

LONDON BOROUGH OF TOWER HAMLETS

REPORT OF THE CABINET

9TH FEBRUARY 2011

To receive the report of the Cabinet at its meeting held on Wednesday **9th February 2011**.

The Members who attended our meeting were:

Mayor Lutfur Rahman	(Mayor)
Councillor Ohid Ahmed	(Deputy Mayor)
Councillor Alibor Choudhury	(Cabinet Member for Resources)
Councillor Rabina Khan	(Cabinet Member for Housing)
Councillor Rania Khan	(Cabinet Member for Regeneration)
Councillor Oliur Rahman	(Cabinet Member for Children's Services)

Other Members present:

Councillor Craig Aston	
Councillor Stephanie Eaton	
Councillor David Edgar	
Councillor Zara Davis	
Councillor Judith Gardiner	
Councillor Ann Jackson	(Chair, Overview & Scrutiny Committee)
Councillor Bill Turner	
Councillor Motin Uz-Zaman	(Chair of Council)
Councillor Kabir Ahmed	

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

We considered a report (CAB 086/101) (see **Annex 2 to this pack**) detailed 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 for 2011/12 and a Medium Term Financial Plan for 2011/12-2013/14 to Budget Council for consideration on 23rd February 2011.
- At our meeting held on 12th January 2011, we had considered the General Fund Revenue Budget 2011/12 and referred initial budget proposals to our Overview and 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 8th February 2011 and comments arising from these

deliberations were reported to our meeting held on 9th February 2011 (See **Appendix I to Annex 2**).

- The Greater London Authority (GLA) was due to meet on 23rd February 2011 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 reported verbally at our meeting. The final GLA budget and precept would be reported to Budget Council on 23rd February 2010.
- The report (CAB 086/101) also included final advice from our Corporate Director of Resources on the financial risks facing this Authority and his statutory advice on the robustness of the budget process. Details were contained in Section 15, with assessments of risk to individual service budgets at Appendix E of the original report (CAB 086/101). Three categories of risk were identified:
 - § Where the implications would be accommodated within existing financial provisions.
 - § Where specific risk financing arrangements were in place.
 - § Those which needed to be taken into account as part of the budget process.
- Issues in the final category included 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 were also included in Appendix H to the report, as detailed in report CAB 097/101 (see **Appendix H to Annex 2**)

We also received a supplemental report (CAB 097/101) which informed us that:-

- On 31st January 2011, the Local Government Minister announced the final local government finance settlement for 2011/12. This confirms the Formula Grant and specific grant figures provided for consultation in December and set out in the main report. For consultation purposes, the Transition Grant has been calculated to ensure that no authority's 'revenue spending power' reduces by more than 8.9% across all funding streams, including Council Tax, Formula Grant and specific grants. For the final figures, the Government has slightly increased this minimum level to 8.8%. As a result, Tower Hamlets will receive £4.143m in Transition Grant in 2011/12, which is £376,000 more than originally announced. This is a one-off amount in 2011/12 and the authority will receive no further Transition Grant in 2012/13. Thus it cannot be used to reduce the £72m savings target over three years, although it does provide slightly more funding in 2011/12 and thus marginally softens the front-loading effect of the grant cuts.
- Specific grant allocations for 2011/12 announced in the provisional settlement are all confirmed as set out in Table 8.9 of the main report.

- In his settlement statement, the Local Government Minister confirmed that a Council Tax Freeze Grant will be paid to those authorities which set their Council Tax increase at 0% or below in 2011/12, and added;

“Where authorities opt to increase their council tax instead the Government is prepared to take capping action against excessive increases. The Secretary of State will set out the capping principles that he intends to use to compare authorities’ budgets in the next few days, leaving ample time for authorities to consider their budgeting before the deadlines for setting their council tax”.

Our Councillor Alibor Choudhury, Cabinet Member for Resources, in presenting the report in respect of the General Fund Budget and Medium Term Financial Plan 2011/12 to 2013/14, commented that severe financial cuts had been imposed upon the Council due to Government Policy but none of the proposals to achieve savings was designed to weaken support for the vulnerable or needy, nor to disempower Elected Members in the furtherance of their duties. Councillor Choudhury also put forward a motion outlining further measures in connection with Homecare; Housing Link; Adventure Play Provision; Junior Youth Service and Democratic Services. The motion was adopted and its terms are set out in the resolutions below.

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

- The Cabinet team had worked hard to condense a budget-making process of 12 months into the four-month period since the new Administration had come into being and it had been a proper approach to re-assess all previous proposals for savings. The views of all stakeholders and Trades Unions had been taken into account.
- The production of a consensual budget was important and the needs and aspirations of residents had been foremost during the budget-making process.

Mr Chris Naylor, Corporate Director Resources, responded to Members’ comments and advised that he had provided written advice to all Group Leaders. In particular, provision of suitable General Fund reserves was prudent to help mitigate risks to the Council.

The Chair, in moving the recommendations, welcomed the report and thanked officers and his Member colleagues for their efforts. He also thanked the Overview and Scrutiny Committee members for their valuable contribution to the debate on the budget process.

Our resolutions are set out below:-

Budget Consultation

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

We noted the outcome of the various consultations carried out in relation to this budget as set out in Appendix H of the original report (CAB 086/101) and circulated separately as report CAB 097/101 before us.

Grant Funding

We noted the grant funding available for 2011/12 and the indications and forecasts for future years as detailed in Section 8 of the report (CAB 086/101) before us.

Directorate Base Budgets 2011/12

We approved the base budgets for 2011/12 for each Directorate as set out at Appendix A of the report (CAB 086/101) before us.

Approved Budget 2011/12

We agreed the growth contingency and savings for 2011/12 as set out in Sections 10, 11 and 13, subject to the amendments set out below regarding Homecare; Housing Link; Adventure Play Provision; Junior Youth Service and Democratic Services, and Appendices B and D of the report (CAB 086/101) before us and noted the implications for later financial years.

Medium Term Financial Plan 2011/12-2013/14

We noted the Medium Term Financial Plan set out at Appendix C of the report (CAB 086/101) before us, together with the savings target arising in relation to future years and the actions being taken to address it.

Financial Risks: Reserves and Contingencies

We noted the advice on strategic budget risks as set out in section 15 and Appendix E of the report (CAB 086/101) before us, in particular the significant increase in risk that the Council is exposed to as a result of the financial settlement, and the proposed response of the Council to managing this risk.

Robustness of the Budget Process

We noted the advice of the Corporate Director Resources in relation to the robustness of the budget process as set out in section 17 of the report (CAB 086/101) before us.

Balances/Reserves

We noted the review of reserves as set out in section 16 and further detailed in Appendices F and G of the report (CAB 086/101) before us.

We also noted officers' advice on the strategy for general reserves, and that this will be further considered by the Cabinet.

Homecare

We agreed that the transition from Homecare to Reablement be managed over a longer period so that capacity is reduced due to a natural turnover rather than redundancy.

We agreed that the aim be to draw down the service fully by March 2016. This will cost approximately £1m and will be funded by:

- A saving of £550,000 from reduced redundancy costs as a result of delivering savings through natural wastage (£8m contingency set aside for redundancy payments)
- £364,000 from an additional transitional grant from the government
- £86,000 from contingencies released by a lower than expected overspend in 2010/11

We agreed that the transition be reviewed regularly to ensure the standard of provision remains high and that staff are supported throughout the change.

Housing Link

We agreed that £60,000 be allocated to fund up to three posts for one year to the Housing Link service to ensure a smooth transition for users. This will be funded from contingencies released by a lower than expected overspend in 2010/11.

Adventure Play Provision

We agreed that the future be protected and sustainability be ensured of the adventure playgrounds in Bartlett Park and at Whitehorse Lane.

We agreed that the local community be engaged in the management of the facilities to better reflect the needs of those young people that continue to use them.

We agreed that the future of these adventure playgrounds be protected from the savages of the Coalition Government's cutbacks.

We agreed that an additional £50,000 be allocated to ensure that supervised play continues until a 3rd Sector organisation can be engaged to manage the facilities. This will be funded from contingencies released by a lower than expected overspend in 2010/11.

Junior Youth Service

We agreed that £15,000 be allocated (a total of £120,000) to each school signed up to the scheme as seed funding to establish the new service. This will be funded from contingencies released by a lower than expected overspend in 2010/11.

Democratic Services

We agreed that savings from the member support team (as set out in pro-forma CE/2) be deferred until June 30 2100.

We agreed that the budgets for the proposed Mayor's office and budgets to member's support be combined into a single pot.

We agreed that funding of £80,000 be allocated to this pot to allow implementation of the full saving to be deferred to the end of the first quarter of 2011. This will be funded from contingencies released by a lower than expected overspend in 2010/11.

We agreed that the money currently allocated to member support and the Mayor's office be combined in one pot.

We agreed that a cross-party working group be assembled to draw up proposals that ensure that both the Mayor and Members are adequately supported in their roles but the savings identified in CE/2 are achieved from this bigger pot.

WE THEREFORE RECOMMEND COUNCIL TO:-

Agree a General Fund Revenue Budget of £310.960m and a Council Tax (Band D) of £885.52 for 2011/12, as set out in Section 18 of the original report (CAB 086/101) (see **Annex 2 to this pack**).

2. 2011/12 - 2013/14 Capital Programme (CAB 087/101)

We considered a report (CAB 087/101) (see **Annex 3 to this pack**) which informed and advised us that:-

- At our meeting held on 12th January 2011, we had considered the Capital Programme for 2011/12 and subsequently referred our initial proposals to our Overview and Scrutiny Committee for consultation in accordance with this Authority's Budget & Policy Framework Procedure Rules.
- Our Overview and Scrutiny met to consider these matters at their meeting held on 8th February 2011. Comments arising from these deliberations were reported to our meeting held on 9th February 2011.
- The report before us detailed the proposed capital resources for the next three years and invited us to make a recommendation for a Capital Programme for 2011/12 and allocations to 2012/13 and 2013/14 arising from these schemes.
- The report before use formed part of a comprehensive Strategic and Resource Planning framework that would enable resources to be deployed effectively to meet the Tower Hamlets Strategic Plan, Tower

Hamlets Community Plan 2020 and secure value for money. Further details of this framework are set out in the companion report on the General Fund Revenue Budget and Medium Term Financial Plan for 2011/12 to 2013/14 (CAB 086/101).

- The Council's Capital Strategy indicates that the Borough's population is expected to grow at a rapid rate over the next few years, while the introduction of austerity measures by the Coalition Government and more limited opportunities for raising funding locally will result in capital resources being more constrained than in the past. This underlines the need for careful prioritisation of resources to meet local and national priorities.
- The Capital Programme comprises the Mainstream programme (schemes funded from Government grants and other allocations which are channelled by the Government Department allocating them to particular types of schemes) and the Local Priorities programme, funded largely through locally generated resources, primarily capital receipts.
- The original report (CAB 087/101) recommended allocating resources provided by Central Government to support the Mainstream programme and identified bids for projects to be considered for inclusion in the 2011/12 to 2013/14 Local Priorities Capital Programme.
- The support provided by the Government and other bodies for the 2011/12 Mainstream capital programme totalling £153.661m is detailed in Appendix 1 of the original report (CAB 087/101).
- The resources currently available from capital receipts and other sources to fund Local Priority Schemes will support a programme of £10.210m in 2011/12 as detailed in Appendix 2 of the original report (CAB 087/101).

Our resolutions are set out below:-

We agreed a proposed mainstream capital programme as attached at Appendix 1 of the original report (CAB 087/101) and noted that this is fully funded from available sources.

We noted the mainstream and locally generated resources currently available for new schemes.

We agreed the locally funded projects as set out in Appendix 2 of the report (CAB 087/101).

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 1 to the original report (CAB 087/101) (See **Annex 3, Appendix 1 to this pack**).
- Approve the allocation of resources to the Local Priorities Programme, including pre-agreed projects and unavoidable capital schemes for 2011/12 as set out in Appendix 2 to the original report (CAB 087/101) (See **Annex 3, Appendix 2 to this pack**)

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

We considered a report (CAB 088/101) (see **Annex 4 to this pack**), 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) Treasury Management Code of Practice 2009 to which the Council is required to have regard, for the Council to produce the following:-
 - A Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - Approval by the Full Council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy, and prudential indicators – for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
 - Clear delegated responsibility for overseeing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions. For this Council the delegated body is the Audit Committee.

The report before us proposed that the statements should be formally adopted accordingly and our resolutions are set out below:-

We endorsed the Treasury Management Strategy Statement set out in sections 7-11 of this report (CAB 088/101).

We endorsed the Annual Investment Strategy set out in section 12 of this report (CAB 088/101).

We endorsed the Minimum Revenue Provision Policy Statement set out in section 13 of this report (CAB 088/101), which officers involved in treasury management must then follow.

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 088/101), be adopted and that officers involved in treasury management must follow these policies and procedures.

That authority be delegated to the Corporate Director Resources, after consultation with the Lead Member for Resources, to vary the figures in this report (CAB 088/101) to reflect decisions made in relation to the Capital Programme prior to submission to Budget Council.

WE THEREFORE RECOMMEND COUNCIL TO:-

- Agree the Treasury Management Strategy Statement, as set out in sections 7-11 of this report (CAB 088/101) before us (see **Annex 4 to this pack**).
- Agree the Annual Investment Strategy, as set out in section 12 of this report (CAB 088/101) before us.
- Agree the Minimum Revenue Provision Policy Statement, as set out in section 13 of this report (CAB 088/101) before us.
- 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 088/101), be adopted and that officers involved in treasury management must follow these policies and procedures.
- Agree that authority be delegated to the Corporate Director Resources, after consultation with the Lead Member for Resources, to vary the figures in this report (CAB 088/101) to reflect decisions made in relation to the Capital Programme prior to submission to Budget Council.

**Mayor 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"	Tick if copy supplied	If not supplied, name and telephone number of holder
None		Alan Ingram x 4878