Stephanie Eaton	(Leader of the Liberal Democrat Group)
Councillor Md. Abdullah Salique	

1. General Fund Revenue Budget and Council Tax 2010/11; and Medium Term Financial Plan 2010/11-2012/13 (CAB 113/090)

We considered a report (CAB 113/090 – updated following our meeting and attached at Annex 2 to this report), detailed Budget pages deposited with the Clerk to the Council and in the Members rooms, which informed and advised us that:-

- We were invited to submit our recommendation for the General Fund and Council Tax 2010/11 and a Medium Term Financial Plan for 2010/11 - 2012/13 to Budget Council for consideration on 3rd March 2010.
- At our meeting, held on 13th January 2010, we had considered the General Fund Revenue Budget 2010/11 and referred initial budget proposals to our Overview & Scrutiny Committee for consultation in accordance with this Authority's Budget & Policy Framework Procedure Rules.

- Our Overview and Scrutiny Committee was due to meet to consider these matters at their meeting to be held on 9th February 2010 and comments arising from these deliberations were reported to our meeting held on 10th February 2009.
- The Government had announced this Authority's final three-year provisional Formula Grant settlement for 2010/11, which was £232.204m.
- The Greater London Authority (GLA) was due to meet on 10th February 2010 to set its precept, and the report before us set out the latest available information on the Mayor for London's budget proposals (at the time of writing), and any update would be provided verbally at our meeting. The final GLA precept would be reported to Budget Council on 3rd March 2010.
- The report (CAB 113/090) also includes final advice from our Corporate Director of Resources on the financial risks facing this Authority and an assessment of the financial impact of the key risks identified. Details were contained in Section 16, with assessments of risk to individual service budgets at Appendix J of the original report (CAB 113/090). Three categories of risk were identified:
 - Where the implications would be accommodated within existing financial provisions
 - Where specific risk financing arrangements are in place
 - Those which need to be taken into account as part of the budget process
- Issues in the final category include business continuity issues, risks associated with large scale projects, risks associated with the introduction of new legislation & guidelines and strategic financial risks.
- The results of public consultation with residents on our initial Budget proposals had been intended for inclusion in Appendix A to the report (CAB 113/090), but being unavailable at the time of dispatch were included in an Addendum which is now attached at the appropriate place in the Document Pack.

Our Councillor Ohid Ahmed, Lead Member Resources and Performance, in presenting the report, in respect of the General Fund Budget and Medium Term Financial Plan 2010/11 to 2012/13 commented that the overspend would not have any impact on the Council's financial strategy.

A discussion ensued, where Members welcomed the report and made the following points:

- The £100 Council tax rebate for residents of a pensionable age showed the Council's commitment to minimising financial impact on residents and that the possibility of a further rebate should be investigated.

- The overspend of £8m recently reported in the local press was inaccurate.

Mr Chris Naylor, Corporate Director Resources, responded to Members' comments and advised that the projected over spend on the General Fund budget represented less than 1% of the Council's total spend. A further report would be considered by the Cabinet at its meeting on 10th March 2010 and the latest information would be included in the report to full Council in 3rd March. However the budget process was an ongoing, organic process which would continue throughout the year.

The Chair, in Moving the recommendations, welcomed the report and thanked officers for their efforts. He also thanked the Overview and Scrutiny Committee members for their valuable contribution to the debate on the budget process. The Chair highlighted the benefit to the community from the recommendations in the report.

Our resolutions are set out below: -

Budget Consultation

We noted the comments/ recommendations of our Overview and Scrutiny Committee.

We noted the outcome of the various consultations carried out in relation to this Authority's Budget, as set out in Appendix A and Section 4 of the original report (CAB 113/090) before us.

Grant Funding

We noted the funding available for 2010/11 and the budget uncertainties relating to the forthcoming period as set out in section 6 of the original report (CAB 113/090) before us.

Directorate Base Budgets 2010/11

We approved the base budgets for 2010/11 for each Directorate set out at Appendix C to the original report (CAB 113/090) before us.

Approved Budget 2009/10 - 2010/11

We agreed the growth and savings for 2010/11 as set out in Section 8 and 10 and Appendices D and F1 of the original report (CAB 113/090) and noted the implications for later financial years.

Medium Term Financial Plan 2010/11 - 2012/13

We approved the Medium Term Financial Plan for 2010-2013, as set out in Section 12 and Appendix H to the original report tabled before us (CAB 113/090) and appended hereto.

We noted the resulting savings and efficiency target for 2011/12 and 2012/13 the actions being undertaken to address it.

Financial Risks: Reserves & Contingencies

We noted the advice on strategic budget risks, as set out in Section 14 and Appendix J of the original report (CAB 113/090) before us, in particular the significant increase in risk that the Council is exposed to as a result of the economic downturn and the end of the three year settlement and the public sector budget deficit, and noted the proposed response to managing this risk.

Robustness of the Budget Process

We noted the advice of the Corporate Director- Resources in relation to the robustness of the budget process, as set out in Section 16 of the original report (CAB 113/090) before us.

Balances/Reserves

We noted the review of balances and reserves, as set out in Section 15 and further detailed at Appendices K and L of the original report (CAB 113/090) before us.

Budget Requirement & Council Tax 2010/11

We agreed that Council be recommended to agree a Budget Requirement of £310.369m and a Council Tax for the London Borough of Tower Hamlets of £885.52 at Band D for 2010/11, as set out in Section 17 of the original report (CAB 113/090) before us.

Commercial Waste Fees and Charges Review

That the revised pricing structure for commercial waste fees and charges operative from 1st April 2010, as detailed in Appendix M of the report (CAB 113/090) be agreed

We therefore recommend Council to: -

Agree a Budget Requirement of £310.369m and a Council Tax for the London Borough of Tower Hamlets of £885.52 at Band D for 2010/11, as

set out in Section 17 of the original report (CAB 113/090) (attached in updated form as Annex 2 to this report).

2. Capital Programme 2010/11 to 2012/13 (CAB 114/090)

We considered a report (CAB 114/090 – attached as Annex 3 to this report) which informed and advised us that:-

- At our meeting held on 13th January 2010, we had considered the Capital Programme for 2010/11 and subsequently referred our initial proposals to our Overview & Scrutiny Committee for consultation in accordance with this Authority's Budget & Policy Framework Procedure Rules.
- Our Overview and Scrutiny Committee met to consider these matters at their meeting held on 9th February 2010. Comments arising from these deliberations were reported to our meeting held on 10th February 2010.
- The report before us detailed the proposed capital resources for the next three financial years and invited us to make a recommendation for a Capital Programme for 2010/11 to Budget Council for consideration on 3rd March 2010.
- The report before us formed part of a comprehensive Strategic and Resource Planning framework that would ensure resources were deployed effectively to meet the Tower Hamlets Strategic Plan (2009/10), Tower Hamlets Community Plan 2020 and Local Area Agreement (2008-2011) and secure value for money. Further details of this framework are set out in the companion report on the General Fund Revenue Budget and Medium Term Financial Plan (CAB 113/090).
- The Capital Strategy outlined the Council's approach to Capital investment and how the Council ensured that capital investment was directed to the Council's corporate priorities. The Capital Strategy's overarching aim is to provide a framework with which the Council's Capital Investment plans over the next 15 years may be delivered. The Strategy is driven by the Council's approved strategic objectives and consistent with the Infrastructure Development Plan agreed by Council last year and which also covers a period of 15 years. The Capital Strategy emphasises the proactive management of the capital programme and considers the investment in infrastructure and assets required in that period.
- The Capital Strategy assumes the Borough's population is expected to continue to grow at a rapid rate, while capital resources are likely to be more constrained. The revised Capital Strategy was attached to the report at Appendix C (CAB 114/090) and needs to be taken into account in considering the strategic deployment of capital resources in future budget rounds.

- The Capital Programme comprises the Mainstream programme (schemes funded by Government grants and other allocated funds which may be ring-fenced or channelled to specific types of scheme) and Local Priorities programme, funded largely through locally generated resources, primarily capital receipts. The size of this programme is determined by the Council's ability to raise resources locally to fund it, and is at the authority's discretion.
- The original report (CAB 114/090) recommended allocating resources provided by central Government to support the Mainstream programme and identified bids for projects to be considered for inclusion in the 2010-11- 2012-13 Local Priorities Capital Programme.
- The support provided by the Government and other bodies for the 2010/11 Mainstream capital programme totalling £164.615m is detailed in Appendix A to the original report (CAB 114/090).
- The resources currently available from capital receipts and other sources to fund Local Priority Schemes will support a programme of £71.014m and 2010-11 as detailed in Appendix B to the original report (CAB 114/090)

Our resolutions are set out below: -

- We agreed the allocation of resources provided by the Government and other funding bodies for specific purposes, to support Directorate Mainstream Capital Programmes, as set out in Appendix A to the original report (CAB 114/090).
- We agreed the allocation of resources to the Local Priorities Programme, including pre-agreed projects and unavoidable capital schemes for 2010/11, be set out as in Appendix B of the original report (CAB 114/090).
- We approved the revised Capital Strategy for 2010 – 2025, as set out at Appendix C of the report (CAB 114/090) before us.

We noted that further allocations of mainstream resources would be reported to us as they occur during the financial year.

We therefore recommend Council to: -

- Approve allocation of resources provided by the Government and other funding bodies for specific purposes, to support Directorate Mainstream Capital Programmes, as set out in **Appendix A** to the original report (CAB 114/090 – now attached as Annex 3 to this report).

- Approve the allocation of resources to the Local Priorities Programme, including pre-agreed projects and unavoidable capital schemes for 2010/11; as set out in **Appendix B** of the original report (CAB 114/090).
- Approve the revised Capital Strategy for 2010 – 2025, as set out at **Appendix C** of the original report (CAB 114/090).
- Note that further allocations of mainstream resources would be reported to us as they occur during the financial year.

3. 2010/11 Prudential and Treasury Indicators (CAB 115/090)

We considered a report (CAB 115/090 – attached as Annex 4 to this report), which informed and advised us that: -

- This Authority is required to set prudential indicators by the Local Government Act 2003 and the Local Authorities (Capital Financing and Accounting) Regulations 2003.
- The prudential indicators underpin this Authority's investment plans and demonstrate that they are financially prudent, affordable and sustainable. These indicators are also used to monitor and regulate the decision making process for treasury management activity within the Authority.
- The Authority's Capital Strategy ensures that the use of capital resources is optimised by allocating funding to those programmes or projects that contribute most to the objectives set out in this Authority's Strategic Plan.
- It is a statutory requirement under section 33 of the Local Government Finance Act 1992 for this Authority to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that capital expenditure must be limited to a level whereby increases in charges to revenue from:
 - Interest charges caused by borrowing to finance additional capital expenditure, and
 - Running costs from new capital projects are affordable sustainable and prudent
- The indicators in the report before us were derived from borrowing and resource projections and spending decisions already taken, and also reflected proposals presented to January 13th 2010 Cabinet. They established limits on the amount of borrowing this Authority can undertake in the medium term and demonstrate that such borrowing will not over-commit subsequent years' revenue budgets.

- The Regulations require that the Prudential Indicators be adopted by Council and the indicators recommended by us would be considered by Council at its meeting to be held on 3rd March 2010.
- Developments which might take place after our consideration of the report before us could necessitate revision of the indicators before they are submitted to Council for adoption. Consequently it was recommended that our Corporate Director of Resources be authorised to adjust the figures prior to consideration by Council on 3rd March 2010. The Prudential Indicators as set by Council on 3rd March 2010 would apply throughout the financial year and could only be changed by reference to Council.

Our resolutions are set out below: -

- We endorsed the following Operational Boundaries for External Debt set out in section 10.3 of the original report before us (CAB 115/090 – now attached as Annex 4 to this report) and agreed that Council be recommended to agree their adoption.
- We endorsed the Authorised Limits for External Debt set out in section 10.3 of the report (CAB 115/090) and agreed that Council be recommended to agree their adoption.
- We endorsed the prudential indicators set out in sections 8 – 11 of the report as required under the Prudential Borrowing Code and recommended that they be agreed by Council.
- We recommended that our Corporate Director of Resources be authorised, after consultation with our Lead Member for Resources and Performance, to revise the indicators contained in recommendations 2.1 to 2.3 of the report before us (CAB 115/090) to reflect any developments between the meetings of Cabinet held on 10th February 2010 and Full Council on 3rd March 2010.

We therefore recommend Council to: -

- Agree the Operational Boundaries for External Debt set out in section 10.3 of the report (CAB 115/090) attached at Annex 4.
- Agree the Authorised Limits for External Debt set out in section 10.3 of the report (CAB 115/090)
- Agree the prudential indicators set out in sections 8 – 11 of the report as required under the Prudential Borrowing Code
- Authorise our Corporate Director of Resources, after consultation with our Lead Member for Resources and Performance, to revise the indicators

contained in recommendations 2.1 to 2.3 of the report (CAB 115/090) to reflect any developments between the meetings of Cabinet held on 10th February 2010 and Full Council on 3rd March 2010.

4. Treasury Management Strategy Statement, Minimum Revenue Provisional Policy Statement and Annual Investment Strategies 2010/11(CAB 116/090)

We considered a report (CAB 116/090 – attached as Annex 5 to this report) which informed and advised us that: -

- It is consistent with the requirements of treasury management specified by the Chartered Institute of Public Finance and Accountancy (CIPFA), which the Council is required to have regard to 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 (dealt with in a separate report) which ensure that the Council's capital investment plans are affordable, sustainable and prudent. The three statements may be summarised as:
 - A Treasury Management Strategy which sets out this Authority's proposed borrowing for the financial year and establishes the parameters within which officers under delegated authority may undertake such activities.
 - An annual Investment Strategy which sets out this Authority'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.
- The report before us proposed that the Council adopts the credit criteria set out in section 11.4.5 of the report (CAB 116/090).
- Officers will report details of the Council's treasury management activity to the Audit Committee at each of its meetings during the year.

Our resolutions are set out below: -

We endorsed the Treasury Management Strategy Statement, as set out in Sections 6 - 10 of the report (CAB 116/090) before us.

We endorsed the Annual Investment Strategy, as set out in Section 11 of the report, (CAB 116/090) before us.

We endorsed the Minimum Revenue Provision Policy Statement, as set out in Section 12 of the report (CAB 116/090) before us.

That it be recommended to Full Council that the Treasury Management Strategy Statement, the Annual Investment Strategy and the Minimum Revenue Provision

Policy Statement as set out in the body of the report (CAB 116/090), be adopted and that officers involved in treasury management must follow these policies and procedures.

That the Corporate Director of Resources, after consultation with the Lead Member for Resources and Performance, be delegated authority to vary the figures in the report (CAB 116/090) to reflect decisions made in relation to the Capital Programme prior to prior to submission to Budget Council

We therefore recommend Council to: -

- Agree the Treasury Management Strategy Statement, as set out in Sections 6 - 10 of the report (CAB 116/090) attached at Annex 5 to this report.
- Agree the Annual Investment Strategy, as set out in Section 11 of the report (CAB 116/090).
- Agree the Minimum Revenue Provision Policy Statement, as set out in Section 12 of the report (CAB 116/090).
- Agree that the Treasury Management Strategy Statement, the Annual Investment Strategy and the Minimum Revenue Provision Policy Statement as set out in the body of the report (CAB 116/090), be adopted and that officers involved in treasury management must follow these policies and procedures.
- Agree that that the Corporate Director of Resources, after consultation with the Lead Member for Resources and Performance, be delegated authority to vary the figures in the report (CAB 116/090) to reflect decisions made in relation to the Capital Programme prior to prior to submission to Budget Council.

**Councillor Lutfur Rahman
Chair of the Cabinet**

LOCAL GOVERNMENT ACT 1972 – SECTION 100D (AS AMENDED)
LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS
REPORT

**Brief description
of "background paper"
number of holder**

**Tick if copy
supplied**

**If not supplied,
name and telephone**

None

Louise Fleming x 4878