

**LONDON BOROUGH OF TOWER HAMLETS**  
**BUDGET COUNCIL MEETING**  
**WEDNESDAY 25<sup>th</sup> FEBRUARY 2015**  
**BUDGET AND COUNCIL TAX 2015/16**  
**REPORT OF THE CABINET MEETING, 4<sup>th</sup> FEBRUARY 2015 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 2015/16, as agreed at the Cabinet Meeting on 4<sup>th</sup> February 2015.

**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 2015/18**

- (a) To note the feedback from the budget consultation as detailed in section 16 of the budget report and published on the Councils website. Further consultation since February Cabinet has not resulted in any significant changes.
- (b) To adopt an increased capital estimate of £8.632m in respect of the Building Schools for the Future programme, bringing the total scheme budget to £328.333m.
- (c) To agree a General Fund Revenue Budget of £291.362m and a Council Tax (Band D) of £885.52 for 2015-16 as set out in the motion attached at Annex 1 to this report.
- (d) 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 2015-16**

- (e) To adopt (as also set out in the motion at Annex 1):
- The Minimum Revenue Provision Policy Statement set out in paragraph 7 of the report at Annex 6 to this report;
  - The Treasury Management Strategy Statement set out in sections 8-11 of the report at Annex 6 to this report; and
  - The Annual Investment Strategy set out in sections 12 and 13 of the report at Annex 6 to this report, which officers involved in treasury management must then follow.

### **Section 25, Local Government Act 2003**

- (f) To note that in line with the requirements of the Local Government Act 2003, the Corporate Director of Resources is of the view that:
- a) The General Fund balances of £66m and the level of reserves are adequate to meet the Council's financial needs for 2015/16, and that in light of the economic risks that the council faces, they should not fall below a minimum level of £20m; and
  - b) The General Fund estimates are sufficiently robust to set a balanced budget for 2015/16. This takes into account the adequacy of the level of balances and reserves outlined above and the assurance gained from the comparisons of the 2014/15 budget with the projected spend identified in monitoring reports. The overall level of the corporate contingency has been set at £3.1m, which is adequate to cover any potential costs arising from government directions
- (g) To note that the Council Tax Replacement Scheme for 2015/16 remains unchanged from the 2014/15 scheme

### **3. CABINET MEETING, 4<sup>TH</sup> FEBRUARY 2015**

- 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 2015-18.
- 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 2015/16 (which had been published in the 7<sup>th</sup> January Cabinet agenda), from the OSC meeting held on 19<sup>th</sup> January 2015.
- 3.3 The Mayor and Cabinet also took into account initial feedback from the budget consultation process and events.

- 3.4 During debate at the Cabinet meeting the Mayor noted updated papers circulated after the original agenda was published. He agreed an amendment proposed by Councillor Ohid Ahmed in relation to funding police officers (agreeing to allocate the savings made through the deletion of the Chief Executive's salary budget to provide funding for additional police officers) and a further amendment to allow adjustment of the budget proposals as necessary to accommodate any impact from a decision on the Multi-Faith Burial Ground report later on the Cabinet agenda. Those amendments have been written into the report that is presented to Council and this report now represents the budget recommended by the Executive.
- 3.5 The above listed amendments were presented to an extraordinary meeting of the Overview and Scrutiny Committee meeting held on 10<sup>th</sup> February 2015. The comments of the Overview and Scrutiny Committee on the amendments are attached at Annex 5. The response of the Mayor to those comments will be circulated before the Council meeting.
- 3.6 Finally, the Cabinet on 4<sup>th</sup> February 2015 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 2015-16; and agreed recommendations to the Council in that regard.

#### **4. SECTION 25, LOCAL GOVERNMENT ACT 2003**

- 4.1 Section 25 of the Section 25 of the Local Government Act 2003 requires the Councils Chief Finance Officer (The Corporate Director of Resources) to report on the robustness of the estimates made for the purposes of the final budget calculations, and the adequacy of the proposed financial reserves.

##### **Robustness of estimates**

- 4.2 The Council has an embedded strategic approach to managing the budget gap over a number of years. This allows proposal to be developed that prioritise front line and key services areas. The Cabinet's budget proposals are consistent with this overall strategic approach.
- 4.3 The authority enjoys a high measure of financial stability and has over a number of years managed its finances well. Since the introduction of large scale reductions in Local Government funding, the Council has managed its spending within agreed budgets, and is on track to do so in 2014/15.
- 4.4 Contingency levels have been reviewed as part of the budget process, and the proposals for 2015/16 include a designated £3.1m contingency sum. This contingency will be adequate to cover any potential costs arising from government directions.

- 4.5 Inevitably there are several risks to the budget and these have been set out in the attached Cabinet report, including the challenges around delivery of savings proposals and the measures in place to mitigate these risks.
- 4.6 The budget proposals have been subject to scrutiny and the Mayor has also undertaken consultation with residents and businesses.
- 4.7 Accordingly, the Corporate Director of Resources is satisfied that the arrangements set out above constitute a robust process for the budget calculations underpinning the Cabinet's proposals for the 2015/16 budget.

### **Adequacy of Reserves**

- 4.8 It is projected that the Council will have un-earmarked General Reserves of approximately £66m as at 31st March 2015, an increase on the 31st March 2014 level. The final position will be dependent on the Council's financial outturn 2014/15 to be reported in June 2015.
- 4.9 The MTFP has an agreed strategy of utilising general reserves to minimise the impact of government funding cuts, until they reach a minimum level of £20m. Appendix 5 of the Cabinet budget report confirms the calculation of the £20m minimum level, and current resource projections are well within these boundaries.
- 4.10 Accordingly the Corporate Director of Resources is satisfied that the proposed levels of general reserves are judged to be adequate within the meaning of the 2003 Act.

### **Council Tax Replacement Scheme**

- 4.11 The Council is obliged to agree a local Council Tax Replacement scheme following the Government's decision to abolish the national Council Tax Benefit scheme with effect from April 2013. This decision compelled Authorities to devise their own local schemes mindful of the fact that Government funding for schemes would reduce by 10%.
- 4.12 The Council meeting of 27 November 2013 agreed a means tested Council Tax Replacement scheme for 2014/15 that broadly mirrored the scheme adopted in 2013/14 and the previous national Council Tax Benefit scheme. The budget proposals for 2015/16 are calculated on the basis that this scheme will continue, and no changes are proposed.

## **5. LEGAL COMMENTS**

- 5.1 The legal comments are primarily contained in the reports to Cabinet which are appended. The directions given by the Secretary of State on 17<sup>th</sup> December 2014 pursuant to section 15 of the Local Government Act 1999 are relevant to the proposed deletion of the budget for the Chief Executive's post. Pursuant to the directions, the Council is required to recruit a Head of Paid Service as a matter of urgency. Such

recruitment is required to be carried out under the direction of, and to the satisfaction of, the Commissioners whom the Secretary of State has appointed. Depending on the outcome of that process, the deletion of the budget for the Chief Executive's post has the potential to create a budget pressure.

## **6. DOCUMENTS ATTACHED**

6.1 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

Annex 2: Report of the Acting Corporate Director Resources: General Fund Capital and Revenue Budgets and Medium Term Financial Plan 2015-2018 (this is an updated version of the report presented to the Cabinet Meeting on 4<sup>th</sup> February 2015)

Annex 3: Appendices 1 - 8 to the above report:-

Appendix 1 – Summary of Draft Medium Term Financial Plan 2014-18

Appendix 2 – Detailed analysis of the Medium Term Financial Plan by service area 2015/16 to 2017/18

Appendix 3 – Summary of Growth Bids – 2014/15 – 2016/17

Appendix 4 – Approved Savings Proposals 2015/16

Appendix 5.1 – Reserves and Balances

Appendix 5.2 – Risk Evaluation 2015/16

Appendix 5.3 – Projected Movement in Reserves April 2014 to March 2018

Appendix 6.1 – Schools Budget 2014/15 and 2015/16

Appendix 6.2 – Detailed Calculations of 2015/16 Schools Budget

Appendix 7 – Housing Revenue Account

Appendix 8.1 – Capital Programme 2014/15 to 2016/17

Appendix 8.2 – Indicative schemes 2015/16 to 2017/18

Appendix 8.3 – Summary Capital Programme 2014/15 to 2017/18

Annex 4: Overview and Scrutiny Committee response to the Mayor's Initial Budget Proposals 2014/15

- Annex 5: Part 1 - Additional proposals developed at the Cabinet meeting on 4<sup>th</sup> February 2015 and considered by the Overview and Scrutiny Committee (OSC) on 10<sup>th</sup> February 2015  
Part 2 – OSC response to the additional proposals  
Part 3 – The Mayor’s response to the OSC comments (to follow)
- Annex 6: Report of the Acting Corporate Director Resources to the Cabinet on 4<sup>th</sup> February 2015: Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2015-16 (Report presented to Council includes subsequent minor amendments made by officers).

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**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**

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