

LONDON BOROUGH OF TOWER HAMLETS
BUDGET COUNCIL MEETING
WEDNESDAY 26th FEBRUARY 2014
BUDGET AND COUNCIL TAX 2014/15
REPORT OF THE CABINET MEETING, 5TH FEBRUARY 2014 AND
BUDGET PROPOSALS OF THE MAYOR AND EXECUTIVE

1. SUMMARY

- 1.1 This report sets out the proposals of the Mayor and Executive for the Council's Budget and Council Tax 2014/15, as agreed at the Cabinet Meeting on 5th February 2014.

2. RECOMMENDATIONS

- 2.1 In accordance with the decisions of the Mayor in Cabinet as set out at section 5 below, the Council is **recommended**:-

General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2014/15-2016-17

- (a) To agree a General Fund Revenue Budget of £293.933m and a Council Tax (Band D) of £885.52 for 2014-15 as set out in the motion attached at Annex 1 to this report.
- (b) To agree a Capital Budget and Medium Term Financial Plan as set out in the motion attached at Annex 1 to this report.

Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2014-15

- (b) To adopt (as also set out in the motion at Annex 1):
- The Treasury Management Strategy Statement set out in sections 6-11 of the report of the Interim Corporate Director Resources at Annex 6 to this report
 - The Annual Investment Strategy set out in section 12 of the report at Annex 6.

- The Minimum Revenue Provision Policy Statement set out in section 13 of the report at Annex 6, which officers involved in treasury management must then follow.

3. CABINET MEETING, 5TH FEBRUARY 2014

- 3.1 The Cabinet Meeting received the report of the Interim Corporate Director Resources on the General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2014-17.
- 3.2 In considering the information in the reports, the Mayor and Cabinet took into account the comments of the Overview and Scrutiny Committee (OSC) on the Mayor's initial budget proposals for 2014/15 (which had been published in the 8th January Cabinet agenda), from the OSC meeting held on 20th January 2014 and confirmed at their ordinary meeting on 4th February.
- 3.3 The Mayor and Cabinet also took into account a tabled paper on feedback from the budget roadshow events.
- 3.4 During debate at Cabinet two further amendments were proposed and the Mayor agreed to those proposals being worked up and added to the budget report for Council. Those additional proposals on additional police officers on every ward and the award of a discretionary discount for some households have now been written into the report that is presented to Council. This report now represents the budget recommended by the Executive.
- 3.5 The above listed amendments along with some adjustments made by officers were presented to an Extraordinary OSC meeting held on 11th February. Any comments of the OSC on the amendments, together with the response of the Mayor to those comments, will be circulated before the Council meeting.
- 3.7 Finally, the Cabinet on 8th January also considered the report of the Acting Corporate Director, Resources on the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2014-15; and agreed recommendations to the Council in that regard.

4. DOCUMENTS ATTACHED

- 4.1 The following documents are attached to this report for the Council's consideration:-

Annex 1: Budget Motion from Councillor Alibor Choudhury, Cabinet Member for Resources (Pages 19 – 26)

Annex 2: Report of the Acting Corporate Director Resources: General Fund Capital and Revenue Budgets and Medium Term Financial

Plan 2014-2017 (the report is an updated version of the report presented to the Cabinet Meeting on 5th February 2014) (Pages 27 – 60)

Annex 3: Appendices 1 - 9 to the above report:-

Appendix 1 – Summary of Draft Medium Term Financial Plan 2013-17 (Pages 62)

Appendix 2 – Detailed analysis of the Medium Term Financial Plan by service area 2013/14 to 2016/17 (Pg 64)

Appendix 3 – Summary of Growth Bids – 2014/15 – 2016/17 (Pg 66-110)

Appendix 4 – Approved Savings 2013/14 to 2014/15 (Pg 112-113)

Appendix 5.1 – Reserves and Balances (Pg 115-120)

Appendix 5.2 – Risk Evaluation 2014/15 (Pg 121)

Appendix 5.3 – Projected Movement in Reserves (Pg 122)

Appendix 6.1 – Schools Budget 2013/14 to 2014/15 (Pg 124-134)

Appendix 6.2 – Detailed Calculations of Provisional 2014/15 Schools Budget (Pg 135 – 146)

Appendix 7 – Housing Revenue Account (Pg 148)

Appendix 8.1 – Capital Programme 2013/14 to 2015/16 (Pg 150-156)

Appendix 8.2 – Indicative schemes to be funded from External Resources (Pg 157)

Appendix 8.3 – Tower Hamlets Capital Programme (Pg 158)

Appendix 9 – Outline Strategic Plan (Pg 159-174)

Annex 4: Overview and Scrutiny Committee response to the Mayor's Initial Budget Proposals 2014/15 (Pages 175-178)

Annex 5: Part 1 – Summary response from Budget Roadshows
Part 2 - Additional proposals developed at the Cabinet meeting on 5th February 2014 and considered by the Overview and Scrutiny Committee on 11th February
Part 3 – OSC response to the additional proposals (to follow)
Part 4 – The Mayor's response to the OSC comments (to follow)
(Pages 179 to 195)

Annex 6: Report of the Acting Corporate Director Resources to the Cabinet on 8 January 2014: Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2014-15 (Report presented to Council includes subsequent minor amendments made by officers). (Pages 197 – 219)

5. DECISIONS OF THE CABINET, 13TH FEBRUARY 2013

The Decisions of the Mayor in Cabinet are set out below:-

General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2014/15-2016-17

The **Mayor** noted the tabled paper and the response of the Overview and Scrutiny Committee. He also accepted two amendments, one to provide funding to increase the number of police officers in the borough and a second to increase the Council Tax Support Scheme awards.

DECISION

1. To agree a General Fund Revenue Budget of £292.358m and a Council tax (Band D) at £885.52 for 2014-2015 be referred to Full council for consideration.
2. To note the following matters -
 - a. Budget Consultation

The results of the feedback for the budget consultation are being collated but could not be completed prior to publication of this report as the second budget roadshow took place on the 27th January 2014. The results were presented as an addendum to this report.
 - b. Funding

The funding available for 2014-2015 and the indications and forecasts for future years set out in Section 8.
 - c. Base Budget 2014-2015

The Base Budget for 2014-2015 as £295.732m as detailed in Appendix 1.
 - d. Growth and Inflation

The risks identified from potential inflation and committed growth arising in 2014-2015 and future years and as set out in Section 9 and in Appendix 3.
 - e. General Fund Revenue Budget and Medium Term Financial Plan 2014-2015 to 2016-2017

The initial budget proposal and Council Tax for 2014-2015 together with the Medium Term Financial Plan set out in Appendix 1 and the budget reductions arising.

f. Savings

Previously agreed savings items to be included in the budget for 2014-2015 and the strategic approach for future savings to be delivered are set out in Section 10, Appendix 4 and paragraph 7.13 of the report.

g. Capital Programme

The capital programme to 2016-2017; including the proposed revisions to the current programme as set out in section 14 and detailed in Appendices 8.1, 8.2 & 8.3.

h. Dedicated Schools Grant

The position with regard to Dedicated Schools Grant as set out in Section 12 and Appendices 6.1 & 6.2.

i. Housing Revenue Account

The position with regard to the Housing Revenue Account as set out in Section 13 and Appendix 7.

j. Financial Risks: Reserves and Contingencies

Advise on strategic budget risks and opportunities as set out in Section 11 and Appendices 5.1, 5.2 and 5.3.

k. Reserves and Balances

The position in relation to reserves as set out in the report and further detailed in Appendices 5.1 and 5.3

l. Mayor's Priorities

An initiative (Working Start for Women in Health and Childcare) to be included in the budget for 2014-15 is set out in paragraphs 8.29 to 8.36 of this report and a detailed proforma in Appendix 3.

3. To authorise officers to present two additional proposals to be submitted as part of the report to be considered at Council:

a. An initiative to fund an additional 20 police officers for the Borough.

b. To provide support to low income households who are already entitled to partial council tax support, by way of a £25 reduction against their remaining council tax liability in 2014/15"

Reasons for the decision

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 2014 at the latest. 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 following 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.

In deciding its budget, the Council needs to have regard to the key priority activities for delivery as set out in the Outline Strategic Plan.

Alternative options

The authority is bound to respond to the budget reductions 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 budget reductions.

Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2013-14

1. To Recommend that Full Council adopt:
 - a. The Treasury Management Strategy Statement set out in sections 6-11 of this report.
 - b. The Annual Investment Strategy set out in section 12 of this report.
 - c. The Minimum Revenue Provision Policy Statement set out in section 13 of this report, which officers involved in treasury management must then follow.
2. To delegate to the Interim Corporate Director of Resources, after consultation with the Lead Member for Resources, authority to vary the figures in this report to reflect any decisions made in relation to the Capital Programme prior to submission to Budget Council.

Reasons for the decision

It is consistent with the requirements of treasury management specified by CIPFA, to which the Council is required to have regard under the Local

Government Act 2003 and regulations made under that Act, for the Council to produce three strategy statements to support the Prudential Indicators which ensure that the Council's capital investment plans are affordable, sustainable and prudent. The three documents that the Council should produce are:

- Treasury Management Strategy, including prudential indicators
- Investment Strategy
- Minimum Revenue Provision Policy Statement;

Alternative options

The Council is bound by legislation to have regard to the CIPFA requirements for treasury management. If the Council were to deviate from those requirements, there would need to be some good reason for doing so. It is not considered that there is any such reason, having regard to the need to ensure that the Council's capital investment plans are affordable, sustainable and prudent. The strategies and policy statement put forward in the report are considered the best methods of achieving the CIPFA requirements. Whilst it may be possible to adopt variations of the strategies and policy statement, this would risk failing to achieve the goals of affordability, sustainability and prudence.

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
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No unpublished background papers were relied upon to a material extent in the preparation of this report.