

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

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