

ITEM 10.2 GENERAL FUND CAPITAL AND REVENUE BUDGETS AND MEDIUM-TERM FINANCIAL PLAN 2013/2016

CABINET
13TH FEBRUARY 2013

AMENDED RECOMMENDATIONS

Mayor's Forward:

During the last two years' budget processes we faced the unprecedented challenge of a substantial reduction in funding from central government. Throughout this process we ensured that whilst we delivered the savings needed, we developed firm principles to deliver a fair budget. These principles are to protect vulnerable residents; protect frontline staff; protect the services residents rely on; and protect our investment in the third sector.

This year, our budget reduction was 8% in real terms, allowing us to use this budget process to focus on the services which mean most to residents and shape the borough for the future, whilst still ensuring that the most vulnerable, most at risk from central government cuts, are protected. This budget is mindful that in the face of short-termist thinking in central government, which places spending reduction above growth and social justice, locally we need to tackle the large challenges still facing us, including child poverty, social mobility and economic growth.

Our budget, including the amendments listed below, is designed to create a borough we can be proud of, that is clean and environmentally friendly; that invests in our young people, through support throughout their education careers; that helps regeneration, bringing investment into key areas of the borough and supporting local businesses; and that ensures there is more money in residents' pockets, by freezing council tax and fees and charges and maintaining council tax benefit.

Whilst investing in the future, we are mindful of the on-going pressures on our budget over the coming years. We believe that the investments listed below will provide the support necessary for the borough and our residents to prosper, whilst we continue to develop our strategic approach to responsibly manage future pressures.

Mayor Lutfur Rahman

Recommendations

It is proposed to amend the budget proposals in the February Cabinet report as follows;

- 2.1. Agree Recommendation 2.1 as set out in the Cabinet paper, to agree that a General Fund Revenue Budget of £297.806m and a Council Tax (Band D) of £885.52 for 2013/14 be referred to Budget Council for consideration.
- 2.2. Agree Recommendation 2.2 (a-l) as set out in the Cabinet report.
- 2.3. Note the advice of the chief financial officer in relation to resources available to fund one-off priorities in the next two financial years.

- 2.4. Agree to utilise £1m of capital receipts to part fund the Faith Buildings initiative announced at Cabinet on 3rd October 2012 and adopt a capital scheme for this purpose.
- 2.5. Accept the following Accelerated Delivery proposals as set out in Appendix 5 of the pack;
- The Mayor's Higher Education Bursary at a cost of £1.260m over two years.
 - Borough-wide deep clean and education programme at a cost of £0.800m
 - Roman Road Town Centre Improvements and Brick Lane Commercial District initiatives at a cost of £0.355m
 - Measures to protect vulnerable residents in temporary accommodation from the impact of welfare reform at a cost of £1.000m

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

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

3. Financial implications

A summary of the revised proposals in this amendment is set out in the following table;

	Earmarked Reserves	Additional savings	Public Health Grant	Capital		Total
	£m	£m	£m	£m		£m
<u>Funding</u>						
Funding available (all one-off)	1.065	4.848	2.800	5.300		
Transfer of funding for faith buildings	1.000			-1.000		
Total funding available	2.065	4.848	2.800	4.300		14.013
<u>Spending allocations</u>						
Discretionary housing payments	1.000					1.000
Town Centre Managers	0.355					0.355
Boroughwide deep clean	0.710	0.090				0.800
Bursary @ £1,500 for 2 yrs		1.260				1.260
THEOs		1.330				1.330
Measures to support cycling				0.100		0.100
Pothole squad		0.200				0.200
Burial Grounds				3.000		3.000
Free School Meals			2.756			2.756
Additional investment in Faith Buildings				1.000		1.000
Total allocations	2.065	2.880	2.756	4.100		11.801
Balance of funding remaining	0.000	1.968	0.044	0.200		2.212

4. The Chief Financial Officer comments that;

- 4.1. As set out in the Cabinet report, the following resources are available in the budget for 2013/14 and 2014/15 and are not required to balance the budget in either of these financial years. They are therefore available for one-off spending to progress Mayoral priorities;

Earmarked reserves no longer required (see Appendix 6.3 of Cabinet report) £1.065m

Surplus of additional savings from the 2013/14 budget round of £2.424m per year, for two years (see para 10.2 of Cabinet report) £4.848m

Public Health Grant, £1.400m for two years (see Cabinet report addendum paper) £2.800m

Capital receipts unapplied (see para 14.4 of the Cabinet report) £5.300m

- 4.2. If Members so choose, £1.000m of the cost of the Faith Buildings scheme considered by the Cabinet on 3rd October 2012 represents capital grants and could be met from the capital programme, increasing the level of revenue reserves available by £1.000m and reducing capital receipts by the same amount.

- 4.3. In the case of earmarked reserves and additional savings, not allocating this funding to one-off spending over the next two financial years would mean that it contributed to building reserves in the two years 2013/14 and 2014/15 and these additional reserves would be usable to reduce the budget gap in 2015/16. However, this would only delay the need for additional savings for one year and push that part of the budget gap back to 2016/17.
- 4.4. In relation to the additional savings of £2.424m per year, it would be imprudent to allocate these to expenditure after the end of 2014/15 in view of the need to identify savings to balance the budget in 2015/16.
- 4.5. Public Health Grant is ring-fenced, so not allocating this funding would provide additional resources for public health initiatives but would not directly assist in meeting the budget gap. Officers will be examining the possibility of charging existing public health related services against the Public Health Grant in order to reduce the budget gap.
- 4.6. Capital receipts may not be used to support revenue expenditure. They may be used either for investment in capital assets or to reduce debt. Officers advise that at present reducing debt is not a priority for the authority as debt levels are already quite low and the costs of redeeming debt would be prohibitive. Members should bear in mind that additional capital investment may depend upon the disposal of further surplus assets.
- 4.7. The chief financial officer therefore advises that the allocation of these sums to Mayoral priorities on a one-off basis appears financially prudent on the basis of information currently available.
- 4.8. Where appropriate, further reports will need to be submitted to Cabinet to confirm the details of the proposed additional spending.