



Public Document Pack

Haverling
LONDON BOROUGH

CABINET

| | | |
|----------------|--------------------------------------|--|
| 7.30 pm | Wednesday 26 October 2011 | Council Chamber - Town Hall |
|----------------|--------------------------------------|--|

Members 10: Quorum 5

Councillor Michael White (Leader of the Council), Chairman

| | Cabinet Member responsibility: |
|--------------------------------------|---------------------------------------|
| Councillor Steven Kelly (Vice-Chair) | (Deputy Leader) Individuals |
| Councillor Michael Armstrong | Transformation |
| Councillor Robert Benham | Community Empowerment |
| Councillor Andrew Curtin | Culture, Towns & Communities |
| Councillor Lesley Kelly | Housing |
| Councillor Roger Ramsey | Value |
| Councillor Paul Rochford | Children & Learning |
| Councillor Geoffrey Starns | Community Safety |
| Councillor Barry Tebbutt | Environment |

Ian Buckmaster
Committee Administration & Member Support Manager

For information about the meeting please contact:
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Please note that this meeting will be webcast.
Members of the public who do not wish to appear
in the webcast will be able to sit in the balcony,
which is not in camera range.

AGENDA

1 ANNOUNCEMENTS

On behalf of the Chairman, there will be an announcement about the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

2 APOLOGIES FOR ABSENCE

(if any) - receive

3 DECLARATIONS OF INTEREST

Members are invited to declare any interests in any of the items on the agenda at this point of the meeting. Members may still declare an interest in an item at any time prior to the consideration of the matter.

4 MINUTES (Pages 1 - 10)

To approve as a correct record the minutes of the meeting held on 28 September 2011, and to authorise the Chairman to sign them.

5 REPORT OF THE TOWNS & COMMUNITIES OVERVIEW AND SCRUTINY COMMITTEE - LIVING AMBITIONS TOPIC GROUP (Pages 11 - 14)

6 THE COUNCIL'S FINANCIAL STRATEGY (Pages 15 - 74)

7 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY MID-YEAR REVIEW REPORT (Pages 75 - 82)

8 REFORM OF COUNCIL HOUSING FINANCE (Pages 83 - 102)

9 ARRANGEMENTS FOR THE PROVISION OF DOMICILIARY CARE TO ADULTS (Pages 103 - 110)

10 DRAFT NATIONAL PLANNING POLICY FRAMEWORK (Pages 111 - 156)

11 REVIEW OF COMMUNITY HALLS (Pages 157 - 172)

12 APPROVAL OF THE PREFERRED DEVELOPMENT PARTNER FOR THE BRIAR ESTATE (Pages 173 - 186)

Public Document Pack Agenda Item 4



MINUTES OF A CABINET MEETING
Council Chamber - Town Hall
Wednesday, 28 September 2011
(7.30 - 9.05 pm)

Present:

Councillor Michael White (Leader of the Council), Chairman

Councillor Steven Kelly (Vice-Chair)
Councillor Robert Benham
Councillor Andrew Curtin
Councillor Lesley Kelly
Councillor Roger Ramsey
Councillor Paul Rochford

Cabinet Member responsibility:

(Deputy Leader) Individuals
Community Empowerment
Culture, Towns & Communities
Housing
Value
Children & Learning

Apologies were received for the absence of Councillors Michael Armstrong, Geoffrey Starns and Barry Tebbutt.

Councillors Clarence Barrett, Denis Breathing, Keith Darvill, Linda Hawthorn, Denis O'Flynn, Garry Pain, Lynden Thorpe and Linda Van Den Hende also attended.

Approximately 20 members of the public and a representative of the Press were present.

The decisions were agreed with no vote against.

There were no declarations of interest.

The Chairman reminded those present of the action to be taken in the event of an emergency.

20 **MINUTES**

The minutes of the meeting of Cabinet held on 17 August 2011 were agreed as a correct record and signed by the Chairman.

21 **LEARNING DISABILITY DAY OPPORTUNITIES**

Cabinet considered a report which detailed the outcome of consultation on day opportunities for people with learning disabilities.

Cabinet was reminded of a report it received in May 2011 which set out a review of day opportunities for people with a learning disability. The report proposed options

in order both to develop services to meet user/client choice and provide sustainable services going forward as well as delivering the improved efficiency required to meet the Councils Medium Term Financial Plan (MTFS) targets. These options were to be consulted on for a period of two months.

It was reported that the consultation had run from the end of 21 June 2011 to the 22 August 2011. Following receipt of solicitors letters in respect of 3 service users who complained amongst other things that there was insufficient information given as to the alternatives, further clarification had been provided as to the alternative services available and an invitation given to make any further response by Monday 5 September 2011. The Learning Disability Partnership Board had received a report at its meeting of 17 June 2011 and commented on the report.

Cabinet was provided with a detailed breakdown of the responses received during the consultation. The report also contained the Service's response to the issues raised within those consultation submissions.

In addition, members paid particular attention to the issues raised within the Equality Impact Assessment. Cabinet Members were reminded;

- that when considering what decision to make, they were under a personal duty to have due regard to the relevant section of the Equality Act 2010; and
- that when exercising its functions, the Local Authority must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act;
- to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- to foster good relations between persons who share a relevant protected characteristic and persons who do not share it. It was noted that relevant protected characteristics included age, disability, and sex.

The complete text of the Equality duty, together with a useful publication by the Equality and Human Rights Commission, called 'Using the Equality Duties to make Fair Financial decisions' was set out in an appendix to the report.

Reasons for the decision:

- Meet national & local policy objectives – there were clear policy objectives that had been set both nationally and locally for personalisation, re-ablement, independence and choice that the Council was not currently meeting.
- Increasing numbers needing service in future – the number of service users was projected to continue to rise year on year placing significant pressure on budgets;
- Changing patterns of usage – more individuals were choosing to take new forms of service (Direct Payments, External provision etc.) creating a vicious circle where usage (& sustainability) of internal services was reducing;
- Confusion between carers & users needs – there had been a lack of clarity as to the provision needed to support users and that which provided respite for family carers.

- Little evidence of reducing dependency – current services appeared to be a provision for life without showing how they contributed to reducing the need for future support;
- Improve Value for Money; the current model of service was not affordable particularly when considering the growth in demand and the restrictions on Local Authority spending.

Other options considered:

The options considered had been the subject of consultation.

Members thanked Officers for providing a thorough and detailed report which succinctly addressed the key issues in question. Members were in agreement that service provision could not continue at existing levels and that a combination of financial pressures and a desire for service users to look elsewhere had necessitated a review of provision.

Cabinet members were keen to stress that meeting the needs of service users was at the forefront of their decision-making. Indeed, in reaching its decision, members gave due consideration to the relevant legal risks and implications, most notably, Cabinet ensured that:

- The process it followed in reaching its decision was lawful;
- The needs of specific individuals continued to be met; and
- It gave due consideration to any adverse impacts under Equalities and Human Rights legislation, and any mitigation or justification for these impacts.

Members paid careful attention to the Equality Analysis, in particular the adverse impact of the proposed decision. Cabinet noted the proposals for careful and sensitive management of the transition and considered these would minimise the adverse impacts. They considered whether it was appropriate to take any other steps but on balance concluded that the decision was justified for the reasons as set out above.

It was pointed out that the figures contained within the saving analysis (Appendix O the report) were inaccurate. Officers agreed to circulate to members the accurate figures for the savings analysis outside of the meeting.

Cabinet AGREED:

- 1. To close St Bernard's Day Centre as soon as all individual clients have packages in place that continue to ensure that they receive appropriate support either through external provision or an Individual Service budget, subject to the safeguards set out at paragraph 5b in the Equality Impact Analysis to reduce the level of adverse impact on service users and their carers**
- 2. To undertake a programme of building works at Nason Waters (as outlined in Appendix M) in order to provide for the current range of activities plus extended choice on the site and to meet existing building maintenance requirements as well as an extended life cycle.**

3. To agree that the Nason Waters programme of work is added to the Councils Capital Programme, to be approved by full Council in 2012 (to be funded by existing Adult Social Care capital budget)..
4. To close Western Road Day Centre and amalgamate the day care provision with Nason Waters Day Centre once the refurbishment programme Nason Waters site has been completed with a target date of June /July 2012.
5. To agree to the disposal of the Western Road site, with capital proceeds being considered in the overall context of the Capital programme.
6. To work with all service users on their future individual service plans that address the achievement of realistic goals for improving health, independence, skills and social engagement.
7. To develop a web based tool to support client choice and control about day opportunities.
8. To note the progress in developing new opportunities locally and how these can integrate with the work of the new Nason Waters.
9. To work with staff and unions in line with the Council's Change Management policies to minimise redundancies and to support the workforce to achieve the required service change.

22 **OPTIONS FOR THE FUTURE OF THE HOUSING MANAGEMENT SERVICE**

The report explained that the Council's housing stock was currently managed under an agreement with an Arm's Length Management Organisation (ALMO), Homes in Havering. The decision to establish the ALMO was made in order to access Decent Homes Funding to improve the Council's stock. In September 2009, Homes in Havering achieved the required two star standard that enabled the Council to obtain access to potential Decent Homes funding of £112m. However, due to the previous Government's spending reductions, access to funding was withdrawn, though reinstated following legal action in January 2010. As a result, the Council received £9m of Decent Homes funding, which was spent in 2010/11.

It was noted that the requirement to have an ALMO in order to access Decent Homes funding had now been removed, and therefore the opportunity arose for the Council to consider whether this remained the best option for the management of the housing stock.

This report considered three options, and recommended that the Council consult tenants on the future of the housing management service.

Reasons for this decision:

The changes to the funding of the Decent Homes programme open up options to the Council to decide how the housing management service should be organised in the future. The report proposed that bringing management of the stock back in-house had the greatest potential for

delivering financial efficiencies while maintaining service quality and tenants and leaseholder involvement and influence. There should be an extensive consultation exercise with tenants and leaseholders, who were the users of the service, about their preferences. The implications for tenants, including the future of the Decent Homes programme, the financial positive of the options, and their opportunities for involvement needed to be put to the tenants in order to enable them to express their views on the future of the service. These views would feed into the decision of the Cabinet in March 2012.

Other options considered:

If no decision was taken to go out to consultation, a significant opportunity to make savings in the service would be missed.

The Cabinet Member indicated that a report would be presented to the meeting of Cabinet in March 2012 which would detail the outcome of the consultation and recommend the preferred option for the future of the Housing Service. The Cabinet Members assured those present that Homes in Havering would be involved in the consultation process and that its hard work and success would be reflected in any consultation literature.

Cabinet AGREED:

1. **To consult tenants and leaseholders about the future of the housing management service, and establish a budget of £50,000 to carry out this work.**
2. **That the Council's preferred option was to bring management of the Council's housing stock back in-house, although a final decision would not be taken until Cabinet had received the results of consultation with tenants and leaseholders.**
3. **To receive a report on the results of the Consultation in March 2012 in order to agree the future management arrangements.**
4. **To develop detailed proposals and consultation materials to put to tenants and leaseholders in order to seek their views on the future of the housing management service be delegated to the Cabinet Member for Housing and Public Protection.**

23 OUTER LONDON FUND - CABINET APPROVAL TO SUBMIT FUNDING BID

The report before members explained that the Outer London Fund was a £50m fund aimed at outer London boroughs to support local high streets and boost economic growth in areas benefitting least directly from Crossrail and the legacy of the 2012 Olympic Games.

It was noted that Havering had already successfully secured £445,000 for Round One projects in Hornchurch and Rainham that were designed to celebrate and enhance these areas through a range of events involving local businesses and the community.

Round Two bids for those centres were described in the report. It was reported that a similar bid related to Romford town centre was unsuccessful because the town would have a Crossrail station in the future. Following discussions with the Greater London Authority, however, it was possible that a Round Two bid that related to a regeneration programme for Elm Park could meet the assessment criteria.

Round Two projects were required to deliver more physical changes to local areas and the submission of further bids for Havering was proposed to total approximately £3m.

The report sought Cabinet approval required for the submission of Round 2 bids because they would exceed £500,000.

Summaries of proposed Round Two bids that related to Hornchurch, Rainham and Elm Park were set out in paragraphs 13-15 of the report. Subject to Cabinet approval the bids will be developed with detailed costs for submission before the Round Two bid deadline of 14 October 2011.

Reasons for the decision:

1. The Outer London Fund is an important opportunity for Havering to benefit from funding from the Mayor of London. In Round One £445,000 was secured for the borough and it is therefore likely that further bids for round two will have good chances of success provided they meet the bid criteria.
2. In order to maximise the benefits from the Outer London Fund to Havering a decision by Cabinet is required to authorise the submission of funding bids in excess of £500k. The Constitution sets out that pursuant to the delegated authority for general functions in Part 3 Section 2.1 in the following paragraphs to Cabinet:-
 - a) To allocate and control financial and land and property resources, to determine priorities in the use of these resources, and take any other action necessary to achieve those objectives; and
 - b) To be responsible for all executive matters even if not expressly set out in Part 3 of this constitution.
 - c) Pursuant to Corporate Functions under Part 3 Section 2.2:-
 - (i) To take decisions on all matters relating to the Council's finances including but not exclusively:
 - (ii) budgetary control

Other options considered:

1. To maximise the likelihood of submitting successful bids it was essential to build on established coherent programmes to demonstrate the greatest benefit for the Mayor's funding. For this

reason, it was proposed to prepare bids based on the existing comprehensive programmes running in Hornchurch and Rainham and to submit a bid for Elm Park, building on the work of the local community and the earlier regeneration programme

2. Submitting bids above £500k required Cabinet approval, without which there were no other options for approval.

Cabinet AGREED:

To agree the submission of funding bids to Round Two of the Outer London Fund related to Hornchurch, Rainham and Elm Park that were based on the descriptions contained in paragraphs 13-15 of the report.

24 **RAINHAM TRAFFIC MANAGEMENT SCHEME - OPEN SPACE APPROPRIATION**

It was reported that in June 2009, Cabinet had agreed the Rainham Compass regeneration programme, which included as one of its key improvement projects a traffic management scheme to allow one-way working and short-term parking on Upminster Road South, through the extension of Viking Way.

The report before Cabinet proposed the appropriation of 880 square metres of Open Space under the Local Government Act 1972, Section 122 (2A), Appropriation of Land for Highway purposes. The open space was situated at Rainham Recreation Ground and the appropriation was required to enable the extension of Viking Way to Upminster Road South as part of the £1.5m Rainham Traffic Management Scheme. Notices of the proposed appropriation were advertised in the Romford Recorder on two consecutive weeks, 17 and 24 June 2011, posted around the proposed area and displayed in the PASC (Public Advice Service Centres).

It was noted that following a consultation period of four weeks which ended on 15 July 2011, no objections or representations were received by the Council.

The extension of Viking Way was identified as a Site Specific Allocation in the Local Development Framework and Planning Permission had been granted for the scheme.

Reasons for the decision:

To enable the extension of Viking Way to Upminster Road South and enable the highways and public realm improvements of the Rainham Traffic Management Scheme, as previously agreed by Cabinet (24 June 2009)

Other options considered:

1. A two-way running extension to Viking Way option was considered and presented at public consultation in September 2010. This two-way option required additional open space above the 880 square metres currently being considered. The current single carriageway extension to Viking Way was favoured by the public and the two-way working option was rejected.

2. The only remaining alternative option would be not to appropriate the open space and therefore sacrifice delivery of the £1.5m project, funded by Transport for London and Design for London, for the Rainham Compass programme. This option was rejected.

Cabinet AGREED:

That, having considered all representations, (no representations were made) following consultation, to approve the appropriation for highway purposes of 880 square metres of Open Space at Rainham Recreation ground, extending east from Viking Way to meet Upminster Road South, as detailed on the attached plan to the report.

25 **DRAFT CORPORATE STRATEGY 2011-14**

The draft Corporate Strategy 2011-14 and the accompanying summary 'Plan on a Page' set out the Council's corporate performance management framework. The Living Ambition vision statement, which was last agreed in 2008, had been re-freshed to take into account the changes in national policy and the financial climate since then.

It was reported that the five Living Ambition Goals remain the same, and the Council had developed robust strategic objectives under each of these. The strategy identified the key actions that would be delivered by the Council over the next 3 years and the measures that would be used to determine its success. Together, these form the golden thread of the Council's new corporate performance management framework.

Reasons for the decision:

Under the Council's constitution (Part 3, s.2.1, a-f), the Corporate Strategy, which sets the policy direction for the Council, must be considered and ratified by the Executive.

Other options considered:

None

Cabinet AGREED:

The Corporate Strategy 2011-14.

Chairman

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Under the Local Government and Public Involvement in Health Act 2007, s. 122, Cabinet is required to consider and respond to a report of an Overview and Scrutiny Committee within two months of its agreement by that Committee. In this case, Cabinet is required to do this by 26 October 2011 at the latest. Cabinet is also required to give reasons for its decisions in relating to the report, particularly in instances where it decides not to adopt one or more of the recommendations contained within the report.

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| <p style="text-align: center;">REPORT OF THE TOWNS & COMMUNITIES OVERVIEW AND SCRUTINY COMMITTEE LIVING AMBITIONS TOPIC GROUP</p> |
|--|

1.0 BACKGROUND

- 1.1 At its meeting on 6 July 2010, the Towns & Communities Overview and Scrutiny Committee agreed to continue a topic group to scrutinise the Council's Living Ambitions section of the Havering Sustainable Community Strategy.
- 1.2 The following Members formed the topic group at its outset: Councillors Linda Hawthorn (Chairman), Wendy Brice-Thompson and Garry Pain.
- 1.3 The topic group met on two occasions and carried out 3 site visits with officers.

2.0 SCOPE OF THE REVIEWS (Agreed 28 July 2010)

- 2.1 To focus on specific activities and programmes available for younger people, that are provided by Culture and Leisure services. These activities and programmes, should, where possible, have specific learning outcomes

- 2.2 These would include:

Sports Development Team (coaching)
Libraries Services (Literacy and reading groups)
Music School in Havering

3.0 FINDINGS

3.1 Sports Development Team

The aim of the Sports Development Service was to provide and enable opportunities for all the community to participate in sport and physical activity allowing each individual to achieve their full potential.

The Sports Development Service worked in partnership with a wide variety of organisations including Sport England, Governing Bodies of Sport, Youth Sport Trust, London Active Partnership, schools, voluntary sports clubs and the private sector.

The Sports Development Service provided structured sporting activities for all the community.

The main areas of work were

- Sports activities and events
- Inter-borough events
- Community Football Project
- Coach Education
- Liaison with Havering Sports Council

3.2 Libraries Services

The Topic Group visited Hornchurch Library and spoke to members of the reading group. There was 14 members present.

Reading groups had been around for years but they have recently enjoyed an enthusiastic revival in many public libraries and the media in general. Library based groups aimed to provide a fun and relaxing environment where readers could enjoy and share each other's opinions and experiences of books. Refreshments were provided and everyone was welcome.

The reading group members were very enthusiastic and explained that they were like-minded people, who were able to socialise, read books that they might not have done otherwise and then discussed the book at length.

The reading group were very supportive of the services that the library provided and their only concern was that of the group closing down.

Other points raised during the visit included

- Sometimes the group needed large print books and these were not always available
- On occasions members needed to keep the books for longer than was permitted

- There used to be a member of staff in attendance but now the group was co-ordinated by members.

3.3 **Music Schools in Havering**

The Topic Group made two visits to music schools in the borough.

Havering Music School

The school had over 80 full and part time staff teaching which taught over 3,500 pupils per week in primary and secondary schools across the borough.

All primary schools received Wider Opportunities teaching to another 2,500 pupils per week

Lessons were provided to pupils of all abilities from beginner to advanced on most orchestral instruments, plus voice, drum kit, keyboard and piano.

In secondary schools the lesson times rotated to avoid missing the same lessons, as music lessons were usually taught during the day.

Pupils could work towards graded music examinations. Exam results counted towards university entrance and were valued by employers.

Pupils were encouraged to play in bands, choirs, orchestras and ensembles at evening and Saturday Music Centres.

Pupils regularly performed at concerts and other events.

Classes included brass, woodwind and percussion where a former pupil was the teacher.

Fees varied between £19 to £37 per term according to what was being taught and the length of time spent at the school.

The Topic Group also met with the friends of the music school who helped out in the café who spoke very passionately about the school and how the children enjoyed attending. Both the teachers and the friends of the school were concerned about the possible withdrawal of funding in the future which could force the school to close.

Abbs Cross Music School

The music school bought into the Havering Music School services which provided teachers and the instruments needed.

Members observed a viola lesson that only one pupil attended and were impressed by the standard of teaching and noted the advantages of one-to-one tuition.

The pupils started at the intermediate level and worked through the grades from level one to level six with exams taken at regular intervals.

All pupils were accepted to the school regardless of musical ability.

School assemblies and an Art Week were used to encourage natural motivation.

4.0 RECOMMENDATIONS

- 4.1 To ensure that funding for the music schools was continued
- 4.2 To enquire as to whether the Library Service could release a member of staff to co-ordinate the Library Reading Groups.
- 4.3 To look at the range of large print books available in the libraries.

ACKNOWLEDGEMENTS

During the course of its review, the topic group met and held discussions with the following people:

Ann Rennie/Ruth Gedalovitch (Libraries/Reader Development Team)
Margaret Campbell (Sports Development Team)
Isobel Liebman (Havering Music School)

Financial Implications and Risks:

None

Legal Implications and Risks:

None

Human Resources Implications and Risks:

None

Equalities and Social Inclusion Implications and Risks:

None

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Background Papers List

None

| | |
|-----------------------------------|---------------|
| CABINET 26 OCTOBER 2011 | REPORT |
|-----------------------------------|---------------|

| | |
|---|---|
| Subject Heading: | The Council's Financial Strategy |
| Cabinet Member: | Cllr Roger Ramsey |
| CMT Lead: | Andrew Blake-Herbert Group Director Finance & Commerce |
| Report Author and contact details: | Mike Stringer Head of Finance & Procurement 01708 432101 mike.stringer@havering.gov.uk |
| Policy context: | To review the Council's financial strategy in the light of Government consultation on changes to the finance system |
| Financial summary: | The report sets out how the Council's financial strategy may be impacted on by potential changes to the funding regime. The report also updates Cabinet with developments relating to East London Solutions |
| Is this a Key Decision? | No |
| Is this a Strategic Decision? | No |
| When should this matter be reviewed? | December 2012 |
| Reviewing OSC: | Value |

The subject matter of this report deals with the following Council Objectives

| | |
|---|-----|
| Ensuring a clean, safe and green borough | [X] |
| Championing education and learning for all | [X] |
| Providing economic, social and cultural activity in thriving towns and villages | [X] |
| Valuing and enhancing the lives of our residents | [X] |
| Delivering high customer satisfaction and a stable council tax | [X] |

SUMMARY

Over the course of the last 15 months, Havering Council has agreed a package of savings to mitigate the impact of very significant cuts in central government funding to local authorities.

These savings, totalling £19 million in the first tranche, with a further £16 in the second tranche, were made up of a range of measures designed to reduce back-office costs, cut bureaucracy and focus resources where they would have the most impact – while remaining fair to those local residents who most rely on the Council for their day-to-day support.

Subsequent to the approval of these savings measures, the Government has issued a series of consultation papers on a variety of issues. These will all impact to a greater or lesser extent of the Council's financial strategy. Accepting that the detailed proposals may differ when finally published, it is prudent to take stock of what effect these measures might have. The impact on the financial strategy can therefore be taken into account.

Whilst an assessment has been made of how these proposals might impact on the Council, this is a best assessment. The Resource Review is likely to have a major impact, but the detailed effect is unlikely to be known until the Autumn or Winter of 2012, when the final details are announced. It is therefore important that the Council is mindful of the potential impact in developing its budget, but is also able to respond as and when the detailed proposals are finally issued.

The issues covered in this paper are:

- Resource Review
- Localisation of Council Tax Benefits
- Housing Self-Financing
- Pensions
- Academies.

This report also sets out the position in the current financial year, as this needs to be taken into account in developing the detailed budget for 2012/13.

One of the elements of the Council's approach to delivering efficiencies is collaboration with other boroughs through East London Solutions (ELS). This report advises Cabinet on how the East London sub region is moving forward shared services.

RECOMMENDATIONS

Cabinet is asked to:

1. Note the Government's consultation process for the issues listed above, and the assessment of the potential impact on the Council.
2. Comment on, or otherwise endorse the Council's responses to each of the consultation papers, as set out in Appendices B, D and, F.
3. Note the position in the current financial year, as set out in Section 7.

4. Note the Government's recent announcement on further funding to enable a freeze of Council Tax to be maintained.
5. Note the current position with East London Solutions (ELS).
6. Confirm that the Council should be a party to the new ELS Memorandum of Understanding.
7. Note that further reports will be submitted to Cabinet once further details re available and/or as decisions are announced by the Government.

REPORT DETAIL

1. FINANCIAL PROSPECTS FOR 2012/13 AND BEYOND

- 1.1 The position in the current year, and for 2012/13 and beyond, was set out at some length in the report to Cabinet in July 2011. This was based on both the Comprehensive Spending Review (CSR), and the subsequent Local Government Financial Settlement (LGFS).
- 1.2 Based on the settlement figures for 2012/13, and assuming that these do not change when the settlement is reviewed later this year, there has been no further change in the budget gap. The position therefore remains as previously reported to Cabinet in July, when the gap prior to the efficiency measures proposed in that report was as set out in the table below:

| Forecast Budget Gap | 12/13 £m | 13/14 £m | 14/15 £m | Total £m |
|---------------------|-------------|-------------|-------------|-------------|
| Outcome of CSR | 5.9 | 1.8 | 11.8 | 19.5 |
| Outcome of LGFS | 6.1 | 2.1 | 12.0 | 20.1 |
| Updated position | 6.8 | 1.9 | 11.6 | 20.3 |

- 1.3 No assumption had been made over any possible rise in Council Tax, but for illustrative purposes, a rise of 2.5% would reduce any in-year gap by around £2.7m. As the table illustrates, the overall gap over the coming 3 years remains at around £20m, although this is clearly a volatile number, not only in scale but also in its phasing and again it takes no account of any possible Council Tax rises.
- 1.4 The proposals set out in the July 2011 report are expected to deliver an overall savings package of around £16m over the next three years. Given the remaining budget gap set out above of around £20m, this savings package would largely meet the Authority's savings requirements without excessive Council Tax increases and not raising Council Tax above 2.5% throughout the life of this Administration. It would ensure a stabilised financial position with clear plans in place to meet the overall budget gap and bring as much certainty

as possible to residents over both Council Tax levels – given the Administration’s commitment to low increases – and the level of service they can expect.

- 1.5 Assuming there are no fundamental changes to the position, it was anticipated that there would be no need for further savings measures being proposed. However, Cabinet was advised that this would need to be considered in the light of the various consultation papers expected in the coming months after the report had been considered by Cabinet.

2. GOVERNMENT CONSULTATION

- 2.1 The Government has subsequently issued a series of papers since July, setting out proposals for dealing with a range of issues. These will have a fundamental impact on the funding of local government. Earlier announcements had already signalled the demise of the existing revenue grant funding regime, with the re-introduction of funding through business rates. More detailed proposals, including the publication of 8 technical papers, have subsequently been issued by the Government.

- 2.2 Alongside these proposals, the Government has also issued for consultation papers on the localisation of Council Tax benefits. The process for the introduction of housing self-financing is fairly well advanced, and other papers relating to this appear on this agenda. In addition, and although of lesser impact, the Government is also consulting on other issues, including capital receipts, pensions, and academies.

- 2.3 An assessment has been undertaken of each of these areas. A group of senior officers meets regularly to review developments and determine actions needed to respond to the proposals. As a result of these discussions, an assessment has been made of how each of the proposals might impact on the Council. Following on from this, officers have formulated responses to the consultation, including a detailed response to specific questions raised in the papers.

- 2.4 Each of the areas consulted on has been assessed and a summary of the key highlights, along with the impact on the Council, is set out in the following appendices. A proposed response to the consultation is then set out for Cabinet to comment on, or otherwise endorse. The appendices are as follows:

| Area of Consultation | Summary of Proposals & impact on Council | Proposed Response to Consultation |
|-----------------------------|--|-----------------------------------|
| Resource Review | Appendix A | Appendix B |
| Localisation of CT Benefits | Appendix C | Appendix D |
| Academies | Appendix E | Appendix F |

3. THE RESOURCE REVIEW

- 3.1 On 18th July 2011, the Department for Communities and Local Government published the consultation setting out proposals to radically change the funding arrangements for local authorities by creating a business rates retention

scheme to replace the current financial settlement process as part of the localism bill. The rates retention scheme will be set alongside the spending limits set by the Coalition Government's deficit reduction programme.

- 3.2 Under the scheme, local authorities will be able to retain all or a proportion of their business rates depending on the amount of funding local authorities received through the current formula grant. Currently the proposal is only at the initial consultation stage with further details of the scheme released in the Summer of 2012 before being launched in April 2013.
- 3.3 The proposed scheme would replace the existing revenue grant system. It is however evident from the paper that the Government intends (at least at this stage) to retain both the local government financial settlement announcement process and some form of specific grant funding. Although it is highly likely that such grants will be unringfenced.
- 3.4 A summary of the consultation paper is set out in Appendix A. The Council's response to the consultation is set out in Appendix B. The response includes Havering's submission to the last provisional local government financial settlement announcement, as this is relevant to the proposed transition to the new system. Consultation closes on 24 October, so the Council's response will have been submitted by the time of the Cabinet meeting.

4. LOCALISATION OF COUNCIL TAX BENEFITS

- 4.1 In line with the Government's commitment to localism and decentralisation, this consultation seeks comment on proposals for the localisation of council tax support in England from 2013-14. The Government is proposing that local authorities will develop their own 'council tax support' schemes, choose their own eligibility criteria and determine the level of council tax benefit that can be claimed.
- 4.2 As announced in the 2010 Spending Review, the Government's financial support for council tax will be reduced by ten per cent nationally. However, special protection will be made for pensioners; therefore in practice the net reduction on other groups currently claiming council tax benefit is therefore likely to be significantly higher than 10%.
- 4.3 For Havering, Council Tax benefit payments were around £19m in 2010-11. It is estimated that the proposed reduction in spending in Havering would therefore see a reduction in funding at the point of transfer of around £2m. Assuming the proposals in the paper are brought into effect, it would be for the Council to determine how it would deliver benefits locally within the reduced level of funding provided to it.
- 4.4 A summary of the consultation paper is set out in Appendix C. The Council's response to the consultation is set out in Appendix D. Consultation closes on 14 October, so the Council's response will have been submitted by the time of the Cabinet meeting.

5. HOUSING SELF-FINANCING

- 5.1 A report appears elsewhere on this agenda relating to the housing self-financing proposals. Implementation is dependent on the Localism Bill receiving Royal Assent, as expected, in the next month or so. A key aspect of the change is the removal of the existing subsidy system, whereby local authorities will exchange payments to or from the Government for taking on debt.
- 5.2 The report sets out the draft business plan for the Council designed to accommodate the level of debt that the Council expects to be taking on. These costs will be met from the Housing Revenue Account. The work undertaken to date gives no indication that there is any consequential impact on the Council's General Fund. There is therefore no impact on the financial strategy.
- 5.3 A review of the Council's Treasury Management Strategy is currently underway and a report will be brought to Cabinet on this. The self-financing plan requires the Council to assume debt, so these changes are needed to ensure the Council has the due authority to borrow.

6. PENSIONS

- 6.1 There are two consultation processes underway on pensions. The first covers employee contributions, whilst the second deals with the broader implications of the Hutton report. The Government has also recently announced a 12-week consultation on the local government pension scheme.
- 6.2 The Secretary of State has invited the Local Government Group (LGG) to conduct discussions with the trade unions to deliver 3.2% of savings, with the intention of reporting back by mid September. Following this there would be a 12 week consultation period (October to December). In the past, our actuaries have provided advice on any implications so this issue will then be considered once the details are announced and their advice has been received.
- 6.3 Consideration of responses by Ministers is expected in early 2012, with any scheme changes effective from 1 April 2012.
- 6.4 As part of the Hutton review, there will be scheme specific cost ceilings set by the Government Actuary's Department (GAD) on 1 October (setting the limit of costs made by the employer). Using these cost ceilings, pensions schemes will have the freedom to design future reforms and in headline terms this is to be done by end of October 2011. Advice from the Council's actuaries will again inform this process. Detailed scheme design discussions are expected to take place during 2012/2013 leading to implementation by April 2015.
- 6.5 The key issues arising from the consultation are:
- The Government are expecting Local Authorities to deliver savings equivalent to a 3.2% increase in pension contributions (approx £3.5m in Havering)

- Savings are expected to be delivered from increased employee contributions or a reduction in employee benefits or some combination of the two. However, no proposals have been forthcoming from consultations between the Local Government Group and Trades Unions
 - Increases in contributions rates are almost certain to have an impact upon scheme membership. With a background of high inflation, zero pay increases and increased personal tax liabilities on pension benefits, there is a significant risk of a drop in scheme membership across all salary bands. If this were to materialise, pension funds would not deliver the corresponding level of savings and would also suffer short term cash flow problems
 - As the LGPS is a funded scheme, the Government cannot benefit directly from savings in the Pension Scheme. However, it could make a reduction in the revenue grant settlement based upon assumed reductions in Employer contributions.
 - The worst case scenario is that the Government reduces our grant in line with the corresponding increase in Employee contributions. The actuary determines that the Council cannot reduce its own contribution rates because of falling membership. Savings are therefore likely to be needed in services in order to match the fall in grant funding.
- 6.6 The position has changed slightly since the original discussions commenced with the LGG. Details of this have very recently been announced. In outlining its statutory 12-week consultation on changes to the LGPS, the Department for Communities and Local Government has suggested halving the proposed increased contribution tariff to 1.5%, raising £450m. This is different from the original stipulation that average 3.2% rises in contribution tariffs from April 2012 would account for the entirety of the sum of £900m being sought as the overall saving.
- 6.7 The other half of the saving would be raised by enforcing a change in the accrual rate from April 2013, equivalent to a further 1.5% of pay and bringing in an additional £450m. Council staff would have the opportunity to either increase their contributions or remain tied to the lower rate and derive smaller benefits. Scheme members earning less than £15,000 per year would be unaffected and those on salaries below £21,000 would face contribution increases no greater than 0.6% in 2012/13. High earners would be subject to a progressively tiered tariff band.
- 6.8 The consultation acknowledges the £900m savings, called for in the Comprehensive Spending Review by 2014/15, could be achieved by lower contribution tariff increases and larger changes to accrual rates or vice versa. The consultation deadline for responses and amendments is 6 January 2012.
- 6.9 It remains possible that the Government would seek to claw back the savings these proposals would be expected to deliver through some form of adjustment to grants. It is not clear how – assuming an equivalent reduction in grants was being proposed – such a reduction would be delivered when the main aspect of the existing grant funding system is likely to cease with the localisation of business rates. One option would be to make adjustments to current grant funding before the new system commences.

6.10 Either way, further information is needed and advice will also be required from the Council's actuaries to assess the impact of the final proposals on Havering.

7. ACADEMIES

7.1 On 19th July 2011, the DFE issued a consultation on the basis of the transfer of resources from Local Authorities to the Department for Education (DFE) reflecting the transfer of central services from local authorities to Academies and Free Schools. The funding that transfers between local authorities, the DFE and Academies is called LACSEG (Local Authority Service Grant).

7.2 As well as consulting on proposals for the future basis of the transfer the paper also set out the basis on which the transfer of resources was calculated for 2011/12 and 2012/13. For Havering, this reduction was £630k, rising in the second year to £1.13m.

7.3 No account was taken of the number of schools converting to academies in each authority and a basic percentage deduction was made to all authorities. This has been seen by many authorities as unfair, eg authorities will have lost funding even though they had no academy schools.

7.4 A summary of the consultation paper is set out in Appendix E, and the Council's response – which has already been submitted to comply with the closure date – is set out in Appendix F.

8. FORECAST POSITION FOR 2011/12

8.1 In considering the strategy for the remainder of the CSR period, due account needs to be taken of the Council's financial position in the current financial year. This will ensure that the strategy is developed in light of any issues that may or will affect the medium to long term financial position.

8.2 The latest forecast position as at July is set out in the table below:

| Directorate/Service | Variance Forecast £000 |
|--|-------------------------------|
| Housing & Public Protection | 217 |
| Streetcare | 240 |
| Culture & Community | 457 |
| Children & Young People | 615 |
| Adult Social Care | 125 |
| Social Care & Learning | 740 |
| Corporate Financial Matters | (1,514) |
| Asset Management | 873 |
| Finance & Commerce | (641) |
| Legal & Democratic Services | 0 |

| | |
|--------------|------------|
| Total | 556 |
| Contingency | 0 |
| Total | 556 |

8.3 The main variances included in this position are as follows:

Culture and Communities

| | | | |
|-------------------------------|----------------------|---|-----|
| Housing and Public Protection | Bereavement Services | Reduction in income from Cems and Crams | 217 |
| Streetcare | Parking facilities | A reduction in income from under achievement of Penalty Charge notices. Permits and Car Park Income | 240 |

Social Care and Learning

| | | | |
|-------------------------|--|--|-----|
| Adult Social Care | Learning & Physical Disabilities & Prevention | Physical Disabilities 100k - Increase in residential users Learning Disabilities 125k - Overestimation of income Prevention (100k) - Staff vacancies | 125 |
| Children & Young People | Children's Placements and Special Home to School Transport | Special Home to School Transport £115k - Slight delay in implementing the savings programme of reduced collections points Childrens Placements £500k - Increased demand | 615 |

Finance and Commerce

| | | | |
|-----------------------------|--|---|---------|
| Asset Management | Romford Market; Technical Services; and Transport | Romford Market £211k Transport £162k Technical Services £500k | 873 |
| Corporate Financial Matters | Release of Provisions; Surplus on Corporate Budgets; and Shortfall on Advertising hoardings. | Release of the Insurance Provision £500k Surplus on Concessionary Fares budget £436k Balance on ELWA levy budget £308k Central Transformation Team underspend £500k A £230k shortfall in hoardings advertising income, largely derived from hoardings, lamp columns and roundabouts | (1,514) |

8.4 At this stage, no assumption has made about the deployment of the contingency fund to cover the currently forecast overspend of £556k. Only

minor allocations have been made to date, and the balance of the fund remains available. In broad terms, and assuming it is not possible to contain the adverse variances within budget at service level, contingency allocation would bring about a balanced position.

- 8.5 Cabinet will be aware that a new suite of financial systems was introduced in April. Owing to the changes with these systems, the approach to budget monitoring is still being developed. More, and better, management information is now becoming available, and the approach will become more refined as time passes. However, the position as set out is felt to be sound and realistic because of the various controls and checks in place around the management of budgets.
- 8.6 As part of the transformation programme, a separate monitor is being maintained of the delivery of savings. These are as set out in the reports to Cabinet in July 2010 and 2011. Monitoring of these is, again, at an early stage, and it is assumed in this position statement that should there be any shortfall – eg due to slippage – this would be covered within existing service budgets. The position will become clearer in the next couple of months.
- 8.7 The position will be kept under review and particular attention will be paid to any material adverse variances, to determine whether any of these are likely to remain as variances and continue into 2012/13. The next report to Cabinet will include an update on the forecast position.

9. IMPACT ON STRATEGY FOR 2012/13 AND BEYOND

- 9.1 As set out in the July report, the approach to developing the strategy for the next three years has been to:
- Seek wherever possible to preserve the service levels currently delivered to residents and in particular to reflect the outcome of the recent residents survey
 - Seek to build on the existing savings plan agreed by Cabinet last July
 - Be mindful of the pressures encountered during 2010/11, especially where these are likely to recur in the current year
 - Ensure any proposals developed reflect the principles of being more efficient; focusing resources where they will do the most good and being fair to the residents who most rely on the Council for support
 - Minimise the potential impact on the most vulnerable members of our community
 - Take due account of potential equalities implications
 - Consider the potential impact of both the resource review and the impact of changes to the delivery of public health services.
- 9.2 It is clear from the issues covered in this paper that fundamental changes to the local government finance system are now going to occur. What is much harder to assess is what impact they might have. In theory, the changes will be broadly “financially neutral”. However, with any new system, there is a distinct

likelihood of winners and losers. It is evident that both the grants system and a financial settlement will remain key aspects of the new system; this also carries a degree of risk and increases the uncertainty.

- 9.3 The approach adopted by the Council has ensured that a robust plan is in place to deliver savings required to broadly balance the Council's financial position over a 4 year period. This plan is predicated on a range of assumptions. Clearly, over such a long period, some of these assumptions may not prove to be true. Therefore, in approaching each individual financial year, the position needs to be reassessed.
- 9.4 With that in mind, the degree of uncertainty over the proposed changes brings a greater element of caution to the budget-setting process. The Council already has a risk-based contingency sum included as part of its base budget; this will need to be carefully reviewed over the coming months, and subsequent financial year, in the run-up to setting the 2013/14 budget.
- 9.5 It is evident from an assessment of the outturn position that 2010/11 included a number of positive and negative variances. Whilst there are various reasons for each of the variances, and although in broad terms spend was in line with budget, it appears evident that some individual budgets are no longer aligned with actual spend. The opportunity therefore needs to be taken to realign budgets so they reflect both Council priorities and actual spend.
- 9.6 In addition, as indicated in the previous section, the position with regard to planned savings in the current year is still being assessed. Any slippage or shortfall will need to be addressed.
- 9.7 More recently, the Government has announced plans to fund a further Council Tax freeze in England. Although formal details of this are awaited, it appears likely that this will not operate in the same way as the grant for the current year. The information received to date indicates that, as this is being funded from Government department underspends, it will only be payable for 2012/13, but then withdrawn the following year. The grant is only payable if authorities either reduce or freeze their Council Tax.
- 9.8 Assuming Havering met this condition, the Council would receive roughly an additional £2.7m in grant, on top of the existing grant of £2.68m. The first amount would then be removed the following year, leaving authorities potentially faced with either additional savings or a rise in Council Tax, effectively to "catch up". Beyond 2012/13, it remains unclear what happens if the original grant ceases; if alternative funding is not provided through grant, then local authorities would be faced with a significant further shortfall on funding, which would then require additional savings or a material rise in Council Tax to recover the "lost" funding.

10. CAPITAL PROGRAMME

- 10.1 A report on the 2011/12 capital programme was approved by Council in May. There have been no further developments since that time. The planned broad programme beyond that year therefore remains as set out in the table below.

| | 2012/13 £000 | 2013/14 £000 | 2014/15 £000 | Total £000 |
|-------|-----------------|-----------------|-----------------|---------------|
| Total | 7,208 | 6,500 | 6,300 | 20,008 |

- 10.2 As previously advised to Cabinet, the proposed approach to capital for 2012/13 and beyond will form part of the budget-setting process leading up to February 2012.

11. EAST LONDON SOLUTIONS (ELS)

Background

- 11.1 In 2009, East London Solutions was formed covering Tower Hamlets, Newham, Redbridge, Waltham Forest, Havering and Barking and Dagenham, to focus on increasing sub regional activities in a structured approach. The purpose was to establish shared solutions, which create a range of opportunities for east London authorities to work together to achieve demonstrable improvement and efficiencies in service design, management and delivery and/or procurement and market management.
- 11.2 The aim was, by incremental change, to prepare the ground for transformational change and innovation. The outcomes being targeted were:
- Re-shaped services that better meet customer needs
 - Deliver greater efficiencies and savings to release funding for priority areas
 - Make better use of capacity and skills
 - Improve the ability to deliver services in partnership.
- 11.3 The above was set out in a Memorandum of Understanding signed by the boroughs and funding was secured from Capital Ambition to fund a small programme office.
- 11.4 The approach adopted by the ELS programme office has had two main areas of focus:
- Ensuring that authorities in ELS are aware of what opportunities exist, engaging where appropriate and maximising opportunities. This includes reviewing established information and metrics, providing challenge and improving communication and knowledge of what is there.
 - Taking forward shared services and procurement in a variety of ways from planning to aligning arrangements for future gain, examining business cases and actually implementing arrangements.
- 11.5 It has not been about trying to get all 6 of the authorities to agree to move with

certain services at a specific time but to identify where two or three at the most have sufficient things in common to progress a shared service or opportunity such as joint procurement.

11.6 The activities being undertaken by the Programme office cover:

- Communicating activity that is taking place.
- Co-ordinating activity that is taking place at strategic level.
- Ensuring opportunities to maximise shared service concepts are considered.
- Facilitating the taking forward of shared services.
- Promoting and brokering networking and collaboration between the participating boroughs.

11.7 A management group chaired by the Chief Executive of Havering with representation from each borough at Director level meets every quarter to steer and oversee the work taking place. The programme office consists of 1.25 fte and is peripatetic but has a base provided by Waltham Forest. Havering provide the ICT, Barking and Dagenham manage the resources and Newham provides the Website.

Current Position

11.8 In respect of the work to date:

- Officer Boards were set up in a number of areas to scope and agree opportunities.
- Procurement has been a key area with over 20 joint procurements now progressing.
- A number of other shared arrangements are progressing e.g. joint posts.
- Business cases are being completed for different shared service arrangements.
- Communication and information exchange has increased across boroughs.
- The boroughs are now more engaged more in London-wide matters.
- There is recognition that the sub region is delivering shared services.

11.9 Examples of what is taking place include:

- Joint procurements examples:
 - Highways and Street Lighting being a path finder for the London wide project
 - Children's Domiciliary Care
 - Semi Independent housing
 - Taxis
 - Construction
 - Minor works.
- Newham are providing Translation services to ELS boroughs under a hosted Partnership Agreement.

- A Children's Placement's Pilot Project is in place to reduce Placements costs both in the long and short term.
- Three boroughs appointed a joint Principal Educational Psychologist.
- Newham and Havering have a shared ICT arrangement.
- Two boroughs are merging print units.
- Three boroughs are working together on customer services systems and processes.

11.10 The Capital Ambition funding has virtually come to an end and now that the boroughs have proof of concept, they have agreed with effect from 2011/12 to core fund the ELS programme office by borough contributions of £20k each.

Moving Forward

11.11 Leaders and Chief Executives have met to review the work to date and to consider how ELS should move forward. During this meeting:

- There was a commitment to shared services.
- There was a recognition it takes time and not all have to be involved at the same time or in all things given local circumstances.
- There had clearly been successes in working sub regionally.
- There was a belief that the sub region should look at bigger opportunities which would provide bigger prizes. There was a need to be clear on the prize and what should be the priorities so there was a focus.
- There was a recognition that procurement and social care were the biggest spend areas.

11.12 With this clear appetite to raise the ambitions of the sub region and take forward some bigger collaborative projects which enable greater outcomes and savings, the Leaders agreed:

- To receive more detailed proposals on procurement organisational opportunities at the next meeting.
- At the same meeting to receive feedback on the results of what had taken place on aspects of adult and childrens social care commissioning along with how this could be extended.
- To commit up to £20k to move the procurement and commissioning activity into more ambitious projects.
- To meet quarterly for the next year and agree a programme of work.
- To agree a new Memorandum of Understanding which would be signed by the Leaders. This is attached as Appendix G.

11.13 Leaders and Chief Executives recognised the importance of communication within the boroughs and that this needed to be consistent. Briefings have since been prepared along with the content of this report for use by all the boroughs.

11.14 The Leaders also recognised the important part other members had to play in moving forward shared services and have requested that the Chief Executives propose a governance model for Leaders to review at their next meeting.

12. CONCLUSION

- 12.1 This report sets out the position relating to several key pieces of Government legislation. Whilst these are still at the consultation stage, it is important for the Council's position to be set out. It is equally clear that, although the broad direction can be determined from the various consultation papers, the details of how any changes will impact on Havering and other boroughs will not be known for some time – possibly as late as the Winter of 2012/13.
- 12.2 Whilst the Council has already set out its strategy for meeting the expected funding reduction arising from CSR, it will not be possible to even broadly assess how changes to the financial system for local government will affect Havering. Previous reports to Cabinet, as set out in the initial part of this report, make various assumptions over a four year period; there is now only a degree of reliability over this year and next.
- 12.3 With this in mind, further reports will be brought back to Cabinet at the appropriate time, or as part of the budget-setting process for 2013/14. Cabinet is therefore asked to consider this report with that in mind.

REASONS AND OPTIONS

Reasons for the decision:

It is essential that the Council's financial strategy takes due account of Government plans, and that the Council responds to proposals where these are likely to have an impact on the Council's financial position. The Government is consulting on a number of areas that impact on the this, and it is therefore important that the Council responds to this consultation.

Other options considered:

The option of not responding has been discounted as not being in the interests of either the Council or its community. Havering needs to ensure its views are made and heard as the Government seeks to reshape the local government financial system.

IMPLICATIONS AND RISKS

Financial implications and risks:

Financial Strategy

There are no immediate financial implications arising from the consultation papers, at this stage the Council needs to be aware of the proposed changes and how these could affect Havering. This is difficult to assess at the present time. Given the degree of uncertainty, caution will need to be taken in the budget-setting process for the next two years, until there is greater certainty over these issues.

The current financial position broadly indicates that spend can be contained within budget. There are risks over the achievement of a substantial level of savings, these need to be closely monitored, and actions taken where there is any risk of non delivery. Should this be the case, consideration of these will need to be given as part of the budget-setting process.

East London Solutions

Capital Ambition funding of £338k was secured as seed funding to create East London Solutions. This funding has been utilised and now that the boroughs have proof of concept, the boroughs have agreed to core fund the programme office at a cost of £20k per annum. The total annual cost of the programme office is £120k. The personnel are not permanently recruited in order to provide flexibility as matters evolve and the current arrangements have been put in place until 31 March 2013.

As well as the non financial outcomes being delivered such as increased knowledge and sharing between boroughs, the financial outcomes include:

- Cost avoidance
- Non cashable savings
- Cashable savings.

The work to date assessed so far suggests that efficiency savings identified up to March 2014 amount to some £20m. Each borough makes its own arrangements to review financial savings and ensure these are accounted for within its own budget strategy e.g. assisting in implementing savings plans already agreed or providing new savings to include in borough budget strategies. If ELS as a whole is judged not to be achieving the outcomes set out the management group will consider changes to its method of operation and ultimately its future.

In addition the Leaders have committed up to £20k to specifically work on procurement and commissioning in a more ambitious way.

The London Borough of Barking & Dagenham will manage funding and payments. Funding and arrangements for other specific projects are agreed as and when necessary.

Legal implications and risks:

Financial Strategy

There are no specific legal implications or risks from this report.

East London Solutions

A memorandum of understanding has been in place and signed by Chief Executives or their representative. This has been updated and is in the process of being signed by the leaders/mayors of each borough. It is attached as Appendix X.

This arrangement is not a partnership as defined in the Partnership Act 1890 and there is no intention to create such a partnership under this MoU.

Human Resources implications and risks:

Financial Strategy

There are no immediate Human Resource implications arising from the consultation papers, at this stage the Council needs to be aware of the proposed changes and how these could affect Havering. This is difficult to assess at the present time. However, any future savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy.

East London Solutions

There are no immediate Human Resource implications arising from the report.

Equalities implications and risks:

Financial Strategy

There are no particular implications or risks arising from the proposed responses to the various consultation papers. Clearly, the proposals will impact on Havering's community in different ways, but this is dependent on the final content of the legislation to be implemented by the Government. In responding to the consultation, Havering is seeking to set out its position and protect the interests of residents.

Resource Review (localisation of business rates)

Although there are no immediate equalities issues arising from the consultation paper, business rate funds will be a key component of local authority budgets. Councils will need to review the level of funds that they will retain when the new system commences in 2013/14, and assess what impact this has on their financial plans. Any further savings proposals would need to be subject to a full equality impact assessment at the appropriate time.

Benefits

As expanded on more fully in the appendices to the report, there is a potential negative impact of the proposals on Havering on some groups possessing protected characteristics due to our disproportionately older population. It would be appropriate for a full Equality Analysis to be undertaken by the Government in relation to any changes to the benefits structure.

Pensions

Any increase in employee contributions or related decrease in membership is likely to have an equalities impact. For example, fewer young people (often on lower salaries) are likely to join the scheme, and as we have more females than males in part-time and lower grade roles, this group is also likely to be affected. Although ultimately this is a decision for the Government to make, the Council needs to be mindful of potential equality issues as part of any changes to existing Scheme Rules. Such concerns are also being raised by Trades Unions nationally in relation to the proposed changes.

Council Tax Freeze Grant

Depending on what happens and what action is taken – a full Equality Analysis would need to be undertaken in relation to any further service cuts or employee restructures. This is our current practice.

Academies

As expanded on more fully in the appendices to the report, it is arguable that the current system incentivises the conversion of schools to academies. A full Equality Analysis should be undertaken in by the Government in relation to the effect of changes in funding and funding streams on groups possessing protected characteristics.

East London Solutions

The delivery of the projects will ensure that no individual or group are discriminated against or disadvantaged by the work being undertaken. This applies equally to employees of the council, external customers and those we work in partnership with.

Central to the work is to value diversity in our communities, promote an inclusive society and oppose all form of intolerance and prejudicial discrimination, whether it is intentional, institutional or unintentional. The partnership is therefore committed to:

- Working in partnership with all boroughs to ensure they are fully involved in democratic decision making processes;
- Opposing all forms of prejudicial discrimination
- Ensuring all council services are shaped to meet the different needs of our communities.

Other Risks:

There are no particular other risks arising, other than a significant increase in workload is likely to implement the new legislation as and when it is enacted. This is being planed for but much of the detail will have to await the final announcements and publication.

There are none.

APPENDICES

CONSULTATION PAPERS

| Area of Consultation | Summary of Proposals & impact on Council | Proposed Response to Consultation |
|-----------------------------|--|-----------------------------------|
| Resource Review | Appendix A | Appendix B |
| Localisation of CT Benefits | Appendix C | Appendix D |
| Academies | Appendix E | Appendix F |

OTHER APPENDICES

Appendix G East London Solutions – Memorandum of Understanding

RESOURCE REVIEW BRIEFING OCTOBER 2011

- Radical change in the funding arrangement for local authorities.
- Havering base position (equivalent to current grant) will be based on 12/13 formula grant
- Havering will be a “Tariff” paying authority subsidising other local authorities.
- The final design of the scheme and funding allocation will not be finalised until February 2013

1. Summary

On the 18th July 2011, the Department for Communities and Local Government published the consultation setting out proposals to create a rates retention scheme to replace the current financial settlement process as part of the localism bill. A further 8 technical papers were launched in August providing local authorities with further details of how the scheme will work in 2013/14.

Under the scheme, local authorities will be able to retain all or an apportion of their business rates depending on the amount of funding local authorities received through the current formula grant. The deadline for responses to the proposal is the 24th of October 2011

2. Proposals – Baseline Calculation

From the consultation document and technical papers it is evident that the localisation of business will be as complicated as the current formula grant funding method. Formula grant will still be used in the background to ensure that the perceived needs for local authorities remain in line with the retention scheme.

Under the proposals, the 12/13 formula grant will be used as a basis for the starting position for all authorities’ with adjustments to take into account the coalition government austerity measures and any proposals, if required, in updating any indicators or rolled in grants to the formula process. This is due to the lack of correlation of formula grant to business rates in the current financial model therefore to ensure stability for authorities, the base position is to be set using 12/13 formula grant.

The base position adjustments will be calculated on the 14/15 CSR figures with a one-off grant paid in 13/14 to take account of the difference between 13/14 and 14/15 deficit reduction programme.

As the amount of business rates and formula grant are so different from authority to authority, a “tariff” and “top-up” methodology has been created. Authorities who collect more business rates than their base position will pay a tariff to central government which will fund those authorities who collect less business rates than their formula grant calculation. Havering collects substantially more business rates than formula grant therefore Havering will pay a “tariff” to be reallocated to “top-up” authorities.

As part of the tariff and top up calculation a business rate baseline / target needs to be set up to calculate the tariff or top-up. The difference between the business rate baseline and the base position will calculate the tariff / top-up. The difference will either be funded or paid over to government depending on whether it is a top-up or tariff authority. However this amount can either be fixed or will increase with RPI, which DCLG are asking for our opinions on in the consultation. Therefore in the event of a reduction in business rates below the business rate baseline this will potentially have to be funded by the authority.

3. Proposals – Growth Calculation

As part of the proposal, government are also giving local authorities incentive to achieve business rate growth. These details are still at the early stage however for those authorities who achieve growth over above their baseline, they will be able to retain a proportion of their business rates. Three options have been put forward including:

- a flat rate levy for each authority
- A banded levy dependent on the size of an authorities business rates
- A proportionate levy (i.e. 1% growth in business rates could result in a 1% increase on an authority’s baseline.

The government intends to use this “proportion levy pot” to manage negative volatility in individuals business rates however the safety could be set high to ensure further incentive for the scheme to work. For example set the safety net at 10% below the base position.

4. Proposals – Resets.

To avoid resources being too divergent from the perceived needs calculated by the formula grant process, the consultation has identified options to reset the system. A couple of options have been exemplified as to when / how they may occur..

- Government decide frequency of a reset
- Set period for resets
- Partial resets (excluding growth)
- Full resets

5. Proposals – Pooling

The government have also proposed to allow local authorities to group together voluntarily to create a pool. This would combine the tariffs and top-up of authorities and would result in the pool paying a single levy or receive a single top-up. The distribution of resources within the pool would be determined locally.

6. Havering

- The core issue affecting Havering is setting the baseline position at the 12/13 formula grant. The current formula grant method of reallocating resources is detrimental to Havering. We have suffered for a number of years as a result of the method of allocating resources through the formula grant as the indicators used do not reflect the pressures or demographics of the borough.
- As elements of the tariff / top-up will be fixed, any increase in mandatory relief which was previously funded by central government could potentially be funded through the general fund however until the final design of the proposal is released this is still open to interpretation.

7. Conclusion

- This is a radical change to the way local authorities are funded. The consultation has only given us a perception on how the scheme will work however with little details of how this will work in practice.
- There is still a large degree of unknown how these proposals will affect local authorities. This will become clearer in the summer of 2012 once more details are released by the Department for Communities and Local Government.
- This new scheme will be implemented in 13/14 however the final design and figures of the scheme will not be available until February 2013.

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LONDON BOROUGH OF HAVERING'S RESPONSE TO THE CONSULTATION ON THE LOCAL GOVERNMENT RESOURCE REVIEW : PROPOSALS FOR BUSINESS RATES RETENTION

This letter sets out the London Borough of Havering's formal response to the Resource Review.

Broadly, the Council welcomes the return of control over business rates to local authorities. We are of the view that authorities should retain the income generated through business rates, and should be able to reap the benefits from increases, rather than this simply being returned to Government.

We do however have a number of comments on the detailed proposals. There are also a number of key points that we wish to make as part of our response.

Transparency and Accountability

Like many authorities, we feel that the current local government financial system is not only unfair, it is unwieldy and patently not transparent. We therefore support bringing this system to an end.

We have always felt that the current system, with its relative needs formulae and system of ceilings and floors, plus transfers in and out, has made it extremely difficult to comprehend. This in turn has made it very difficult to explain to our residents why Havering has received such a low level of grant, and why as a consequence our council tax is so high.

Having reviewed both the main consultation paper, and the subsequent technical papers, it is clear that the business rate retention scheme proposed would appear to be as technically complex as the Formula Grant system it is intended to replace. Given the complexity of the proposals and the number of variations to scheme parameters, it is very difficult to accurately model the proposed scheme and fully assess its likely financial impact on local authorities in general, or on Havering in particular. This brings a degree of uncertainty to our financial position.

The new system will, on the basis of the technical papers issued in August, incorporate similar elements, including a needs formula, tariffs and top-ups, and a process for realignment. This runs the risk of not being sufficiently transparent and prone to interpretation, which we believe should be avoided. It will also be the case that councils will potentially not keep all the money generated locally from business rates, as they may be required to "contribute" towards those councils adversely affected. This again risks weakening the transparency of the new system.

Dependent on local circumstances, individual authorities could be subject to a number of adjustments (tariff or top up, levy payments, contribution to national

top slices, and so on). These adjustments risk detaching local economic growth activities from actual financial reward. In addition to the complexity, local authorities will be subject to a significant transfer of financial risk in periods of declining growth (although they may find themselves in receipt of safety net funding dependent on the rules).

There are further potential uncertainties arising from:

- The complexity of the system, which will make it difficult to predict outcomes, which in turn means it will be difficult for local authorities to plan and budget for the future/long term use of any additional retained income
- Any decision by the Government to retain discretion about the frequency of resets and the underlying basis for changes to distribution methodology.

Although local authorities will retain control over their own council tax levels, this will be inextricably linked with the level of business rates. Whilst councils will proactively engage to stimulate business growth, leading in turn to higher levels of business rate income, the basic multiplier will remain under central Government control. This therefore does not bring about a wholesale localisation of the business rate process. In addition, if there is no increase in the multiplier, this will create a gap between local authority spend and the income it generates from business rates. Such a burden would either fall on local taxpayers or require further savings.

Funding Levels

We are concerned that the existing system forms the basis for moving to the new system. Havering has suffered under the current system in receiving a much lower level of grant funding than many authorities, and especially our neighbours. Our grant funding has not, in our view, reflected either the needs of our community, nor the demographic demands arising from the make-up of that community.

The starting position for the new system is that authorities should not be worse off. However, our view is that we are already in a disadvantaged position. Our funding level is well below that of our neighbours. We pointed out in our response to the provisional local government financial settlement why Havering was in such a position, and would wish the Government to consider these points again as part of our response. A copy of our letter is therefore attached.

It is essential that the transition to the new system does not continue to penalise Havering. We would wish to see this revisited to ensure that the council receives a level of funding commensurate with local needs and with that which our neighbours have historically received.

It is understood that there will be a number of adjustments to the starting position. This includes academies and the new homes bonus monies. It needs

to be clear how the starting position has been arrived at and we would wish as much clarity as possible over this. It also needs to be clear as early as possible whether there are any other adjustments being made to this.

We also understand that any new burdens placed on local authorities will continue to be funded under the proposals. However, as a side effect of impact of system resets, there is a risk that new burdens could be funded from existing business rates rather than from other sources of funding. This would increase the overall burden on local authorities without a corresponding increase of new funding into local government.

Finally, over time, there is a further risk that there will be “winners” and “losers” in the longer term, possibly beyond the end of the current CSR period, as the various adjustments shift the level of funding that authorities retain. Apart from bringing further uncertainty, it will be very difficult for authorities to compensate for any loss in funding without resorting to compensating council tax rises.

Timing

The final design of the scheme will not be known until around November or December 2012, when we assume there will be a provisional announcement. The final funding calculations we understand will not be available until February 2013, less than two months before the start of the scheme.

Havering has responded extremely proactively to the Coalition Government's austerity measures. Cabinet agreed a report as far back as July 2010, which included an initial schedule of savings proposals designed to respond to the Emergency Budget, and in anticipation of the Comprehensive Spending Review. A further report was agreed by Cabinet in July 2011. The savings proposals now being implemented by the Council will bring some much-needed stability to our financial position, bring confidence to both residents and staff, and enable the Council to maintain council tax at a low level. We believe further savings will not be needed unless further changes made by Government adversely affect our financial position.

Whilst we welcome the recent announcement of further grant funding to enable authorities to freeze council tax for a further year, we are concerned over the timing of final announcements. These will be late in our planning process and leave little time for further corrective action to be taken. In addition, the 2013/14 budget will also reflect both the localisation of council tax benefits and the transfer of responsibility for public health services. The Council would therefore wish to see detailed announcements being made earlier than currently planned.

Conclusion

As stated in our response to the provisional local government financial settlement, our view remains that the local government funding system is neither objective nor equitable in its allocation of resources amongst individual

local authorities. As a direct result, Havering's council tax payers are being effectively penalised. We support the move away from this towards a new system, that should bring greater transparency to the allocation of funds and bring greater control to individual authorities.

Our concern about the Resource Review is that, not only does it fail to remove the inequity of the existing system, it runs the risk of being as complex as the existing system. We also feel that earlier announcements on the detailed proposals, and the associated figures, are essential to bring as much certainty as possible into our budget setting process for 2013-14, which is likely to be the most complex for any years.

Attachments

Please find attached:

- A copy of our submission to the provisional local government financial settlement [for the purposes of the Cabinet report for brevity, the letter has not been included as it appears in the report to Cabinet on 9th February 2011, as part of Appendix B, which can be found on the Council's website at this location:]
<http://democracy.havering.gov.uk/CeListDocuments.aspx?Committeeld=153&MeetingId=2074&DF=09%2f02%2f2011&Ver=2>
- Our response to the specific questions posed in the main consultation paper.

LOCALISATION OF BUSINESS RATES RESPONSE TO GOVERNMENT CONSULTATION

Component 1: Setting the baseline

Q1: What do you think that the Government should consider in setting the baseline?

The baseline position will be the starting point for future years grant retention. The need to get this correct is imperative for the future funding for all Local Authorities.

Currently the difference in a postcode results in a considerable difference in funding. The current formula grant takes no account of the huge variation in grant which creates huge differences in services that can be provided to the community.

Below is an extract from the Department of Communities and Local Government website with an added column demonstrating the grant per head for Havering and neighbouring boroughs? Although the boroughs listed below border Havering, their grant allocations are considerably different.

| | Estimated Population 2010/11 ¹ | Formula Grant 2010/11 £m's | Grant Per Head £ |
|-------------------------------|--|-------------------------------------|------------------------|
| Havering | 237,456 | 56.532 | 238.07 |
| Redbridge | 273,676 | 101.086 | 369.37 |
| Barking & Dagenham | 175,528 | 106.050 | 604.17 |
| Newham | 239,175 | 219.919 | 919.49 |

1 Estimated population provided by the department of Communities and Local Government

A methodology in setting the baseline should be calculated by taking greater account of population and size of authorities. If the continuing method of apportioning grant continues this will continually create a wider division in local authority funding and create larger pockets of deprivation with local authorities either having to increase up Council Tax or reduce disproportionately service to the local community to compensate.

Any methodology in calculating authorities baseline needs to include some methodology in smoothing resources and reducing the effect of "cliff edges". A transitional arrangement could be put into place in order to reduce the postcode lottery already in place.

Q2: Do you agree with the proposal to use 2012-13 formula grant as the basis for constructing the baseline? If so, which of the two options at paragraphs 3.13 and 3.14 do you prefer and why?

For the last 15-20 years Havering have been penalised by the method of formula grant distribution as this has not reflected the demographics and pressures that affect Havering. Havering has the 3rd largest area in London; one of the highest populations of elderly in the capital however has one of the lowest grants per head.

The formula penalises authorities with high Council Tax base as it is perceived they have the capabilities to raise more through Council Tax. However this only results in a need to raise council tax due to the poor method of reallocation of grant.

Other options should be considered in constructing the baseline. The bigger the size of a local authority's taxbase / Council tax the greater authorities are penalised through the current formula grant system. This should be reversed as having a high council tax demonstrates the need for funding thus a provision / allowance should be made for this.. In addition the population and size of the authorities are not weighted enough in the formula grant even though huge pressures arise throughout the borough. Within the borough there are growing pockets of deprivation which due to the current funding method we as an authority cannot address.

Component 2: Setting the tariffs and top ups

Q3: Do you agree with this proposed component of tariff and top up amounts as a way of re-balancing the system in year one?

If the baseline set up a fair position, the methodology of top-ups and tariffs would be a logical solution to reallocating grants. The final figures should be made available at the earliest opportunity to ensure enough time is available set the 13/14 budget.

Q4: Which option for setting the fixed tariff and top up amounts do you prefer and why?

There would be a greater incentive for Local authorities if the tariff / top-up were not inflated by RPI. This would create a greater drive to promote growth and penalises those authorities that do not.

Component 3: The incentive effect

Q5: Do you agree that the incentive effect would work as described?

Potentially, as long as certain conditions are in place and the mix between the need for protecting authorities and allowing them to grow is fair. Local authorities should be able to retain the majority in business rate growth. Otherwise the incentive affect is lost if authorities who potentially could grow business rate growth are subsidising other local authorities. Authorities with high tariffs and levies could potentially have huge financial problems if certain strands of options are select in the retention model.

Component 4: A levy recouping a share of disproportionate benefit

Q6: Do you agree with our proposal for a levy on disproportionate benefit, and why?

In principle, however it is dependant on how much is retained by the authority. To promote growth and ensure transparency the flat rate scheme should be provided to all authorities thus giving authorities a level playing field and allow for all authorities to promote growth through a clear, transparent method. By only retaining a percentage

against our baseline this reduces any incentive especially as the baseline does not reflect the service needs which the current formula grant fails to identify.

Q7: Which option for calculating the levy do you prefer and why?

As above, the levy needs to be able to be low enough to incentivise local authorities to grow. All local authorities should be set equally thus encourage authorities to grow therefore the flat rate scheme provides this incentive and allows a transparent and clear methodology.

Q8: What preference do you have for the size of the levy?

Incentive in business rate growth is imperative for the scheme to work therefore the smaller the levy the greater drive for Local Authorities to encourage growth.

Q9: Do you agree with this approach to deliver the Renewable Energy commitment?

In principle we are in agreement with the proposed approach of delivering the Renewable Energy commitment.

Q10: Do you agree that the levy pot should fund a safety net to protect local authorities:

- i) whose funding falls by more than a fixed percentage compared with the previous year (protection from large year to year changes);**

Yes, this is due to the fact that business rates are extremely volatile thus a safety net is needed to account for periods of volatility. This safety net is need for authorities who are classified as top-up and tariff as the consequence in falling business rates would potentially affect tariff paying authorities more as top-up authorities have more certainty over funding.

- ii) whose funding falls by more than a fixed percentage below their baseline position (the rates income floor)?**

Yes, as above.

Q11: What should be the balance between offering strong protections and strongly incentivising growth?

Protection should be available to local authorities who suffer a reduction in business rates. The financial affects of this scheme could potentially harm authorities with high business rate taxbase or tariff authorities as they would be more vulnerable to business rate shortfalls.

Q12: Which of the options for using any additional levy proceeds, above those required to fund the safety net, are you attracted to and why?

The majority of business rates should be retained thus providing an incentive thus reducing the available balance within the levy pot.

Q13: Are there any other ways you think we should consider using the levy proceeds?

In the event that funds remain from the levy pot, there could be an incentive to promote small business growth to become major contributors to the economy, local authorities should encourage growth for these businesses. Using the additional levy could help local authorities' incentive small business and drive the economy forward.

Component 5: Adjusting for revaluation

Q14: Do you agree with the proposal to readjust the tariff and top up of each authority at each revaluation to maintain the incentive to promote physical growth and manage volatility in budgets?

As long as the previous years growth is incorporated into the baseline and the funding remains within the Local Authority.

Q15: Do you agree with this overall approach to managing transitional relief?

In principle we can understand why you are separating the overall approach from the resource review but as an authority we would like assurances that the costs are met by the retention scheme and not the authority.

Component 6: Resetting the system

Q16: Do you agree that the system should include the capacity to reset tariff and top up levels for changing levels of service need over time?

Having a system that, when used appropriately, has the ability to reflect the affect of changing levels of service need over time and can only be seen as positive move. This will also depend on the method of defining needs as the current finance settlement does not reflect the demographics and pressures faced to local authorities.

Q17: Should the timings of reset be fixed or subject to government decision?

To reduce the number of changes to this scheme, any potential resets should run in sequence to the revaluation period cycle which currently runs every five years.

Q18: If fixed, what timescale do you think is appropriate?

Local authorities need certainty in the timescales thus a fixed pre-determined timescale would aid in budget preparation. A timescale should be incorporated which allows authorities any potential benefit to produce growth but also allows a mechanism to reset in case of material change in local authority needs.

Q19: What are the advantages and disadvantages of both partial and full resets? Which do you prefer?

To encourage growth and reflect the needs of each authority, the partial reset should be used. This would encourage growth grow as well as adjusting the baseline to reflect the needs of the authority.

Q20: Do you agree that we should retain flexibility on whether a reset involves a new basis for assessing need?

Any basis for assessing needs should take into consideration the cliff edges in funding across authorities.

Component 7: Pooling

Q21: Do you agree that pooling should be subject to the three criteria listed at paragraph 3.50 and why?

Yes, and this should remain the case in the foreseeable future.

Q22: What assurances on workability and governance should be required?

Whatever arrangements are adopted through pooling we would like assurances that Central Government would accept them. Thereby allowing the pool to be self-governed however managed.

Q23: How should pooling in two tier areas be managed? Should districts be permitted to form pools outside their county area subject to the consent of the county or should there be a fourth criterion stating that there should always be alignment?

N/A

Q24: Should there be further incentives for groups of authorities forming pools and if so, what would form the most effective incentive? *Impact on non-billing authorities*

The inclusion of any additional incentives for groups of authorities forming a pool seems superfluous to us as an Authority, as they would result in smaller amounts being levied overall.

Q25: Do you agree with these approaches to non-billing authorities?

Due to the lack of transparency of the current formula it is difficult for the Authority to form a view on whether we agree with the proposed approaches.

Chapter 4: Interactions with existing policies and commitments *New Homes Bonus*

Q26: Do you agree this overall approach to funding the New Homes Bonus within the rates retention system?

Yes we agree in principle.

Q27. What do you think the mechanism for refunding surplus funding to local government should be?

Given the New Homes Bonus is a specific calculation it would seem appropriate to reappropriate the surplus funding in line with it. As an Authority we would also like the assurances that any refund would be unringfenced.

Q28: Do you agree that the current system of business rates reliefs should be maintained?

Yes, business rate reliefs are important for the stability for business. Any reliefs which are statutory should be fully paid from the retention model and not funded through local authorities diminishing funding. Any mandatory reliefs should be the discretion of the authority.

Chapter 5: Supporting local economic growth through new instruments

Q29: Which approach to Tax Increment Financing do you prefer and why?

We would prefer option 2. This gives greater certainty over the future revenue streams

Q30: Which approach do you consider will enable local authorities and developers to take maximum advantage of Tax Increment Financing?

For Authorities with greater scope with their revenue budgets option 1 would allow them maximum advantage of a TIF. However for an Authority like ourselves where we would need certainty over future revenue streams, unless we had these in place, projects funded by TIF's would struggle to be approved

Q31: Would the risks to revenues from the levy and reset in option 1 limit the appetite for authorities to securitise growth revenues?

In our opinion yes, without that certainty of revenue to match the additional borrowing costs this would. Members have clearly stated that do not wish to undertake prudential borrowing to finance capital projects.

Q32: Do you agree that pooling could mitigate this risk?

No. The only way to mitigate the risk is to guarantee the future revenue streams for the duration of the borrowing costs

Q33: Do you agree that central government would need to limit the numbers of projects in option 2? How best might this work in practice?

Yes. Some sort of bidding process, possibly similar to the process for capitalising revenue costs

Localising Support for Council Tax in England

1. SUMMARY OF THE CONSULTATION PROPOSALS

In line with the Government's commitment to localism and decentralisation, this consultation seeks comment on proposals for the localisation of council tax support in England from 2013-14. The Government is proposing that local authorities will develop their own 'council tax support' schemes, choose their own eligibility criteria and determine the level of council tax benefit that can be claimed.

As announced in the 2010 Spending Review, the Government's financial support for council tax will be reduced by ten per cent nationally. However, special protection will be made for pensioners; therefore in practice the net reduction on other groups currently claiming council tax benefit is therefore likely to be higher than 10%.

2. BACKGROUND

At the moment, support for council tax (council tax benefit) is set nationally by central government. Single person households, students, pensioners and those on benefits are eligible for various discounts on their council tax bill. Local authorities administer this benefit on behalf of the government.

On 17 February 2011 the Government published the Welfare Reform Bill, containing provisions for the abolition of council tax benefit, paving the way for new localised schemes set by local authorities.

The 'Localisation of Support for Council Tax' consultation paper was published by the Department for Communities and Local Government in August 2011, and sets out proposals for a framework for local support for council tax, to be in place by April 2013.

Proposals to put local authorities in charge of providing support for council tax are part of a wider decentralisation policy that, the Government claims, will aim to give local authorities increased financial freedoms and a greater stake in the economic future of their local area.

The localisation of support for council tax is also taking place within a wider programme of welfare reform which is intended to help move people back into work - supporting work incentives that will be introduced through the Government's plans for Universal Credit.

The Government has estimated that the cost of council tax benefit to taxpayers is equivalent to almost £200 per household a year. The changes will help to

deliver a 10 per cent reduction in the current £4.8 billion annual council tax benefit bill across Great Britain, resulting in significant savings nationally.

3. KEY PROPOSALS

3.1 Establishing local schemes

Councils will be expected to design their own council tax support schemes and set local parameters for eligibility for council tax support, to be in place by April 2013. They must consult on these with local residents. Local council tax support schemes must support the improved work incentives that Universal Credit aims to deliver and the consultation seeks views on how to achieve this.

When designing our local scheme, we will need to set parameters to take into account the funding that we will allocate for council tax support. To do this, we will need to take into account:

- The strategic framework set by Government (ie. Protection for Pensioners)
- Other duties and responsibilities (eg. The Child Poverty Act)
- Local policy priorities (eg. Reducing homelessness or tackling unemployment)
- Forecasts of demand for council tax support
- Impact of non-collection on council's budget

3.2 Joint working

The consultation suggests councils may wish to work together in the design and administration of local council tax support schemes. This could mean billing authorities co-ordinating approaches whilst retaining individual responsibility, creating a lead authority that would be responsible for developing a single scheme across a group of authorities, or establishing a joint body made up of a number of authorities to develop a single scheme. A joint approach may also enable the sharing of risk across authorities working together within a local scheme, in addition to administrative savings associated with the processing of council tax support.

Councils that are interested in joint schemes will need to start planning their schemes as soon as possible to ensure the April 2013 deadline can be met.

3.3 Administering local schemes

The consultation suggests that it is up to local authorities to administer council tax support in as fair and easy a way as is possible whilst minimising errors and the risk of fraud. The consultation proposes that under the new system, local authorities will continue to be responsible for the investigation of errors and fraud.

There will be costs associated with the transition to a localised council tax support scheme. The consultation recognises this, but makes no commitment to providing councils with specific funding for this. We can therefore assume that transitional costs will need to be borne from existing reserves.

3.4 Funding for Council Tax Support

The consultation proposes that funding will be paid to local authorities, in the form of an unringfenced special grant. However, **we do not yet know the total allocation that will come to Havering**, due to the Government not having yet published guidance on what funding mechanisms it will use to allocate council tax support to Councils. This will be the focus of a separate consultation which will ask for views on the basis for allocating grants and the frequency of adjustments made to the amounts paid to local authorities to account for fluctuations in demand. The consultation does however include two broad options:

- Frequent adjustments to Councils' allocations, to reflect fluctuations in demand for council tax support
- Leaving a Council's grant allocation unchanged for several years.

4. SPECIFIC IMPLICATIONS FOR HAVERING

As outlined in the CSR 2010, the Government is aiming to save 10% from the national council tax benefit bill, whilst protecting Pensioners who will still be entitled to a 100% discount. In Havering, in real terms this would mean approximately £2m less than we are currently working with. Pensioners currently make up just under 50% of total council tax benefit claimants. If they are protected, assuming the total council tax benefit funding is also reduced by 10%, the real impact on other claimant groups would in effect be a 20% reduction.

Eligibility for council tax benefit support is an emotive subject, and developing our own local scheme will not be a straightforward process. We will need to consider if existing discounts, such as the single persons discount, are still affordable with in effect 10% less funding than we currently have. Under the Government's current proposals, there will be insufficient funding to cover the scheme at its current levels. In these austere times, it is extremely unlikely any authority will have financial capacity to spend over and above the grant allocation.

There are significant equalities implications in designing our own local council tax support scheme, due to the likely consequences of other national policy changes, such as housing benefit capping, which is likely to see more people moving from central to outer London, placing an increased demand for council tax benefit in Havering over the coming years.

By moving to fund council tax benefit from a cash limited grant, the Government may be putting an unacceptable level of risk on Local Authorities in delivering schemes that support vulnerable people in the context of severely reduced resources. The consultation paper does not make any reference to how any increases in the demand for council tax support will be planned and managed, nor the relationship between increases in Council Tax Benefit Grant and the overall regime of Council Tax capping. It is possible that Councils will be in the position of having to raise Council Tax simply to raise enough additional resources to pay for Council Tax Benefit.

There are also serious implications in terms of risk, in respect of the extremely short timescale local authorities have been given to put in place a council tax support scheme that has been fully consulted on, equality impact assessed and the required staffing and systems put in place, by 1st April 2013.

In practice, implementing a new system to replace Council Tax Benefit will involve the procurement of new IT systems or significant adaptations to existing systems. Given the timetable for decisions, with primary and secondary legislation not due until 2012, it could be argued that there is insufficient time for the development and procurement of new systems in time for an April 2013 implementation.

Response to the Consultation on the Localisation of Council Tax Support

1. GENERAL COMMENTS

- 1.1 The London Borough of Havering welcomes the opportunity to comment on the Government's proposals to localise the support for council tax.
- 1.2 Overall, we are concerned about the implications for having locally determined council tax support schemes, and would like further clarification as to why council tax benefit will not feature as part of the Universal Credit, which we feel will be a opportunity missed to simplify and improve the current benefits system.

One of the main objectives for welfare reform, set out in the White Paper "Universal Credit: Welfare that Works" (Nov 2010), was the simplification of the benefits system, by setting up a single benefit. As well as the obvious duplication in setting up a national administrative system for Universal Credit and potentially hundreds of local administration schemes, the exclusion of council tax benefit from the Universal Credit will be confusing to benefit claimants.

Another objective of the Universal Credit proposals was to ensure that families do not receive more in welfare than median after-tax earnings for working households. Locally determined eligibility fluctuations in the level of council tax support will mean that it will be impossible to achieve this objective in practice.

We feel that a simpler, more efficient and less expensive way of dealing with the replacement for Council Tax Benefit would be to create a fifth element within Universal Credit for a council tax credit to be worked out by the Universal Credit system. Then using the current efficient systems that already exist between the Department for Work and Pensions (DWP) and local authorities (ATLAS and CIS) a figure for the council tax element could be passed from Government to local councils' core benefit systems which in turn interface with all local council tax systems. This would be an automated process and costs would be saved by the public purse in the duplication of administration.

- 1.3 Whilst it is clear that the principle of locally determined schemes are to encourage people to get back to work in areas with high levels of unemployment, we are concerned that the fluctuation and variance in council tax benefit schemes across the country, and particularly across London, could place huge pressure on housing demand, particularly in those areas with more 'generous' schemes than others.

For particularly the outer London boroughs, this problem will be compounded by the likely impact of increased housing demand once the council tax benefit caps come into force in 2013, which may see large numbers of housing benefit claimants move from inner London to outer London boroughs. Local authorities would then be faced with an increase in demand for council tax support, with significantly less funding to support this demand.

- 1.4 There is also a compounded risk that customers experiencing financial hardship may prioritise their council tax (because of the threat of committal) over their rent payments and therefore risk eviction - placing a burden on local authorities to house them.
- 1.5 The LB Havering would like further clarification from the Government on what the mechanisms for allocating council tax support grant will be to councils. Whilst the Government is aiming to save 10% nationally, with provision made for pensioners, as Havering has the highest proportion of older people in London, this would place increased pressure on us financially, possibly amounting to a 20% saving on current expenditure on council tax support to other groups.
- 1.6 In Section 9 of the consultation paper, local authorities are asked to consider complex benefit regulations, but told throughout the document that council tax replacement should be a local scheme which may be administered much like a discount. This is both conflicting and confusing and we would welcome clarity on this issue.
- 1.7 Whilst LB Havering is supportive of the principles of Localism, we feel that devolving Council Tax Benefit will have wider negative policy and financial implications for local authorities.

2. RESPONSE TO THE SPECIFIC TECHNICAL CONSULTATION QUESTIONS

5a: Given the Government's firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?

5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?

5a. We feel that there are no clear reasons for why Government should protect only pensioners under a local scheme through primary legislation. Pensioners in Havering make up 46% of the caseload, therefore as set out above, ringfencing support for pensioners will place a disproportionate burden on the support we are able to offer other claimant groups. Assuming a flat rate of 10% reduction in the grant we receive for council tax benefit, in Havering that would mean that working age claimants would in effect receive a drop in their Council Tax Benefit (CTB) replacement of 19%.

Indeed, it could be argued that it is inequitable and directly discriminatory under the Equalities Act 2010 to protect all pensioners at the expense of working age taxpayers.

5b. Under the current scheme rules for CTB, entitlement is based on ability to pay. One could justify an argument that the whole of this group is vulnerable because they need assistance with paying their council tax bill. However, if the Government do not revise their decision to protect pensioners alone, then low-income, able-bodied, working age taxpayers would become a vulnerable group themselves by reducing their support further than 19%.

If Havering Council were to assume that 10% of this caseload were vulnerable, this would leave the remaining 44% of the caseload to disproportionately bear the burden of these cuts, which we feel would be fundamentally inequitable.

Local authorities have contended with their excellent track record in housing and council tax benefit administration that they would be able to successfully administer the Universal Credit and the CTB replacement but it should be government's responsibility to determine the design, rules and regulations of the scheme and ensure that welfare 'postcode lotteries' are avoided.

We believe that the fairest way to determine the amount of council tax support is to use a means test, based on the individual's ability to pay which should simply mirror the rules for Universal Credit.

6a: What, if any, additional data and expertise will local authorities require to be able to forecast demand and take-up?

6b: What forms of external scrutiny, other than public consultation, might be desirable?

6c: Should there be any minimum requirements for consultation, for example, minimum time periods?

6d: Do you agree that councils should be able to change schemes from year to year? What, if any restrictions, should be placed on their freedom to do this?

6e: How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?

6a. All information provided to the DWP to administer Universal Credit should be made available to local authorities to develop and maintain the local scheme. This is achievable through current links with the DWP and local authorities.

6b. & 6c. Potentially, the local scheme could change year on year in order to manage the un-ring fenced grant. If this is the case, consultation therefore must be quick and simple to avoid hindering the process.

6d. If the current proposals are implemented, on the one hand local authorities must be able to change the local scheme annually in order to manage their budgets. But on the other hand, it will be a huge administrative cost to do so and is therefore unlikely to happen in practice.

6e. If the CTB replacement scheme criteria mirrors the rules and criteria for the calculation of Universal Credit, then clearly low earning households would not experience high participation tax rates.

7a: Should billing authorities have default responsibility for defining and administering the schemes?

7b: What safeguards are needed to protect the interests of major precepting authorities in the design of the scheme, on the basis that they will be a key partner in managing financial risk?

7c: Should local precepting authorities (such as parish councils) be consulted as part of the preparation of the scheme? Should this extend to neighbouring authorities?

7d: Should it be possible for an authority (for example, a single billing authority, county council in a two-tier area) be responsible for the scheme in an area for which it is not a billing authority?

7e: Are there circumstances where Government should require an authority other than the billing authority to lead on either developing or administering a scheme?

7a. Billing authorities were not incorporated to design local schemes. To do so would require considerable support from DWP and CLG particularly in light of the timescales provided to ensure schemes align with national priorities around welfare reform and the Universal Credit.

7b. With regard to safeguards for precepting authorities, this does then raise the question of what safeguards are in place for local authorities.

7c. Whilst this is not applicable to London Boroughs, this would seem fair but consultation period would then be protracted.

7d. If it is what is determined locally as a way forward, then we agree that this should be possible.

7e. As we have argued in section 1.2 of this response, we feel that the duplication of process and design with Universal Credit is very apparent. It is our view that the DWP would be in the best position to lead on or subsume the council tax benefit replacement within this scheme.

8a: Should billing authorities normally share risks with major precepting authorities?

8b: Should other forms of risk sharing (for example, between district councils) be possible?

8c: What administrative changes are required to enable risk sharing to happen?

8d: What safeguards do you think are necessary to ensure that risk sharing is used appropriately?

8a. We feel that it is unreasonable and unfair to place this burden on local authorities to consider this as an option.

8b. Generally, local authorities can minimise the financial risk by increasing the resources to collect and enforce payment of council tax. This in turn will increase administration costs and the level of council tax payable.

8d. For this to occur, CLG should support local schemes by underwriting the risks. Under the current proposals, CLG are in effect exposing authorities to risk by delegating the design and implementation of the local scheme to local authorities. Support for Council Tax does not lend itself easily to a local scheme.

9a: In what aspects of administration would it be desirable for a consistent approach to be taken across all schemes?

9b: How should this consistency be achieved? Is it desirable to set this out in Regulations?

9c: Should local authorities be encouraged to use these approaches (run-ons, advance claims, retaining information stubs) to provide certainty for claimants?

9d: Are there any other aspects of administration which could provide greater certainty for claimants?

9e: How should local authorities be encouraged to incorporate these features into the design of their schemes?

9f: Do you agree that local authorities should continue to be free to offer discretionary support for council tax, beyond the terms of the formal scheme?

9g: What, if any, circumstances merit transitional protection following changes to local schemes?

9h: Should arrangements for appeals be integrated with the new arrangements for council tax appeals?

9i: What administrative changes could be made to the current system of council tax support for pensioners to improve the way support is delivered (noting that factors determining the calculation of the award will be prescribed by central Government)?

9a. For the reasons outlined in our opening sections, we feel that a national scheme is more likely to succeed than 326 local schemes, or partnerships of a small number of schemes combined.

9b. Yes, regulations should be used to maintain parity of schemes. Current links with DWP could then be used to administer the scheme thereby reducing administrative expenditure.

9c. All aspects of the scheme should be consistent, but by doing so CLG blur the lines between a local and national scheme. Run-ons and advanced claims are clearly part of a national scheme. This conflict within the document creates confusion.

9d. The Government has determined that Universal Credit is the way forward for welfare benefits. We feel that council tax support sits more comfortably with the national scheme, and will provide more certainty for claimants. Indeed, the fluctuations between local authority areas simply make the system more confusing to people in need of this support.

9e. Through a national scheme governed by legislation.

9f. Yes, however under the current proposals it would be very unlikely that any local authorities will be able to meet current demand for council tax support, let alone offer discretionary discounts.

9g. All taxpayers who experience a reduction in support from the change to the CTB replacement should be granted transitional protection for a limited period of time.

9h. It is not practical to expect independent tribunals to be aware of potentially 326 different scheme designs to administer and determine appeals. Realistically, appeals would have to be dealt with by each local authority but this would be extremely inefficient.

9i. There is no change for Pensioners because Government have determined they must be protected at the cost of working age low income tax payers. The current local authority core benefit systems can process these claims with very minor tweaks thus saving more expense in software development.

10a: What would be the minimum (core) information necessary to administer a local council tax benefit scheme?

10b: Why would a local authority need any information beyond this “core”, and what would that be?

10c: Other than the Department for Work and Pensions, what possible sources of information are there that local authorities could use to establish claimants' circumstances?

Would you prefer to use raw data or data that has been interpreted in some way?

10d: If the information were to be used to place the applicants into categories, how many categories should there be and what would be the defining characteristics of each?

10e: How would potentially fraudulent claims be investigated if local authorities did not have access to the raw data?

10f: What powers would local authorities need in order to be able to investigate suspected fraud in council tax support?

10g: In what ways could the Single Fraud Investigation Service support the work of local authorities in investigating fraud?

10h: If local authorities investigate possible fraudulent claims for council tax support, to what information, in what form would they need access?

10i: What penalties should be imposed for fraudulent claims, should they apply nationally, and should they relate to the penalties imposed for benefit fraud?

10j: Should all attempts by an individual to commit fraud be taken into account in the imposition of penalties?

10a. Legislation would be required to enable the DWP to share information regarding not just claimants of Universal Credit but all persons in receipt of government benefits. This will assist local authorities determine its vulnerable groups from inception and assist forecast demand and manage take-up, in addition to managing fraud. However this merely illustrates the point about duplication of administrative processes.

Local authorities will also need direct access to departments such as the Office of National Statistics and whichever departments within CLG who collect data from local authorities on local schemes so that consistency and comparison can take place.

Access to the relevant and various government Ministers and departments in the same way DWP's Policy team have in relation to welfare benefits currently.

10b. To administer a local scheme of this size and ensure fairness, consistency and that Central and Local Government's objectives are met will require all of the information and access mentioned in 10a, above.

10c. Tax payers are the only source other than the DWP who can provide the detailed information required to determine eligibility to a local scheme. It would be a step backwards to ask taxpayers for information which they have already provided to the DWP in relation to another benefit. Because this is a "local scheme", local authorities will need raw data to determine factors that design the scheme and data which has been interpreted in some way to compare and contrast.

10d. This question cannot be answered in detail without CLG providing further information which defines the parameters of the scheme, including a national definition for 'pensioners' and 'vulnerable groups' and establishing the level of set up and administrative costs available to run the local scheme. However, any infinite number of categories could be developed were the scheme to be truly local which could include more radical characteristics such as length of time in the borough and local ward factors. More information is required to establish the scheme that ideally reflects the principles and values on which Universal Credit are being developed.

10e. A single fraud investigation service is planned by the DWP for 2013 which will not investigate local schemes. If information is limited to local fraud teams, they will not be able to progress investigations.

11a: Apart from the allocation of central government funding, should additional constraints be placed on the funding councils can devote to their schemes?

11b: Should the schemes be run unchanged over several years or be adjusted annually to reflect changes in need?

11a. Under the Government's current proposals, there will be insufficient funding to cover the scheme. In these austere times, it is extremely unlikely any authority will have financial capacity to spend over and above the grant allocation. However, under a local scheme, some authorities may take the view that Council Tax should be increased to cover the cost of support.

11b. Pensioner caseloads are increasing across the country and this will have a growing negative impact on the amount of support that can be provided to working age people year on year. There has to be flexibility to adjust the scheme annually to enable local authorities to remain within budget.

12a: What can be done to help local authorities minimise administration costs?

12b: How could joint working be encouraged or incentivised?

12a. As outlined above, we feel that the best way to minimise administration costs will be to merge the CTB replacement with Universal Credit.

12b. Whilst the Government is keen to encourage joint working between local authorities in setting local eligibility criteria, in practice this will be difficult to

achieve. Particularly in London, where demographics between local authorities vary significantly and pressure on housing supply is extremely high. We feel that in practice this will be very difficult to achieve, particularly in the short space of time which we have to put our local schemes in place.

13a: Do you agree that a one-off introduction is preferable? If not, how would you move to a new localised system while managing the funding reduction?

13b: What information would local authorities need to retain about current recipients/applicants of council tax benefit in order to determine their entitlement to council tax support?

13c: What can Government do to help local authorities in the transition?

13d: If new or amended IT systems are needed what steps could Government take to shorten the period for design and procurement?

13e: Should applications, if submitted prior 1 April 2013, be treated as if submitted under the new system?

13f: How should rights accrued under the previous system be treated?

13a. A one-off introduction would mean a complete re-calculation of the CTB caseload assuming all information is available from tax payers to determine entitlement to the council tax support. Following which, transitional protection should be considered. Given the timescales, we feel that this is unrealistic. Following the lead set by the DWP, new claims should be considered first for council tax support.

13b. The same information which is currently held for the calculation of entitlement to CTB.

13c. As set out above, we feel that the ideal solution is to subsume the CTB replacement within Universal Credit. Failing that, expedite the legislation to enable information to be shared between the DWP and local authorities and provide the appropriate level of funding to cover capital and administrative costs.

13d. Nationalise the scheme and subsume within Universal Credit.

13e. Once again national scheme rules for welfare benefits are being used to determine the local scheme. Tax payers did not ask for this change and should not be required to submit new claims or forms for the new scheme.

13f. Rights accrued under the current scheme should be subject to transitional protection.

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DFE Consultation On The Basis For The Decision On The Appropriate Amount Of Academies Funding Transfer For 2011-12 And 2012-13

Introduction

On 19th July 2011, the DFE issued a consultation on the basis of the transfer of resources from Local Authorities to the DFE reflecting the transfer of central services from local authorities to Academies and Free Schools.

The funding that transfers between LAs, the DFE and Academies is called LACSEG (Local Authority Service Grant)

A well as consulting on proposals for the future basis of the transfer the paper also set out for the first time the basis on which the transfer of resources was calculated for 2011/12 and 2012/13.

Background

Local Authorities receive funding through Formula Grant to pay for a range of services that they are required to provide to schools e.g. school improvement and statutory legal and accounting services. When a school becomes an academy the LA is no longer required to provide these services to the academy.

For 2011/12 and 2012/13 at both a national level and for Havering the Formula Grant is reduced as follows:

| Year | National Reduction £ | Havering Reduction £ |
|---------|-------------------------|-------------------------|
| 2011/12 | 148m | 630k |
| 2012/13 | 265m | 1.13m |

At national level the Formula grant reduction was based on:

- (i) the forecast number of academies nationally for the two years;
- (ii) the average number of FTE pupils per school type; and
- (iii) an estimate of the required LACSEG funding per pupil

No account was taken of the number of schools converting to academies in each LA and a basic % deduction was made to all LAs. This approach favoured those LAs with a higher number of Academies at the expense of those with lower numbers. An LA with no academies would have lost funding but none of the responsibilities regarding the provision of services.

The consultation then goes on to update the forecast number of schools converting in 2012/12 and 2012/13 and the process for special schools which revises the calculation of the Formula Grant reduction.

This is updated to:

| Year | National Reduction £ | Increase £ |
|---------|-------------------------|---------------|
| 2011/12 | 360m to 375m | 180m to 193m |
| 2012/13 | 580m to 680m | 228m to 313m |

The paper is clear that *“The estimated of the costs of LACSEG set out here should not be seen as predetermining the decision on the level of reduction in local government funding or how this should be done.”*

If, however, the figures were applied proportionately to Havering’s current Formula Grant reduction the reduction would be:

| Year | Havering Reduction £ | Scaled up to Revised National Reduction £ |
|---------|-------------------------|---|
| 2011/12 | 630k | 1.53m |
| 2012/13 | 1.13m | 2.47m |

The paper does not provide calculations of the Formula Grant deductions at national or local level and does not provide LAs with any certainty as to whether Formula Grant allocations are to be updated.

There are a number of issues with the DFE methodology in applying the deductions which are included in the response that follows. academies and is therefore neither equitable nor sustainable.

DFE Consultation On The Basis For The Decision On The Appropriate Amount Of Academies Funding Transfer For 2011-12 And 2012-13

Response by the London Borough of Havering

The calculation of LACSEG that is transferred to the DFE for academies should be based on a principle that results in equitable funding with schools, is transparent and that only demonstrable savings are transferred from local authorities.

There no clear evidence of the demonstrable savings to a local authority arising from schools' conversion to academies. There is no direct relationship in the cost to an academy of providing services to the cost of provision by a local authority and the abatement to 90% of an LA's costs appears arbitrary.

Although there is broad explanation of how the reduction to Formula Grant is calculated, it does not adequately clarify to any local authority how the calculation has been applied to its own grant. Without a clear explanation, the levels of grant reduction currently in place for 2011/12 and 2012/13 cannot be accepted and certainly not used as a basis for increasing that reduction, should that be the case. It is noted that "*The estimate of the costs of LACSEG set out here should not be seen as predetermining the decision on the level of reduction in local government funding or how this should be done*" and any decision to the contrary would be unacceptable.

Applying the calculation to section 251 budget lines is flawed, in particular for line 7.0.1 - Strategy and Regulation. The section 251 guidelines require that this line should include "*The whole of the Director of Children's Services and strategic planning/other functions of the Senior Management Team.*" The calculation of LACSEG applies to 90% of this budget. However, with responsibilities across the whole of Children's Services, the time spent on school issues by the Director and Senior Management is much less than 90%. Furthermore the workload, and therefore the cost, of strategy and regulation and of other services for which LACSEG applies does not reduce pro rata to the number of pupils in academies.

It cannot be right that an academy in Havering would receive £413 per pupil whereas in Bexley (a statistical neighbour) £263 per pupil. On this basis a 1,000 place academy in Havering would receive LACSEG of £413,000 compared to £263,000 for the Bexley academy. Both academies would have similar transferred responsibilities whereas the Havering academy would receive £150,000 more to meet the additional costs. This demonstrates the arbitrary nature of the current calculation and that the transferred funding does not reasonably reflect the cost of the transferred responsibilities.

It is not clear how local authorities will realise any savings from free school, university technical colleges and studio schools. These should be excluded from any reduction to the Formula Grant as the LA has not previously made provision for them.

The current system clearly incentivises the conversion of schools to academies and is therefore neither equitable nor sustainable.

EAST LONDON SOLUTIONS

MEMORANDUM OF UNDERSTANDING

Statement of Intent

As leaders of six East London Boroughs, we recognise the scale of the challenge we face from cuts in funding to local government.

Our first priority must be to protect as many of our residents' cherished services as we can, while continuing to provide our taxpayers with the best possible value for money.

All councils share common services and common support functions. They may operate in different ways to meet different local needs, but the machinery of one council does not differ significantly from that of its neighbour.

As east London leaders, we should endeavour wherever possible to find shared solutions to the financial challenges that we all face.

Where we can share the machinery of local government, to reduce our running costs and help protect frontline services, we will do so.

Where we can bring together the management of our organisations to streamline the way we work, we will do so.

And where we can work together to develop new and innovative ways to deliver local services, while still meeting the unique needs of our own local communities, we will do so.

The priorities of our boroughs may differ, but we all share a commitment to providing best value and promoting the interests of local residents ahead of the interests of bureaucracy and fixed borough borders.

This undertaking will help define a new consensus across our six boroughs, under which we can act together in the best interests of all east London taxpayers and every east London community.

Scope

This memorandum of understanding concerns the relationship between the following partners, co-operating under the designation of East London Solutions.

London Borough of Barking & Dagenham
London Borough of Newham
London Borough of Havering
London Borough of Waltham Forest
London Borough of Tower Hamlets
London Borough of Redbridge

It sets out underpinning principles, roles/responsibilities and accountabilities, and is intended to act as a point of reference for all members of the partnership.

As ELS is not a separate entity, the London Borough of Barking & Dagenham has agreed to act as the lead borough for financial and staffing matters in relation to ELS. Specific projects involving some or all of the partners which involve on-going contractual relations with each other and/or external providers will be the subject of separate governance agreements.

Purpose and principles

- The common purpose underlying the activities of ELS is to identify joint areas of work that will deliver improved value for money services, improved outcomes or better support the long term quality of service delivery for the residents of the partner bodies;
- Participation in any project is subject to approval from each relevant body.
- ELS will take collective responsibility for driving forward collaboration and shared services, seeking out opportunities both service improvement and cash savings;
- ELS will ensure that the aims and activities of ELS are consistent with, and complement, those of the partners;
- ELS will monitor its performance by a process of self-evaluation and external review to ensure that it is operating in an optimal way. Internal self evaluation against outcomes will be integral to the partnership working principles.

Overall vision

Deliver and commission shared and collaborative services and products to facilitate improvement, efficiency and innovation.

Core Values

- Challenge the status quo
- Seek innovative solutions to improve service delivery
- Be open to challenge from peers, regional and national bodies
- Be open to utilising best, and “next/future practice” approaches to procurement
- Be pragmatic
- Be partnership orientated
- Accountability - achieved through delivery of agreed outcomes within a sound governance framework
- Be open in sharing information and best practice

Objectives

- Communicating better about activity that is taking place.
- Co-ordinating activity that is taking place at strategic level.
- Ensuring opportunities to maximise shared service concepts are considered.
- Facilitating the taking forward of shared services.
- Promoting and brokering networking and collaboration between the participating councils
- To act as a vehicle for bidding and accessing funding to develop shared services

Outcomes

- Re-shaped services to better meet customer needs
- Greater efficiencies and savings to release funding for priority areas
- Better use of collective capacity and skills
- Increased collaboration in east London
- Improved ability and capability to deliver services in partnership

ELS and Partner general responsibilities

General Responsibilities

- ELS and the partners will abide by the aforementioned values.
- ELS and the partners will keep each other up to date on all activities which impact on the delivery of the ELS Delivery Plan.

General responsibilities of ELS

- To develop and maintain a delivery plan that delivers the vision and objectives of ELS.
- To coordinate or achieve activities as agreed. The relevant outcomes and targets will be met from a combination of direct activity, project working and commissioning. This may be achieved through individual members or collectively, or by brokering services from other public or private sector providers.
- To maintain effective financial management of funding delegated to the ELS.
- To comply with all applicable legislation; pay proper regard to the statutory duties of the Local Authority and pay proper regard to relevant legislation, formal guidance, codes of practice, and national policies.
- ELS will be responsible for communicating and promoting its work as well as ensuring it is properly co-coordinated and integrated with other activities.
- ELS will be responsible for ensuring that the Partner authorities are kept informed of specific matters relating to their authority.
- ELS will be responsible for ensuring pragmatic solutions and approaches are adopted and to actively seek solutions to issues that arise in achieving of the delivery plan.

General responsibilities of the Partners

- Each local authority will support ELS in the performance of its responsibilities and achievement of the stated vision, outcomes and objectives.
- Each local authority will use its position to encourage the co-operation of all the partner councils within the ELS and address issues within its own organisation where these are creating problems.
- The partners will provide to the ELS any data it holds which is reasonably required by the ELS for the performance of its responsibilities. This work will develop a partnership approach to needs assessment and intelligence gathering. Each partner remains the data controller of and is legally

responsible for the personal data it holds¹.

- Each local authority will inform ELS about forthcoming procurement activity and will undertake this in a way to enable other authorities to join.
- Where needed, the partners will aim to provide appropriate advice, guidance, financial and physical resources (e.g. accommodation) to help ELS achieve its visions and objectives.
- Where a partner authority is a lead, that authority will be fully committed to delivery.
- The partners will retain responsibility for their statutory duties.
- The partners will not have any responsibilities in respect of the day-to-day operational issues, inputs and processes of the ELS.

Management and Accountability

Management

- The ELS management group comprises:
 - A nominated Chief Executive
 - A Director / Head of service nominated from each partner body
 - ELS representative
 - Advisory members as necessary
- The management group is responsible for agreeing and monitoring the overall delivery plan and outcomes. This will include priorities, the allocation of available funds and applications for other funding.
- The ELS Co-ordinator will facilitate partnership working and to manage the day to day affairs of the ELS in order to deliver the overall delivery plan. This Co-ordinator will have delegated authority to manage the shared partnership fund and to recruit/ procure additional support via the appropriate lead authority as required by the agreed delivery plan.
- The management group will report to the East London Leaders and Chief Executive's group quarterly.

¹ Specific legal advice is as follows;

ELS would be processing data on behalf of the partners. Each Partner can agree to share that data within the ELS group under a clear agreement that:

- The data is shared for use for the agreed purposes only.
- The persons whose data is being shared with other Partners & ELS are informed of that fact and the purposes for sharing it. This is the Fair Processing Notice requirement which should be given to all these affected.

There should be an indemnity provision between the Partners for any misuse of data by others under the agreement. The Information Commissioner has powers to impose penalties for breaches of the Data Protection Act 1998.

Freedom of Information Act 2000 - A Partner will be under the general duty to release information collected by other Partners (subject to the usual exemptions).

- Authorities leading aspects of the delivery plan are empowered by the partners to make decisions in order to progress activities subject to not making a financial or legal commitment on behalf of partners unless agreed in writing.

Performance management, Monitoring and Evaluation

- The success of ELS will be based on the achievement of outcomes.
- The management group of ELS will have responsibility for monitoring and reviewing the performance of ELS.
- ELS will undertake a process of self evaluation and a full annual review in December each year.
- The management group of ELS will report to the Leaders and Chief Executives on performance.
- Each member of ELS accepts that the achievement of outcomes is the responsibility of ELS partners collectively. Each member accepts to make every reasonable effort towards the achievement of these outcomes.
- If matters are failing to be achieved rectification processes will be instituted.
- ELS will be subject to audit in accordance with partner's proper practices and will maintain this framework of governance and accountability

Rectification processes

The ELS Co-ordinator will escalate to the nominated Chief Executive issues that have been unable to be resolved by negotiation with the relevant Council within a reasonable time.

If any individual member of ELS is judged by all of the other members of ELS to be failing to work in accordance with the principles laid out in this agreement, and/or to be failing to contribute appropriately to the achievement of the outcomes set and/or the completion of the delivery plan, ELS will advise the management group who after consideration and discussion can take one or more of the following actions:

- Withdraw the right to attend partnership meetings
- Withdraw access to facilities shared across the partnership

If ELS as a whole is judged not to be achieving the outcomes set out the management group will consider changes to its method of operation and ultimately its future.

Funding

The boroughs each provide core funding of £20k. This funds the programme office. Additional contributions are agreed for specific pieces of work. The London Borough of Barking & Dagenham will manage funding and payments. Funding for specific projects will be agreed as and when necessary.

Status

This arrangement is not a partnership as defined in the Partnership Act 1890 and there is no intention to create such a partnership under this MoU.

| Organisation | Capacity | Name | Signature |
|---------------------------|-----------------|---------------------|------------------|
| L.B. Barking and Dagenham | Leader | Cllr. Liam Smith | |
| L.B. Havering | Leader | Cllr. Michael White | |
| L.B. Newham | Mayor | Sir Robin Wales | |
| L.B. Redbridge | Leader | Cllr. Keith Prince | |
| L.B. Tower Hamlets | Mayor | Mayor Lutfur Rahman | |
| L.B. Waltham Forest | Leader | Cllr. Chris Robbins | |

Sept 2011

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| <h1 style="margin: 0;">CABINET</h1> <p style="margin: 0;">26 October 2011</p> | <h1 style="margin: 0;">REPORT</h1> |
|--|------------------------------------|

| | |
|---|---|
| Subject Heading: | Treasury Management Strategy Statement and Annual Investment Strategy Mid-year Review Report |
| Cabinet Member: | Cllr Roger Ramsey |
| CMT Lead: | Andrew Blake-Herbert |
| Report Author and contact details: | Mark White – Capital & Treasury Manager |
| Policy context: | The Council is required to receive a mid-year review on the Treasury Management Strategy Statement (TMSS) and the Annual Investment Strategy (AIS). |
| Financial summary: | There are no direct financial implications from this report. Treasury management activities are considered as part of the overall budget strategy. |
| Is this a Key Decision? | No |
| Is this a Strategic Decision? | Yes |
| When should this matter be reviewed? | Annual approval with bi-annual reviews. Additional reviews will be undertaken if required. |
| Reviewing OSC: | Audit Committee |

The subject matter of this report deals with the following Council Objectives

- | | |
|---|-------------------------------------|
| Ensuring a clean, safe and green borough | <input type="checkbox"/> |
| Championing education and learning for all | <input type="checkbox"/> |
| Providing economic, social and cultural activity in thriving towns and villages | <input type="checkbox"/> |
| Valuing and enhancing the lives of our residents | <input checked="" type="checkbox"/> |
| Delivering high customer satisfaction and a stable council tax | <input checked="" type="checkbox"/> |

SUMMARY

This mid year report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:

- A review of the Treasury Management Strategy Statement and Annual Investment Strategy
- The Council's capital expenditure (prudential indicators)
- A review of the Council's investment portfolio for 2011/12
- A review of the Council's borrowing strategy for 2011/12
- A review of any debt rescheduling undertaken during 2011/12
- A review of compliance with Treasury and Prudential Limits for 2011/12

RECOMMENDATIONS

- Note the report, the treasury activity and recommend approval of the changes to the prudential indicators (including the changes set out in paragraph 2.2 and 2.3 relating to the HRA reform).
- Recommend approval of the changes to the investment criteria as set out at paragraph 1.2 to full Council.
- Note the expected impact on the capital and treasury plans of the HRA reform measures.
- Note that the decision to borrow to finance the HRA subsidy payment will be made by the group director for finance & commerce in consultation with the lead Member for value

REPORT DETAIL

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2009) has been adopted by this Council.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a **Mid-year Review Report** and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit Committee.

1 Treasury Management Strategy Statement and Annual Investment Strategy update

- 1.1 The Treasury Management Strategy Statement (TMSS) for 2011/12 was approved by this Council as part of its annual budget setting process. The underlying TMSS approved previously requires revision in the light of economic and operational movements during the year. The proposed changes and supporting detail for the changes are set out below:
- 1.2 Subject to statutory powers, the Council will be required to make a one off payment to the CLG to remove the HRA from the current housing subsidy system. This one off payment is compensation, ensuring the HRA will no longer make future annual payments to the CLG. It is expected that the overall impact will be beneficial to the Council. Whilst the legislative framework is not yet in place, by agreeing to these revised prudential indicators the Council is ensuring the necessary local requirements are in place well before the payment is required on the 28th March 2012. Members are therefore requested to approve the following key changes to the 2011/12 prudential indicators:

| Prudential 2011/12 | Indicator | Original £'000 | Impact of HRA Reform £'000 | Revised Prudential Indicator £'000 |
|-------------------------------|----------------------|---------------------------|---|---|
| | Authorised Limit | £97,000 | £200,000 | £297,000 |
| | Operational Boundary | £77,000 | £200,000 | £277,000 |
| Capital Requirement | Financing | £58,757 | £178,000 | £236,757 |

- 1.3 The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:
- Security of capital
 - Liquidity
- 1.4 The Council will also aim to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep the majority of investments short term, and only invest with highly credit rated financial institutions.
- 1.5 As a result of the Authorities strict lending criteria, the recent downgrade on the 7th October of many of the UK's leading banks, has meant many of the top UK banks, including the Authorities own bankers are now no longer eligible as approved counterparties. Because of the current economic climate and the uncertainties over many of the European countries, Members are therefore requested to approve the amendment of the investment strategy so that the Authority is able to continue to place deposits with the major UK clearing banks. To allow this it is proposed that the initial tranche of Institutions covered by the UK Government liquidity guarantee scheme* (subject to further market intelligence) be included as an eligible counterparty.
- *The UK Government liquidity guarantee scheme allows banks to swap high quality securities for UK treasury bills to assist in liquidity
- 1.6 The above amendment to the investment strategy has been developed in consultation with our treasury advisers who already include all the banks covered by the above change on their suggested counterparty list.

2 The Council's Capital Position (Prudential Indicators)

2.1 HRA Reform

- 2.1.1 The proposed reform of the HRA subsidy arrangements are expected to take place on 28 March 2012. This will involve the Council paying funds to the CLG which will remove the Council from the HRA subsidy system. This will impact on both the capital structure of the Council (as the HRA Capital

Financing Requirement will rise by the size of the CLG payment), and the treasury management service will need to consider the funding implications for the borrowing. The Council's prudential indicators shown below highlight the position in relation to the original position, and the expected impact of the HRA reform payment is incorporated in the recommended prudential indicator changes in section 4. The new HRA Capital Financing Requirement will form a cap on any future HRA capital expenditure.

2.2 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR) and the Operational Boundary

2.2.1 The table shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

| | 2011/12 Original Estimate £'000 | Impact of HRA Reform £'000 | 2011/12 Revised Estimate £m |
|---|--|---|--|
| Prudential Indicator – Capital Financing Requirement | | | |
| CFR – non housing | £41,288 | £0 | £41,288 |
| CFR – housing | £17,469 | £178,000 | £195,469 |
| Total CFR | £58,757 | £178,000 | £236,757 |
| Prudential Indicator – Operational Boundary | | | |
| Borrowing | £75,000 | £200,000 | £275,000 |
| Other long term liabilities* | £2,000 | £0 | £2,000 |
| Total debt 31 March | £77,000 | £44,986 | £277,000 |

2.3 Limits to Borrowing Activity

2.3.1 The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2011/12 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

| | 2011/12 Original Estimate £'000 | Current Position £'000 | 2011/12 Revised Estimate £'000 |
|------------------------|--|---------------------------------------|---|
| Gross borrowing | £44,986 | £44,986 | £222,986 |
| CFR(year end position) | £58,757 | £58,757 | £236,757 |

2.3.2 The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

2.3.3 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

| Authorised limit for external debt | 2011/12 Original Indicator | Impact of HRA Reform £'000 | 2011/12 Revised Indicator |
|------------------------------------|----------------------------|-------------------------------|---------------------------|
| Borrowing | £95,000 | £200,000 | £295,000 |
| Other long term liabilities* | £2,000 | £0 | £2,000 |
| Total | £97,000 | £200,000 | £297,000 |

3 Investment Portfolio 2010/11

3.1 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The continuing Euro zone sovereign debt crisis, and its potential impact on banks, prompts a low risk and short term strategy. Given this risk averse environment, investment returns are likely to remain low.

3.2 The Council held £83.9m of investments as at 30 September 2011 (£81.9m at 31 March 2011) and the investment portfolio yield for the first six months of the year is 1.35% against a budgeted rate of return of 1.06%

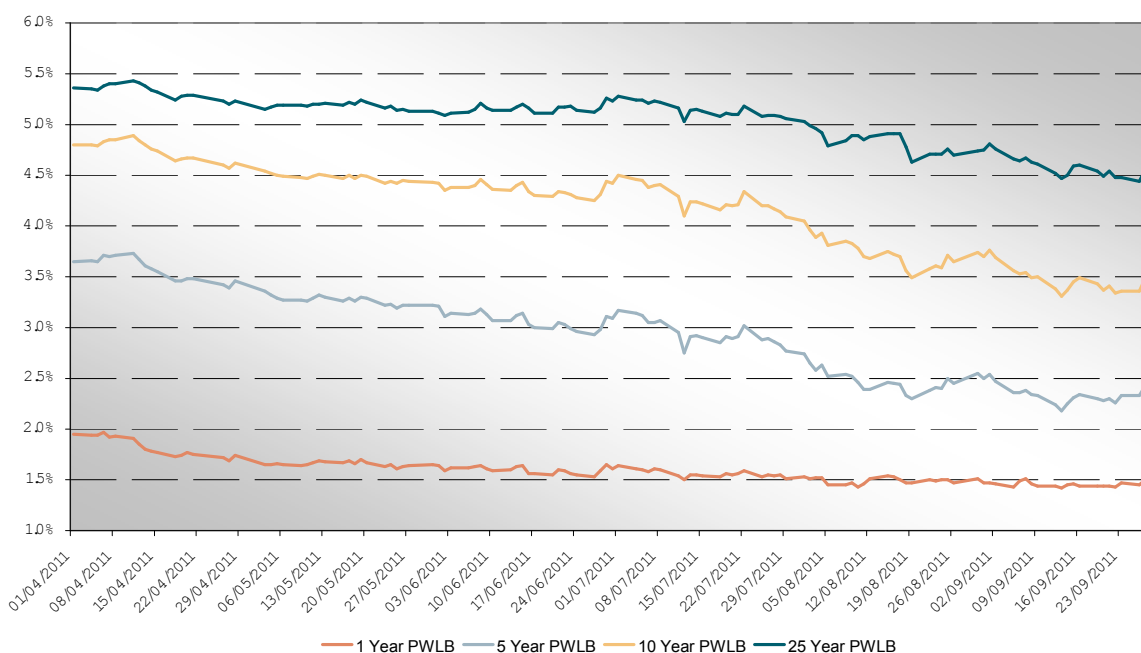
3.3 The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2011/12.

3.4 The Council's budgeted investment return for 2011/12 is £853k, and performance for the year to date is £188k above budget.

4 New External Borrowing:

- 4.1 The Council's capital financing requirement (CFR) – *excluding HRA Reform* for 2011/12 is £58.7m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. Table 2.3 shows the Council has borrowings of £44.9m and has utilised £13.8m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate.
- 4.2 Due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement - CFR), there has been no new external borrowing undertaken.
- 4.3 It is anticipated that new borrowing will not be undertaken during this financial year excluding any implications of the HRA reform.
- 4.4 The treasury service is currently analysing the options for the implications of the HRA reform impact. As the CLG will require payment on the 28 March 2012 of around £178m, a mix of loans and available cash resources will be used to pay this amount to ensure the overall position of the Council is safeguarded and the HRA and non-HRA are not disadvantaged.
- 4.5 The graph and table below show the movement in PWLB rates for the first six months of the year and provide benchmarking data showing high and low points etc:

PW LB Rates 2011-12



5 Debt Rescheduling

- 5.1 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling was undertaken during the first six months of 2011/12.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications from this report.

Legal implications and risks:

There are no apparent legal implications or risks from this report

Human Resources implications and risks:

There are no HR implications from this report

Equalities implications and risks:

There are no Equalities implications arising from this report

BACKGROUND PAPERS

- 1 CIPFA Prudential Code
- 2 CIPFA Treasury Management Code of Practice
- 3 Treasury Management Strategy Statement and Annual Investment Strategy



CABINET

26 October 2011

REPORT

| | |
|---|--|
| Subject Heading: | The Reform of Council Housing Finance (Implementation) |
| Cabinet Member: | Councillor Lesley Kelly |
| CMT Lead: | Cynthia Griffin |
| Report Author and contact details: | Sue Witherspoon Head of Housing and Public Protection Sue.witherspoon@havering.gov.uk 01708 433747 |
| Policy context: | Reform of Council Housing Finance – Implementation and Planning the Transition |
| Financial summary: | These decisions primarily relate to the preparation for Housing Revenue Account, HRA, Self Financing. The financial consequences at this stage cannot be finalised until further government announcements, although it is clear that the Council’s HRA will need to borrow a substantial amount to make a payment to “buy itself” out of the subsidy system. |
| Is this a Key Decision? | Yes |
| Is this a Strategic Decision? | Yes |
| When should this matter be reviewed? | When the Government makes a further announcement – January 2012 |
| Reviewing OSC: | Towns and Communities |

The subject matter of this report deals with the following Council Objectives

| | |
|---|-------------------------------------|
| Ensuring a clean, safe and green borough | <input type="checkbox"/> |
| Championing education and learning for all | <input type="checkbox"/> |
| Providing economic, social and cultural activity in thriving towns and villages | <input checked="" type="checkbox"/> |
| Valuing and enhancing the lives of our residents | <input checked="" type="checkbox"/> |
| Delivering high customer satisfaction and a stable council tax | <input type="checkbox"/> |

SUMMARY

This report presents information about the current Housing Revenue Account Subsidy system, and the proposals that are due to be implemented in April 2012 to reform the Housing Revenue Account system. It shows how the proposed new system is currently projected to require Havering Council to take on estimated additional housing debt of £160m, which will mean that the Council's total housing debt will be £203m. These estimates are subject to changes before the final figures are known in January 2012. The Council will have to manage this debt and deliver a decent level of stock investment over a 30 year HRA Business Plan. The initial baseline HRA Business Plan model shows that this is achievable as long as the Decent Homes funding allocated in February 2011 remains in place.

This report proposes that there should be an annual review of the HRA Business Plan figures in order to ensure that the assumptions about expenditure, income and the repayment of debt are sound and have no adverse impact on Council tenants or Council Tax payers.

RECOMMENDATIONS

1. That Cabinet notes the changes in the Reform of Council Housing proposals that have occurred since the subject was last considered in June 2010.
2. That Cabinet approves the baseline HRA Business Plan model – included in Appendix 2 of this report – for the management of the Council Housing stock over the next 30 years, and the assumptions which are included in it.
3. That Cabinet notes that the Council's Treasury Strategy will be reviewed, and that there is a report to this end, elsewhere on this Agenda.
4. That Cabinet commits to carrying out an annual review of the HRA Business Plan, in order to ensure that the objectives of maintaining the condition of the Council's housing stock and meeting the Council's financial obligations are fulfilled.
5. That Cabinet approves the application of a 'mortgageable' standard for its stock in addition to the Decent Homes standard for the purposes of HRA business planning.
6. That Cabinet commits to review, no less frequently than annually, which, if any, of the Council's housing stock investment pressures should be met from additional borrowing up to the maximum borrowing cap.

7. That should the number of sales of council homes under the Right to Buy rise above the 13 assumed in the baseline HRA Business Plan model, the policy of not applying Right to Buy receipts to pay off the debt associated with those properties will be reviewed.
8. That Cabinet agrees to refer the baseline HRA Business Plan model to full Council for approval.

REPORT DETAIL

1 The current Housing Revenue Account Subsidy system

- 1.1 Every local authority that owns housing is obliged to maintain a Housing Revenue Account (HRA). The account is “ring fenced” in that all income from and expenditure on the management of a council’s housing stock is held within the account, and local authorities are not permitted to subsidise the account from contributions from the General Fund, and nor are councils allowed to subsidise the General Fund by contributions from the HRA. The main items of income and expenditure on the HRA are:

Income

Rents and service charges from tenants
Income from council owned shops on estates
Interest on council mortgages
Interest on balances

Expenditure

Management and maintenance costs
Provision for bad debt
Interest on loans

The Government currently operates a notional account to calculate housing subsidy using a number of formulae. If the Government’s calculated income for a particular local authority exceeds its calculated expenditure, then the authority is obliged to pay subsidy to the Government. Conversely, if a local authority’s calculated expenditure exceeds its calculated income, then it would receive subsidy from Government. What largely determines whether a local authority receives or is paid subsidy is the interest on its loans. Therefore, local authorities with large historic debt were more likely to receive subsidy than local authorities with low levels of housing debt. In 2009/10, the latest available data, 128 councils paid a total of £695m into the national HRA subsidy system. This left 50 councils in receipt of subsidy payments of £596m leaving a net surplus in the system of around £100m. Notably, only five councils accounted for 40% of the money taken out of the system; LB Southwark and LB Islington received around £130m between them.

An additional complication to the system is caused by the fact that the costs that the Government uses to determine whether a local authority receives or pays subsidy are not real costs, but notional costs which the Government uses to decide what the local authority ought, in its view, to be spending on its core activities.

In past years, at a national level, the subsidy payments in and out have balanced off at a national level. Thus, the national HRA was in effect ring-fenced for housing purposes. Since 2008/9, however, the overall national pot has been in surplus, with the national surplus being taken by Central Government to spend on other programmes. A campaign against this system has been in operation for a number of years, on the basis that this system has in effect, become a “tax on tenants”.

The estimated surplus for 2011/12 is £600m; this is increasing every year that the system continues to run in its present form. If the current system continues the total contribution will be £17bn over the next 30 years.

2. Problems with the Housing Subsidy system

2.1 The current system of Housing Subsidy has been heavily criticised by a range of reports, ranging back to an Audit Commission report in 2005. This has led to a number of reviews, including an 18 month pilot to establish whether an alternative system could be provided.

2.2 The main criticisms of the current system are:

- it is an opaque system, which is understood by very few
- it removes control and accountability from local authorities, making it a national system locally administered, rather than one on which local authorities make real decisions in response to local conditions and preferences
- it removes local decision making, so that tenants have virtually no influence over the efficiency or decisions of their landlord
- it has been proven that certain key elements, such as management and maintenance allowances, are under funded
- key decisions, such as subsidy levels and rent levels, are decided on an annual basis by Central Government and this removes local authorities’ ability to make proper local term asset management decisions.

2.3 The problems with the current system were acknowledged by the previous Government. A Consultation Paper was issued last year, which invited local authorities to indicate whether they would prefer to continue with the existing system, make minor tweaks to the system, or move to a new alternative system of “Self Financing” which would enable local authorities to plan and

manage their housing stock over a 30 year cycle. The overwhelming response was that local authorities would prefer to move to a new system, although the major concern was how historic debt would be re-distributed.

- 2.4 The current Government has issued firmer implementation papers, including the Implementation Paper in February 2011, and "Self Financing: Planning the Transition" in July 2011.

3. The Proposals

- 3.1 The Government is implementing a scheme which will bring the Housing Subsidy system to an end in April 2012. The enabling legislation is included within the Localism Bill, which is due to pass into law in December 2011. What is proposed in effect is that local authorities would get the independence and responsibility for the management of their housing stock that they are seeking, but this would be in return for a "payment" which represents the redistribution of the national housing debt in the form of a one off payment to or from Central Government. For Havering Council, this would be a payment to the Government given that the Council is already in negative subsidy, that is, it pays into the national HRA subsidy each year under the current arrangements. The national balance of these individual payments for and to housing authorities represents some part of the future surpluses that the Government had anticipated it would have received had the system continued in its present form.
- 3.2 The overall national deal is to allocate £27bn of debt between the approximately 178 local authorities remaining within the Housing Subsidy system. (The exact number of local authorities in the system continues to fall, as some are currently balloting their tenants on possible Stock Transfers.) In total, £21.5bn of this is the national housing debt; £2bn is the value of PFI credits; £3.6bn is the Government's "price" to give local authorities that freedom. The deal does include however, uplifted allowances of management and maintenance expenses, which the Government acknowledges are currently under funded.
- 3.3 The figure that each local authority has been given is the level of national debt that they are being asked to take on. In effect, this is the net present value of future subsidy payments using the increased allowances and presenting it as a sum in present day values (Net Present Value or NPV) by applying a discount factor. A discount factor of 6.5% has been applied to this calculation, which is similar to that applied to the value of stock transfers. This gives one value to the business.
- 3.4 The Government has re-iterated its commitment to completing the Decent Homes Programme through a regime of capital grants, although the original proposals for funding the Decent Homes Programme have been radically reduced. The Consultation paper issued in November 2010, made a number of significant changes to the Decent Homes Programme. This included the requirement for all local authorities to fund the last 10% of non-decency

themselves. The level of funding was reduced. Also, the requirement that authorities had to have an Arm's Length Management Organisation to receive additional Decent Homes monies was removed.

- 3.5 The proposals do limit the level of borrowing each local authority can take on, by setting a limit of indebtedness. Clearly the Government does not want local authorities embarking on significant borrowing, which would compromise the over-riding Government priority to reduce the national debt. It is also proposed that rents will remain under Government control, through the rent restructuring formula. It is proposed that rents will converge at target rents by 2015/16 and rise by RPI + 0.5% thereafter. It appears that the caps and limits regime also remains in place for this year. Currently this compensates local authorities where they cannot recover the full level of rent increase because of the limit on a rent increase in any one year. Under self financing this compensation will not be payable, however, but has been taken into account in calculating the debt settlement figure.
- 3.6 Management and maintenance allowances are increased in the proposal and for Havering, this increase amounts to 5.2% for management and maintenance allowances and 29.5% for our Major Repairs Allowance, MRA. The average increase for all authorities is 5.7% for management and maintenance and 30.2% for Major Repairs Allowance. The purpose of the MRA is to maintain stock at a Decent level, once backlog repairs have been carried out. The average MRA in Havering is around £1,127 per property per year; and this equates to around £33,870 per unit over a 30 year life. This is not far from the industry estimate of the cost of maintaining property.
- 3.7 Currently 75% of RTB receipts are "pooled" back to Central Government. As part of the initial discussion paper on self-financing, the Government had proposed that local authorities could retain 100% of their RTB receipts. However, this proposal has been withdrawn and the Government has adjusted the debt settlement to reflect the fact that RTB receipts will continue to be pooled. Within the last few weeks, the Government has announced its intention to amend RTB discounts nationally to make the scheme more attractive to tenants. It not yet clear how, if at all, any impact of these changes will be reflected in the opening debt settlement. The situation will be kept under review by officers and reported to members should the impact be material to the HRA Business Plan.
- 3.8 One factor that should be noted in the new self financing regime is that in effect the local authority will be paying for "real" debt within the HRA Business Plan. If a property is sold, and the debt associated with that property is not paid off, then that debt remains to be serviced by a reduced number of properties. This would not necessarily be significant for a small number of properties, but should a small scale stock transfer (say, like the Mardyke Estate) take place, then the debt associated with the properties sold, should be paid off, or the level of debt attributed to the HRA Business Plan may at some stage become unmanageable. What this means in practice is that there would need to be a proper option appraisal in place to

support any decision to make voluntary disposals. This would need to take into account (a) the investment requirement for that particular property, which would no longer be required, (b) the loss of rental income, and also (c) the debt associated with the property, which would need to be paid off or maintained. There may be some cases where the debt associated with the property might exceed its value. Under the current system, the debt was not a significant factor because the interest costs were covered by the Government within the Housing Subsidy formula. Under the Self Financing regime, the debt is a real debt on the Council's books and we would be obliged either to pay it off, or pay the interest on it from resources within the HRA Business Plan.

- 3.9 It is proposed that the Tenants Services Authority (TSA) will regulate both the HRA Business Plans of local authorities, as well as the rent regime. It is proposed that there should be a separate HRA balance sheet, which will show, on an annual basis, the assets and long term debt liabilities. The TSA will become part of the Homes and Communities Agency on 1 April 2012 but the regulation functions remain.
- 3.10 Currently, all local authority debt is "pooled" across all the activities of the Council. There is a consolidated rate of interest (CRI) across all loans, which is shared between the HRA and the General Fund. There will be a requirement for Havering Council to take on an additional level of debt, and it is therefore possible that the debt could be split between the different activities. This gives the opportunity of attributing a different level of interest rate across the HRA and the General Fund. The CIPFA Guidance indicates that the way in which the debt should be split should be equitable between the two activities.
- 3.11 The Council is currently taking advice on the proposals to split the debt, and the best way that this debt and its interest costs should be attributed between the HRA and General Fund.
- 3.12 The HRA has been ring fenced since 1989, and the guidance on the ring fence is sometimes not always clear. There has been no change to the proposals for the ring fence, and local authorities are obliged to ensure that appropriate activities are funded from the HRA and that no subsidy between the HRA and General Fund is permitted.
- 3.13 The Government is acutely aware that the movement of some £20bn of debt between local authorities and Central Government will be a significant transaction, and may cause many local authorities, the Public Works Loan Board (PWLB) and the market some difficulties. Some changes have therefore been put in place to assist the process:
- the PWLB has put in place an online application arrangement
 - the PWLB is making available short term loans of 12 months with variable rates, which can be paid back without significant penalties – in effect, the PWLB can provide bridging loans for local authorities

who want to take more time to consider their market options; this arrangement is only available for the payment of self financing debt

- there has been a recent announcement by the Treasury that the interest charged on PWLB loans, for the purpose of discharging a local authority's obligations under Self Financing, will be reduced by 1% on the rate announced last October. This makes longer term loans from the PWLB attractive again
- the Government is putting in place powers to charge interest to those local authorities who do not pay their debt contribution on 28 March 2012.

4. The Baseline HRA Business Plan Model

4.1 The first set of financial models that have been constructed look at what would happen if the current system continued in the present form. This would result in a very difficult position for the Council over the forthcoming years. The stock investment work that is required would never be completed; the level of housing debt would never be paid off, and the HRA would quickly go into deficit and end up at a negative figure of minus £50m by Year 30 if no action was taken to drastically reduce costs. This is illustrated at Appendix 1.

4.2 Under the Self Financing regime, there is a better future in prospect, although of course there are risks associated with this regime that need to be taken into account. A **baseline HRA Business Plan model** has been drawn up. It should be noted that given that the final debt figures are yet to be released by the Government, the work to date should be considered a baseline model, rather than a finalised opening HRA Business Plan. Housing, Homes in Havering and Finance officers have worked together to establish a series of prudent assumptions for baseline HRA Business Plan model, which are as follows:

- RPI at 2.5% through the life of the plan
- financing costs at 6.0% through the life of the plan
- 13 properties sold through the Right to Buy each year throughout the life of the HRA Business Plan (which is the current level of disposals)
- the stock investment requirement is that identified in the Stock Condition Survey (which is more than is required under Decent Homes, though not beyond a 'mortgageable' level for the properties)
- balances in the HRA need to be maintained at a minimum provision of £2m
- Right to Buy receipts are not used for housing purposes up to the level of anticipated sales
- Decent Homes funding is provided by the Government as allocated in February 2011 (£62.7m over four years)
- voids level at 1.4% and bad debt at 0.76%
- opening number of properties 9,959, with an average rent of £74.92

- opening debt of £203.097m (net additional debt of £160.342m). It should be noted that should the new RPI rate of 4.5% would increase the total debt figure by £6.5m.

- 4.3 The baseline HRA Business Plan model is illustrated at Appendix 2. Under the model, balances can be maintained at the minimum required level, whilst the work is carried out. The baseline HRA Business Plan model shows that the backlog of work is completed in Year 12, and thereafter the balances begin to rise which enables the Council to pay of its debt by Year 24, if it chooses to do so. It should be noted that completing all the backlog of stock investment within 12 years, may not be readily acceptable to tenants, however, it should be noted that decent homes investment will be completed by year 8 at the latest. As stated in paragraph 3.4, the Government requires that for councils with non-decent stock, the HRA Business Plan must deliver the last 10% of non-decency through its own resources. Also, there is the added pressure of newly arising non-decency. That said, through prioritisation of decency above other investment, decency could be delivered before year 8 if desirable.
- 4.4 A number of alternative assumptions and scenarios have been applied to the baseline HRA Business Plan model so as to test the impact of a range of actions and approaches to planning for the housing stock over a 30 year HRA Business Plan. The scenarios are set out below in Table 1, and the summary of the impact is shown in Table 2. All assumptions are as set out above at Paragraph 4.2, apart from those specifically varied under each scenario.
- 4.5 There are in fact an infinite number of alternative scenarios that could be examined, and it is likely that over time as the HRA Business Plan is reviewed and tested, a mix of factors will pertain. For example, in the examples in the table, it is assumed that either no or all the RTB receipts are applied to Housing, but it is of course possible to apply different proportions in the HRA Business Plan and assess the impact.



| SCENARIO | | HRA Surplus Point (>£2m) Year | SCS Investment Backlog cleared Year | Debt Free Point Year |
|--|--|-------------------------------|-------------------------------------|----------------------|
| | Baseline HRA Business Plan model | 24 | 12 | 24 |
| Variants to the baseline HRA Business Plan model | | | | |
| 1 | RPI = 4% rather than 2.5% | 21 | 11 | 21 |
| 2 | Inflation on capital 1% > RPI | 28 | 16 | 28 |
| 3 | Inflation on capital 2% > RPI for first 10 years | 29 | 20 | 29 |
| 4 | Interest Rate 7% compared with current assumption of 6% | 27 | 17 | 26 |
| 5 | RTB sales rise to 50 instead of 13 per annum | 27 | 14 | 27 |
| 6 | Right to Buy receipts are applied to the HRA Business Plan | 24 | 11 | 23 |
| 7 | No real ½% inflation on rents | 30 | 18 | 30 |
| 8 | Reduce level of investment to minimum Decent Homes Level | 20 | 8 | 20 |
| 9 | Debt settlement figure £6.25m higher (possible 2012/13 settlement figure) | 25 | 13 | 25 |
| 10 | No real ½% inflation on rents Interest Rate 7% compared with 6% | 30+ | 26 | 30+ |
| 11 | No real ½% inflation on rents Interest Rate 7% compared with 6% Invest Decent Homes Level | 30+ | 23 | 30+ |
| 12 | No real ½% inflation on rents Inflation on capital 1% > RPI | 30+ | 27 | 30+ |
| 13 | Interest Rate 7% compared with 6% Inflation on capital 1% > RPI | 30 | 23 | 30 |
| 14 | Interest Rate 7% compared with 6% Inflation on capital 1% > RPI; Invest Decent Homes Level | 29 | 21 | 29 |

- 4.6 The scenario testing when applied to the baseline HRA Business Plan model and displayed in the above table indicates that the most significant factors that make a difference to the HRA Business Plan are:
- the level of financing costs, and whether it rises significantly above 6%
 - the level of investment carried out, and
 - capital inflation.
- 4.7 It then becomes a question in planning the way forward, how long it is considered acceptable for tenants to have the work programme completed; and what level of stock investment is acceptable.
- 4.8 There are clearly some major risks associated with this HRA Business Plan. For example, it is clear that one of the risks that cause major difficulties is a long and consistent period of high capital inflation. Should this occur, then it would be necessary for the Council to take action to mitigate the risk. This might be either to cut the investment programme for a period, or to inject some additional resources, such as capital receipts.
- 4.9 A second risk is the risk of interest rates rising. This is clearly a risk that is quite likely to occur, and the action that might be available to mitigate this risk, is to adopt a range of borrowing tactics, including some long term fixed rate borrowing, to introduce a level of certainty in the HRA Business Planning. What will be different in the future, under a HRA Business Plan, is that the Council will be adopting real business planning, managing these risks pro-actively and making real decisions about rents, investment, borrowing and payment of debt. The Council has appointed financial advisors, Sector Housing Services, to carry out the initial assistance in preparing for Self Financing, but regular ongoing advice will need to be tendered in order to establish a regular review of the HRA Business Plan.

5. Disposals and demolitions

- 5.1 One of the key factors influencing the level of debt that the Council will be obliged to take on is the number of properties that we have; the fewer the properties, the lower the level of debt the Government calculates that the HRA Business Plan can support. The guidance regarding the opening debt settlement allows the Council to disregard from its opening stock level any properties it plans to demolish before March 2017, so long as the Council has resolved to demolish the properties and has consulted all the tenants involved and this has been verified by the Council external auditors by no later than 10 October 2011. These requirements have been met and so the necessary audit sign off of all planned demolitions has been granted. Therefore, the Council can be sure that the benefit of its current demolition plans will be reflected in its opening debt settlement. The opening number of housing dwellings within the HRA Business Plan will be around 9,959.
- 5.2 If and when, in the future, the Council wishes to consider any proposals for disposal / demolition, it remains an option for the Council to manage its stock actively, and make future disposals and/or demolitions if it chooses to do so. However, the calculation of the financial effect on the HRA Business Plan needs to include consideration of the impact of the loss of income (and loss of repairing and investment responsibilities) of each disposal, and a decision will need to be made in relation to that impact at that point in the lifetime of the HRA Business Plan.

6. Stock Investment level

- 6.1 The Council has an obligation as a landlord to maintain its properties. In addition there is a Government target to eliminate the backlog of investment in social housing, and achieve the Decent Homes standard. This obligation has been funded through the Backlog Funding scheme, and Havering Council is due to receive a total of £62.7m over the four years 2011/12 to 2014/15 to complete 90% of our Decent Homes work.
- 6.2 The Decent Homes Standard however, does not include a number of significant items that would maintain our housing stock at a mortgageable standard. These include, for example, lift repairs and environmental works. The level of investment included in the baseline HRA Business Plan model therefore includes those essential works that would achieve this higher level of stock quality. This level is achievable within the current baseline HRA Business Plan model. An alternative scenario which would see completion of the minimum Decent Homes Standard is included as Scenario 8 in the table under paragraph 4.5 above. This shows that should this lower level of investment be carried out, then the work would be completed by Year 8 and the debt be paid off by Year 20.
- 6.3 The level of investment that has been included in the baseline HRA Business Plan model is therefore Decent Homes as a base *plus* additional

works that would ensure that the property is mortgageable. This means that the property maintains in effect its market value, and can be bought and sold as required. For example, our properties that are system built properties under certain designated non traditional methods used immediately after the war cannot be sold on the open market, as there are no lenders willing to provide mortgage funds to buy them. The work that is included in the stock investment programme will bring them up to a standard that will enable them to be sold on the open market. Should we fail to maintain a programme of maintenance of our stock, we would be obliged to set aside greater sums to provide for depreciation of our assets.

- 6.4 It is recognised that there is difference between the level of borrowing the Council needs to take on to make the payment to the Government under the opening debt settlement, and the cap on the maximum amount the Government would allow the Council to borrow for self-financing purposes. This is commonly referred to as the 'headroom' within the self-financing regime. It should be noted that the Government has set this upper limit for Havering at an estimated £27m above the figure required to pay off the debt. In effect this means that the Council may, if it chooses to do so, borrow additional money, but only for the purposes of implementing Self Financing and investment in its housing.
- 6.5 At this stage, it is proposed that no additional borrowing should be undertaken as it is recognised that this headroom is not immediately required to bring the stock up to the Decent Homes and mortgageable standard within a reasonable timescale. It is also recognised, however, that there are considerable additional pressures for further housing stock investment that are likely to arise over the coming 30 years, which may also give rise to additional expenditure.
- 6.6 It is prudent to retain the need for additional housing investment funded from headroom borrowing under constant review. Maintaining the sustainability of the Council's stock and estates in coming years could require additional investment. For example, standards relating to fire risk mitigation, legionella, asbestos remediation, and electrical safety are constantly rising and so could lead to additional investment needs. Furthermore, there may be additional option work that tenants and members would wish to bring forward to improve the quality of the housing stock. Some works which are optional and not included in the current baseline HRA Business Plan model that may arise over the next 30 years include:

| Housing affected | Item |
|-------------------|--|
| Sheltered housing | Some sheltered housing does not have lifts, and as existing residents age, they have either to move, or their independence is restricted. It may be helpful to have a programme to install lifts |
| | As the resident population ages, it is helpful to change the balance between sheltered accommodation and extra care |

| | |
|---|---|
| | accommodation which enable a frailer group of residents to remain independent. More of these units can be converted to extra care, rather than independent sheltered accommodation |
| | Telecare equipment can be installed and upgraded within sheltered accommodation in order to maintain the independence of existing residents |
| Energy efficiency | The properties most difficult to insulate, are solid brick construction dwellings. A programme of external insulation to these properties will assist with the Council's commitment to energy efficiency |
| | Solar PV panels. Plans are advanced to start a programme to install Solar PV panels. This programme could be accelerated |
| Car Parking | There has been a programme to remove redundant garages across housing estates, but it has also left a legacy of some additional requirement for remodelling off street parking in order to accommodate increasing car ownership |
| Estate improvements | There are continuing problems with some communal areas on estates, which need estate improvements, play areas, gating of alleys, and improved paths and fencing |
| Provision of new accommodation, such as bungalows | There is a programme of assisting elderly tenants who are under occupying their homes, but who are reluctant to move the Council does not have accommodation of the quality that they would be willing to accept. A programme to provide some high quality one and two bed bungalows in locations which are acceptable may be a solution to this. |
| Other basic improvements | There are problems with the need to improve continuously sound insulation, fire prevention measures, communal areas such as lobbies and lift areas, shops and community centres |

6.6 Investment requirements in these, or other areas, need to be kept under review and it is prudent to retain the option to using the headroom borrowing to meet needs as they arise.

REASONS AND OPTIONS

The current system of Housing Revenue Account Subsidy is not fit for purpose. It currently re-distributes resources on an annual basis from local authorities who have little debt, to those who have accumulated a great deal of debt. The defects of the system have been known for a long time, and criticised in several reports since the Audit Commission Report of 2005. The current system does not allow for

local accountability, local decision making or local control of rents, investment or business planning.

Clearly as the proposed new system is being imposed through legislation, the London Borough of Havering has no option now but to adopt and adapt to the new system. Whilst the system brings independence and responsibility, it also brings significant risks to the management of the housing debt. This report proposes that there should be an annual review of the HRA Business Plan so that the accuracy of all the underlying assumptions can be tested; and appropriate adjustments made in order to fulfil the twin objectives, of bringing the council housing stock up to a decent standard, as well as ensuring that the income, expenditure and debt are all managed in a prudent manner.

The Council could decide to borrow up to the borrowing gap at the outset, however, this option is not being followed with, instead, the case for using the additional borrowing facility to meet some of the Council's other housing investment pressures being kept under constant review.

IMPLICATIONS AND RISKS

7.1 Financial implications and risks:

- These proposals are not optional. Under self financing, those Councils, such as Havering, paying substantial HRA net surpluses to the Exchequer will legally be required to "buy themselves out" of this liability, based broadly on the net value of the rental income streams. That payment will mean having to take on additional debt currently estimated at £160m, though this figure will change, for example as stock details are finalised.
- While the settlement can be viewed as positive, in that it will increase assumed allowances for management and maintenance (Para 3.6.), there will be concern should the years 3 and 4 Decent Homes funding be reduced from the current indicative government allocation. The Council's previous favourable response to the proposals was predicated on receiving the full amount of Decent Homes funding.
- As explained in the report, the settlement will give the HRA the prospect of long term business planning, not being subject to the vagaries of the annual subsidy settlement - for example the recent 2008/09 £4m loss incurred by Havering Council. However, as also explained, there are risks to be managed, and this is reflected in Recommendation 4 - the need for annual review.

- A key decision will be the standard to which homes will be maintained, drawing a balance between the desire to invest in tenants' homes, and that of for example repaying debt, or building new supply.
- Due to the scale of new debt being taken on, the Council's Treasury Strategy will require review, and a report on this matter is elsewhere on this agenda..

7.2 Legal implications and risks:

The Council is likely to have no choice but to implement these proposals, when the Localism Bill is enacted. The management of the debt will inherently involve risks because of the current fiscal climate

Management of the debt will need to be closely monitored and controlled, both in terms of maintaining required repayments, and the effect it may have on the duties the Council will be expected to continue to perform.

7.3 Human Resources implications and risks:

There are no direct HR implications arising as a result of this report. There will be a requirement to manage the budget of the Housing Revenue Account actively, and should there be financial pressures then this may have implications for staffing. However it is anticipated that this would need to be considered and approved in the usual way, through reports to Cabinet.

7.4 Equalities implications and risks:

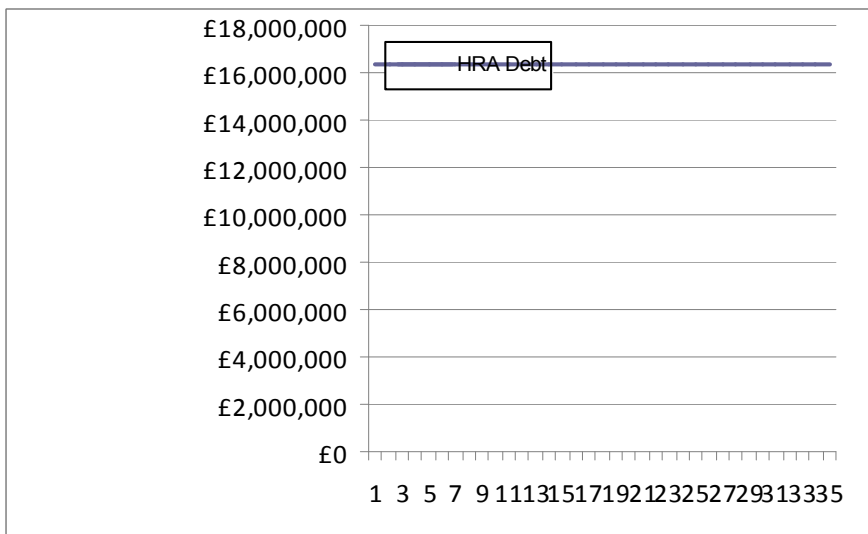
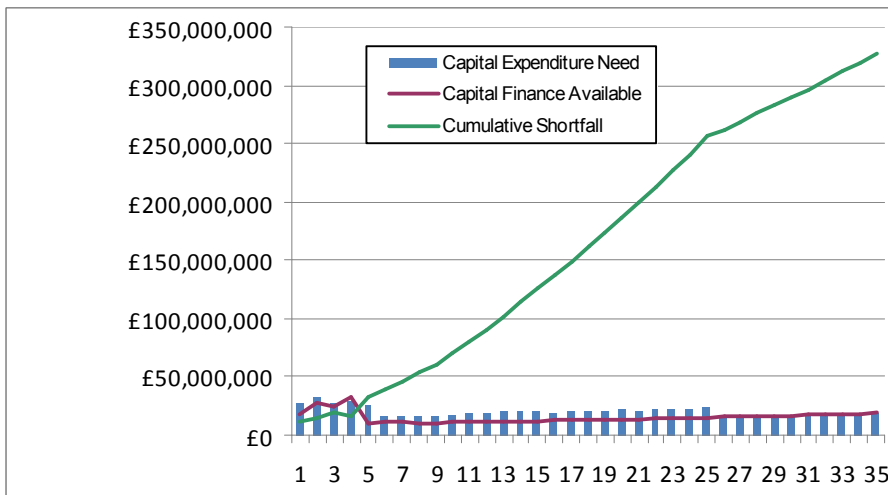
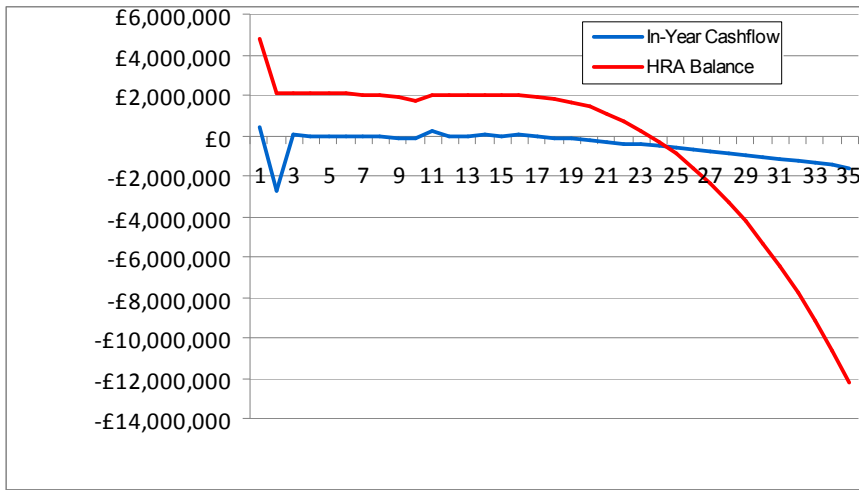
- The current baseline HRA Business Plan model includes adequate resources for the provision of aids and adaptations for disabled tenants.
- The current HRA Business Plan model provides for the provision of the current level of housing management service. Should the HRA Business Plan become under serious financial pressures in the future, which are identified in Table 1, then there would need to be savings in the housing management service, which may have implications for equalities. Any changes to the quality of the housing management service would be reported in the usual way, and an Equalities Impact Assessment carried out.

BACKGROUND PAPERS

Self Financing: Planning the Transition: issued by the Communities and Local Government Department, July 2011

The Housing Revenue Account and Self Financing Determinations: issued by the Communities and Local Government Department, July 2011

Appendix 1 – HRA projection under the existing HRA subsidy system



Appendix 2 – Baseline HRA Business Plan model

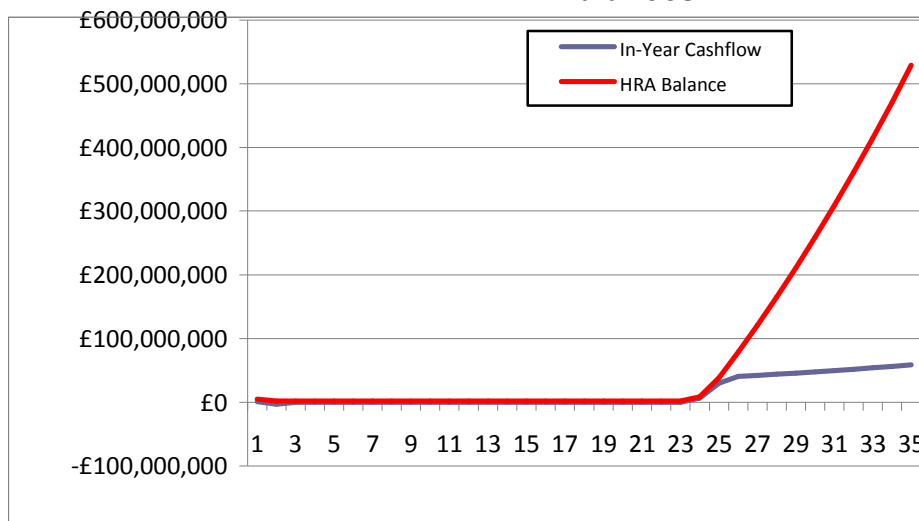
Assumptions

- RPI at 2.5% through the life of the plan.
- Financing costs at 6.0% through the life of the plan.
- 13 properties sold through the Right to Buy each year throughout the life of the HRA Business Plan (which is the current level of disposals).
- The stock investment requirement is that identified in the Stock Condition Survey (which is more than is required under Decent Homes, though not beyond a 'mortgageable' level for the properties).
- Balances in the HRA need to be maintained at a minimum provision of £2m.
- Right to Buy receipts are not used for housing purposes up to the level of anticipated sales
- Decent Homes funding is provided by the Government as allocated in February 2011 (£62.7m over four years)
- Voids level at 1.4% and bad debt at 0.76%.
- Opening number of properties 9,959, with an average rent of £74.92.
- Opening debt of £203.097m (net additional debt of £160,342m). It should be noted that should the new RPI rate of 4.5% would increase the total debt figure by £6.5m.

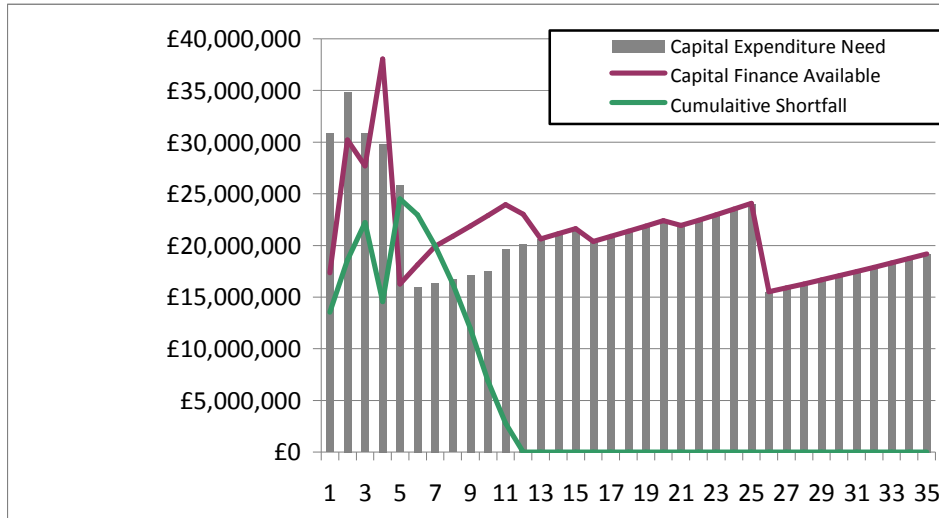
Summary of Outcomes

- HRA surplus point (>£2m) achieved in year 24 of the 30 year plan.
- Stock Condition Survey investment backlog cleared in year 12.
- Debt free point achieved in year 24.

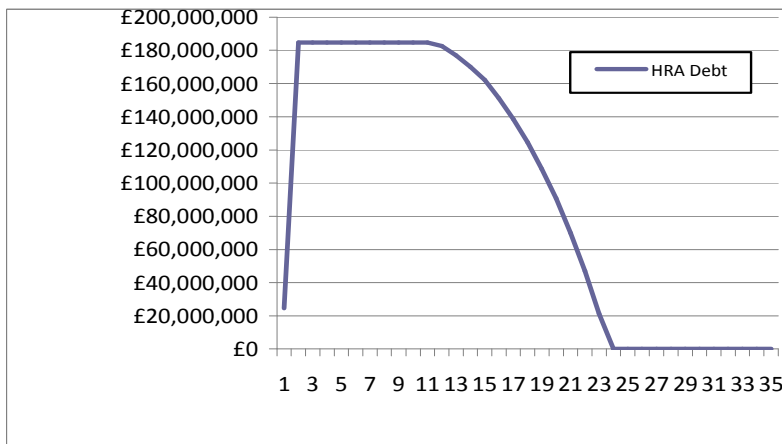
HRA Balances



Investment profile



Debt profile



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CABINET

26 October 2011

REPORT

| | |
|---|--|
| Subject Heading: | Arrangement for the Provision of Domiciliary Care to Adults |
| Cabinet Member: | Cllr Steven Kelly |
| CMT Lead: | Andrew Ireland |
| Report Author and contact details: | Tom O'vens |
| Policy context: | Adult Social Care |
| Financial summary: | To commission domiciliary care provision for the residents of Havering, with an approximate value of £46m over 5 years, to be funded by Adult Social care revenue budgets. |
| Is this a Key Decision? | Yes |
| Is this a Strategic Decision? | Yes |
| When should this matter be reviewed? | Not Applicable |
| Reviewing OSC: | Individuals |

The subject matter of this report deals with the following Council Objectives

| | |
|---|-------------------------------------|
| Ensuring a clean, safe and green borough | <input type="checkbox"/> |
| Championing education and learning for all | <input type="checkbox"/> |
| Providing economic, social and cultural activity in thriving towns and villages | <input type="checkbox"/> |
| Valuing and enhancing the lives of our residents | <input checked="" type="checkbox"/> |
| Delivering high customer satisfaction and a stable council tax | <input checked="" type="checkbox"/> |

SUMMARY

This report provides Members with an overview of the current arrangements for the provision of domiciliary care services to the residents of Havering and describes proposals to extend the existing delivery for a fixed period, to allow time to procure new arrangements for the provision of the service.

The new Framework Agreement will support the delivery of the emerging personalisation agenda within Adult Social Care and offer greater control over the resources used to provide care.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Approve the extension of the current block domiciliary care contract until 30th September 2012, in order to allow time for a formal tendering process to take place.
2. Approve the invitation and evaluation of tenders for the provision of domiciliary care services to Adults under a Framework Agreement with the Council.

REPORT DETAIL

Current Arrangements

1. The Council has a duty under the NHS and Community Care Act 1990 to provide domiciliary care services to meet the assessed needs of older or physically disabled people.
2. The provision of domiciliary care optimises independent living for adults in need and reduces the incidence of hospital and residential care admissions.
3. Demand for domiciliary care is anticipated to increase, in part reflecting Government initiatives to promote independent living and driven by the demographic trend towards an ageing population and the social trend towards older people wanting to remain in their own homes.

4. The current provision of domiciliary care services costs approximately £9 million (rounded) per annum and equates to 720,000 hours of domiciliary provision annually. The current services are commissioned via an approved list of 10 independent/voluntary sector service providers alongside a range of spot purchase agreements to meet specialist needs.
5. The existing block contract for the provision of domiciliary care is due to expire in the third quarter of 2011.

Extension of Current Arrangements

6. This report seeks authorisation from the Cabinet for an extension of the current domiciliary care contracts until 30th September 2012.
7. Section 22 of the Contract Procedure Rules states as follows:

'Extensions

Extensions to the duration of existing contracts are generally not permitted except where all of the conditions set out in column A below are met AND at least one of the conditions set out in column B is met:

| Column A ALL of these conditions must be met | Column B AT LEAST one of these conditions must be met |
|--|---|
| Value for money can be demonstrated | One of the exceptions set out in rule 27 below applies |
| The extension is for the same or a lesser value and period than the original contract | The possibility of an extension was included in the invitation to tender documents |
| For an extension with a value in excess of £5,000,000, there is a report to Cabinet For an extension with a value in excess of £156,000 and under - £5,000,000 approval of an individual Cabinet member is required | Where applicable, the Assistant Chief Executive Legal & Democratic Services confirms in writing that one of the permissible grounds for extension under European procurement rules applies' |

8. Value for money is achieved by continuing with the current arrangements, as this offers better rates and a more efficient process than ad hoc 'spot' purchasing.
9. The original 5 year contract value was approximately £49m; the value of the proposed extension is £9m.

10. Under column B in the table above, one of the exceptions set out in Contracts Procedure Rules 27, is '(f) Best Interest of Council'. The Council's best interests are served by this contract extension as the current providers were selected following a competitive tendering process; the additional time is needed for Council to procure new arrangements for the provision of the service.

Proposed new arrangements

11. It is proposed that the new framework agreement between the Council and successful providers will be for a period of three years to commence in the third quarter of 2012, with the option to extend for a further one year, subject to satisfactory performance.
12. It is envisaged that this new framework agreement will include at least an equal number of approved service providers to ensure choice for service recipients and to support economies of scale for those providers. The framework agreement will contain the agreed terms & conditions, including price. The anticipated total value of the new contract over five years is expected to be approximately £46m.
13. Under the framework agreement, the Council will not give any guarantees or obligations to procure any services from the framework members. However, where the Council does procure a service the terms, conditions and service specification as set out in the framework will apply. Individual care packages will be arranged or 'called off' from the framework according to the rules of the framework.

Procurement Process

14. Tendering for the new framework will be carried out in accordance with the Council's Contracts Procedure Rules. As this is a Part B service, the full provisions of the Public Contracts Regulations 2006 will not apply.
15. The Council will adopt a restricted tendering procedure, as a high level of interest from prospective bidders is expected. The contract opportunity will be advertised in *Community Care* in November/December 2011. This procurement will follow a two-stage competitive process. Organisations expressing an interest in being invited to tender will undergo an initial pre-qualification assessment. Only the most suitable applicants will be included on a shortlist for the second stage of the process, the invitation to tender.
16. The award criteria for this tender will be based on the 'most economically advantageous' tender, this being assessed by balancing quality against price to give best value for money.

17. The following officers are in the project team:

| | |
|--|-----------------|
| Assistant Director for Commissioning (project sponsor) | Joe Coogan |
| Manager for Modernisation (project manager) | Tom O'vens |
| Commissioning Officer (service project team) | Hilda Nevoh |
| Review & Development Officer (service project team) | Dave Mitchell |
| Strategic Commissioning Lead (Prevention) (service project team) | Jackie Phillips |
| Acting Senior Practitioner (service project team) | Lurleen Trumpet |
| Quality Manager (service project team) | Fiona Barnard |
| Project Development Officer (service project team) | Graham Oakley |
| Procurement Adviser | Tracy Christian |
| Strategic Business Partner (Finance) | Caroline May |
| Principal Locum Lawyer (Contracts) | Robin Bloom |

18. All current and prospective providers will be consulted and kept fully engaged with the tendering process, along with progress on implementation by way of regular meetings and updates; this will ensure that appropriate markets are available as need is identified.

Service improvement and best value considerations

19. The new contract will support the delivery of the emerging personalisation agenda within Adult Social Care, offering greater control over the resources used to provide care. In particular, this will offer an opportunity to develop a service specification for the new contract that is flexible, innovative and able to support delivery of the personalisation agenda.

20. The use of an electronic monitoring system will be a contractual obligation placed upon all suppliers as part of their approval for the provision of domiciliary care within the new framework agreement. This will ensure continued information collection and financial management of the services provided.

21. The proposed arrangements will cover the supply of domiciliary care where the Council pays the provider direct. They will also cover 'Direct Payment' situations, where an individual service user is provided with funds by the Council to buy their own domiciliary care. It is envisaged that the rates for both types of provision will be the same.

22. The new framework should ensure qualitative improvements and greater efficiencies in service delivery as a result of:

- Economies of scale;
- A competitive tendering process for appointment to the framework;
- Competition amongst framework members.

23. It should be noted that due to the nature of the service and its individual specific needs, there will on occasions be an ongoing requirement for the use of 'spot' purchasing of care arrangements outside of the proposed framework arrangement. However the service area will endeavour to minimise this need as best as possible.

24. When the new framework arrangements start, there may be packages of care being supplied by organisations which are not part of that new framework. To ensure continuity of care for individuals, it is not planned to migrate those packages of care to new framework providers unless value for money considerations or the needs of the individual service user require it. Rather, they may remain with the existing providers.

25. Packages of care which are being provided by existing providers, who subsequently become new framework members, will be subject to the terms and conditions set out in the new framework.

REASONS AND OPTIONS

Reasons for the decision:

1. To preserve the continued delivery of domiciliary care to adults in Havering.
2. To make arrangements for the delivery of that care from mid 2012 onwards.

Other options considered:

1. Do nothing. The current contract arrangements would come to an end and all future domiciliary care packages would need to be procured on an individual basis. This is not a practical option and would lead to a potential decrease in quality and value for money.
2. Attempting to extend the current contracts would only offer the Council a short-term solution. The current contracts do not acknowledge many of the legislative changes of the past five years, the introduction of technologies to better manage the domiciliary process and establish real efficiency savings or allow for the flexibility. All of the aforementioned are now seen as essential to deliver on the personalisation agenda.

3. The extension of the current contractual arrangements for a period of up to one year is seen as essential. No other option would ensure that the Council is in a position to engage in a meaningful tender process or enable the development of an innovative service specification that allows for outcome based commissioning and contracting that will deliver on the personalisation agenda.

IMPLICATIONS AND RISKS

Financial implications and risks:

The 2010/11 actual costs for the provision of domiciliary care services were in the region of £9.3m per annum, met from the Adult Social Care revenue budget. The new contract will continue to be funded by Adults Services.

This tendering process is not expected to generate significant savings, although some savings will be achieved through use of the electronic tracking system and improved efficiencies.

There is a cost implication associated with new providers being required to use the electronic monitoring system (in respect of training, set up costs etc); this will be in the region of £2.6k per new provider. It is proposed that these costs will be borne by the providers.

The price/quality ratio for scoring purposes is yet to be decided. The scoring process will reflect the expected quality expectations (in line with the personalisation agenda).

The contract will be awarded initially for three years with the option to extend for a further one year. It is proposed that fixed price rates, at a level to achieve value for money over the contract period, will be sought as part of the tender process.

The contract will be monitored on an ongoing basis in terms of both quality and cost effectiveness, and also in terms of provider financial stability.

Legal implications and risks:

None other than as set out in this report.

Human Resources implications and risks:

The current domiciliary care services are not delivered to the community through contracts that involve Council employees. Proposals as set out here do not alter

this position. The Framework Agreement will require providers to use their own human resources to deliver any commissioned support to customers, as and when required.

It has been deemed that TUPE Regulations will not apply in relation to the Framework Agreement and no Council employees are expected to transfer to any new provider selected under the tendering process. Hence, the risk of a claim arising from Council employees with regard to TUPE Regulations is determined to be low.

The tendering exercise will be managed by existing staff within the Adult Social Care Commissioning teams with advice from Internal Shared Services (Procurement). The completion of this tendering exercise will not impact on the employment status of these staff members, except where any fixed term contracts may exist for the direct purpose of completing the work to bring in the Framework Agreement.

Existing providers have been advised of the likely tendering timetable and will be advised to seek independent legal advice in relation to any issues that may affect their own workforce as a result of the outcome of this tendering exercise.

Equalities implications and risks:

An initial impact assessment has commenced and will proceed to the Social Care and Learning Equality & Diversity Directorate group. This item will need to be revisited post consultation to consider any implications and feed back from the SC&L Equality & Diversity Directorate group.

BACKGROUND PAPERS

None.

CABINET

26 October 2011

REPORT**Subject Heading:**

Draft National Planning Policy Framework
 – response from London Borough of
 Havering

Cabinet Member:

Councillor Robert Benham

CMT Lead:

Cynthia Griffin
 Group Director Culture and Community

Report Author and contact details:

Martyn Thomas
 E-mail : martyn.thomas@havering.gov.uk
 Tel : 01708 432845

Policy context:

'Living Ambition' agenda
 LB Havering Local Development
 Framework

Financial summary:

The Government will finalise the form and content of the Framework for early 2012. Any proposals for Council owned land will need to be brought forward in the context and the aims and objectives of the Framework but the impact cannot be ascertained at this stage. It will need to be reflected in the Local Plan that the Council prepares to replace the Local Development Framework. Costs of preparing the latter will be met from existing budgets.

Is this a Key Decision?

Yes

Is this a Strategic Decision?

Yes

When should this matter be reviewed?

2013

Reviewing OSC:

Partnerships

The subject matter of this report deals with the following Council Objectives

| | |
|--|--------------------------|
| Ensuring a clean, safe and green borough | [✓] |
| Championing education and learning for all | <input type="checkbox"/> |
| Providing economic, social and cultural activity in thriving towns and villages | [✓] |
| Valuing and enhancing the lives of our residents | [✓] |
| Delivering high customer satisfaction and a stable council tax | <input type="checkbox"/> |

SUMMARY

The Government has published its draft National Planning Policy Framework to set out its intended planning policies to deliver economic growth and new homes.

The draft Framework is considerably more concise than the existing documents it will replace and reduces some 1000 pages of policy to less than 60 pages.

The Government sees planning as delivering sustainable development and wants the planning system to help deliver positive growth. It sees the Framework as providing the opportunity for people and communities to be involved in planning and is a key part of its wider 'localism' agenda. It addresses planning for prosperity, people and places. The Framework maintains the overall policy approach of many well understood and supported policies including safeguarding the Green Belt.

This report highlights the key features of the draft Framework and what it may mean for Havering in terms of its plan making and development management roles.

It suggests that the broad thrust of the Framework can be supported and that the focus on economic growth can be welcomed as this will complement the Council's own priorities.

However, it is noted within the report, and in Appendix 1, that there are key concerns about aspects of the draft Framework which should be addressed by Government before it is published.

These include issues such as the need for clarity and consistency on the definition of 'sustainable development', the importance of environmental and other sustainability considerations not being over-ridden in the priority afforded to economic growth, more information being needed on how the new system will be introduced, clarity needed on the respective roles of Local and Neighbourhood Plans and how and when the community may be involved in the latter, and the importance of local interests and priorities being properly taken account of in planning decisions. There is also concern that the draft Framework does not address the particular circumstances of planning in London where the Mayor's

London Plan is a key part of the planning system for all boroughs and where some issues specific to London (such as housing land availability) are unique and particular. The report also identifies that some recent planning guidance from the Government (for example, that on heritage matters) is so slimmed down in the draft Framework that authorities may have to prepare local advice to supplement the Framework. Culture is identified as a theme where the Framework needs further work if it is to help address quality of life issues properly.

The Government has invited comments on the draft Framework and Members will be aware that it has been the subject of extensive media coverage. Section 4 of the report and Appendix 1 set out issues that are recommended for inclusion in this Council's response.

Finally, the report includes a recommendation to the Council's Regulatory Services Committee about how the draft Framework should be used in the determination of planning applications. The report notes in this regard that in specific circumstances it should be afforded weight taking into account the need to secure economic growth providing proposals do not have unacceptable adverse social or environmental impacts.

RECOMMENDATIONS

That Cabinet :

- (1) welcome the overall approach set out in the draft National Planning Policy Framework ;
- (2) agree that the comments in Section 4 of this report (paras. 64 -147) and Appendix 1 be submitted as the Council's response to the draft Framework ;
- (3) Recommend to the Regulatory Services Committee that the draft National Planning Policy Framework can be afforded weight, in particular when schemes do not accord with the Havering Local Development Framework or the Local Plan is silent (ie indeterminate) provided development will not have unacceptable adverse social or environmental impacts.

REPORT DETAIL

(1) Background

(a) Why the draft Framework has been published

1. Reform of the planning system has been identified by the Government as one of the elements of its 'Planning for Growth' agenda, which seeks to identify regulations or policies that impede economic growth. The Government pledged in its pre-election policy paper 'Open Source Planning' to scrap what it saw as the overly bureaucratic planning regime and indicated an early intention to increase the speed and scale of change. Additionally, various Government reviews have set out ambitious proposals to ensure that the planning system does everything possible to support sustainable economic growth alongside housing supply.
2. The Government wishes localism and community to be at the heart of its changes to the planning system and demonstrated this through its early dissolution of the regional planning framework outside London and its intention to foster neighbourhood level plan making.
3. The current national planning system is made up of more than 25 Planning Policy Statements (PPSs) and guidance and explanatory notes, that collectively total more than 1,000 pages. All Local Development Frameworks (LDFs) must conform to these whilst In London LDFs must also be in general conformity with the London Mayor's London Plan (2011). Whilst some of the existing Government policy and guidance documents are relatively recent, others are several years old.
4. In July 2011, the Government published the draft 'National Planning Policy Framework' ('the draft Framework' for consultation. It has 58 pages compared to the extensive documents it is intended to replace. The consultation documents also include a specific document dealing with consultation and a comprehensive Impact Assessment of the draft Framework. The latter outlines some important policy considerations (for example, in regard to previously developed land, car parking standards and the Green Belt).
5. Members will be aware that the draft Framework has been the subject of extensive media coverage particularly in regard to its potential implications for the Green Belt and countryside.
6. Copies of the draft National Planning Policy Framework and its companion documents are in the Members' Resource Room.
7. The documents are also available at the following Government website :

[http:// www.communities.gov.uk/documents/planningandbuilding/pdf1951811.pdf](http://www.communities.gov.uk/documents/planningandbuilding/pdf1951811.pdf)
8. It is expected that the published Framework will reflect the outcome of the consultation undertaken recently on planning policy guidance for travellers. Havering responded to that consultation in August 2011.
9. The Government hopes to issue the final Framework later this year / early 2012.

(b) What this report deals with

10. The report is set out in several sections. **Section 2** looks at the consultation and **Section 3** highlights the key elements of the draft Framework. **Section 4** reviews the key issues for Havering arising from the draft Framework and identifies comments that officers recommend are included in the Councils' formal response (along with those in Appendix 1). **Section 5** looks at what other stakeholders have said about the Framework. Finally, **Section 6** considers the implications for Havering in terms of dealing with current and forthcoming planning applications.

(2) The form of the consultation on the draft National Planning Policy Framework

11. The Government is inviting comments on the draft Framework and has provided a template encompassing questions on the policy and impact implications of the draft Framework.
12. Respondents are invited to indicate whether they agree with the Framework and also have the opportunity to submit comments to explain their responses.

(3) Key points of the draft National Planning Policy Framework

(a) Introduction

13. The Introduction states in para.2 that 'The Government expects the planning system to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs, while protecting and enhancing the natural and historic environment. Planning has a key role in securing a sustainable future'.
14. The document addresses delivering sustainable development, plan making and development management. It then has separate sections dealing with planning for prosperity, people and places, respectively.
15. The 'parent' consultation document refers to 'Local Plans' throughout and, whilst not addressed in the Glossary to the main consultation document, it is clarified in the associated Impact Assessment that this encompasses Local Development Frameworks (LDFs) and the various documents within them such as Core Strategies and Area Action Plans). This report explains that the Government intends that these 'Local Plans' will replace the current LDFs. It notes that officers have started work to prepare a new plan for the borough to replace the Havering LDF. This is expected to be in accord with the requirements for Local Plans set out in the Government's consultation document.

(b) Delivering Sustainable Development

16. The coalition Government is keen to put economic growth at the centre of its planning policies and the presumption in favour of sustainable development underpins the draft Framework.
17. The draft Framework defines 'sustainable development' as 'Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.' It regards this as central to the economic, environmental and social success of the country and is the core principle underpinning planning. It sees the delivery of sustainable development as planning for prosperity, people and places, with this encompassing economic, social and environmental roles.
18. The draft Framework states that 'planning must operate to encourage growth and not act as an impediment' and 'significant weight should be placed on the need to support economic growth through the planning system.'
19. The draft Framework urges local planning authorities to plan positively for new development, and approve all individual proposals wherever possible. Local planning authorities should:
 - prepare Local Plans on the basis that objectively assessed development needs should be met, and with sufficient flexibility to respond to rapid shifts in demand or other economic changes
 - approve development proposals that accord with statutory plans without delay; and
 - grant permission where the plan is absent, silent, indeterminate or where relevant policies are out of date.
20. In accordance with the focus on growth, the draft Framework requires decision-takers at every level to assume that the default answer to development proposals is "yes", except where this would compromise the key sustainable development principles set out in the draft Framework.
21. The Government want to see both plan making and development management as proactive and driven by a search for opportunities to deliver sustainable development rather than barriers. It will do this by placing increased emphasis on the importance of meeting development needs through plans; on the need to approve proposals quickly where they are in line with those plans; and on the role of the Framework as basis for decisions where plans are not an adequate basis for deciding applications.
22. This section of the draft Framework identifies also core planning principles that will underpin both plan-making and development management. These confirm that planning should be plan-led and that Local Plans should set out the long-term vision for an area to pro-actively drive and support the development that this country needs.

23. The draft Framework says planning policies should take into account local circumstances and market signals such as land prices, commercial rents and housing affordability. They should also protect and enhance environmental and heritage assets, make effective use of land, promote mixed use developments to create more vibrant places, manage patterns of growth to make fullest use of public transport, walking and cycling, take account of and support local policies to improve health and well being and secure a good standard of amenity for existing and future building occupants.

(c) Plan-making

24. Development plans have to meet the objective of sustainable development and will have to be consistent with the objectives, principles and policies set out in the Framework including the presumption in favour of sustainable development. Plans are expected to be prepared on the basis that objectively assessed development needs should be met unless the adverse impacts of doing so would significantly and demonstrably outweigh the benefits when assessed against the policies in the Framework taken as a whole.

25. Local Planning Authorities will remain responsible for producing Local Plans that can be reviewed in whole or in part to respond flexibly to changing circumstances. They should be aspirational but realistic. The Government want to improve the accessibility of the plan-making process for communities and address the relatively limited local plan coverage that has been achieved. Supplementary Planning Documents may still be produced but only where their production can help to bring forward sustainable development at an accelerated rate.

26. A Local Plan will set out the strategic priorities for the area it covers which should include policies to deliver a range of development (Housing, Economic, Infrastructure etc) and indicate broad locations for strategic development. Where Local Authorities do not have an up-to-date plan (i.e. one that is not consistent with the Framework) planning applications will be determined in accord with it. It will be open to local planning authorities to seek a certificate of conformity with the Framework for an existing plan.

27. Local Plans will still be assessed by an independent inspector and will continue to be subjected to the test of soundness. In addition to the existing tests (Justified, Effective, Consistent with national policy), plans must prove they are 'Positively Prepared' and meet objectively assessed development and infrastructure requirements. Where practical, Local Plans should address unmet requirements from neighbouring authorities with the presumption in favour of sustainable development.

28. The Framework supports the implementation of neighbourhood planning introduced in the Localism Bill. Neighbourhood plans are intended to give communities direct power to plan the areas in which they live. The draft

Framework envisages that these will be prepared by neighbourhood forums and, outside London, parishes.

29. Neighbourhood plans are required to be aligned with the strategic needs and priorities of the wider area and will have to be in general conformity with the strategic policies of the Local Plan. They can be used to develop a shared vision for the Neighbourhood and set planning policies for the development and use of land. (The draft Framework is, however, unclear on the role of local planning authorities in the preparation of these nor does it provide any information on how and when Neighbourhood plans can be prepared in London or what will be involved in a neighbourhood forum).
30. Where proposals are in keeping with the Neighbourhood Plan, neighbourhoods will be allowed to grant planning permission via Neighbourhood Development Orders (NDOs). Neighbourhood plans will need to be in general conformity with the strategic policies of the Council's Local Plan.
31. There is support for a Duty to Co-operate which will come into force in the Localism Bill. The Duty to Co-operate is for local councils and other public bodies across administrative boundaries to plan for the housing, transport and infrastructure that local people need.

(d) Development management

32. The draft Framework states that the primary objective of development management is to foster the delivery of sustainable development, not to hinder or prevent development. Local Authorities should:
 - approach development management decisions positively – looking for solutions rather than problems so that applications can be approved wherever it is practical to do so
 - attach significant weight to the benefits of economic and housing growth
 - influence development proposals to achieve quality outcomes; and
 - enable the delivery of sustainable development proposals.
33. The draft Framework encourages early engagement in order to improve the efficiency and effectiveness of the planning application system. It recommends Local Authorities actively promote any pre-application services that they offer as well as encouraging applicants not already required to do so by law to engage with the local community before submitting their applications.
34. Local Plans, incorporating neighbourhood plans where relevant, will be the starting point for the determination of any planning application as the planning system will remain plan-led. In assessing and determining development proposals, local planning authorities should apply the presumption in favour of sustainable development.

35. Local planning authorities should consider using Local Development Orders to relax planning controls for particular areas or categories of development, where the impacts would be acceptable, and in particular where this would boost enterprise and growth. Planning conditions should not be used to restrict national permitted development rights unless there is clear justification to do so.
36. Local planning authorities should consider whether otherwise unacceptable development could be made acceptable through the use of conditions or planning obligations. As before, planning obligations should only be used where it is not possible to address unacceptable impacts through a planning condition.
37. Planning obligations should only be sought where they meet all of the following tests:
 - necessary to make the development acceptable in planning terms
 - directly related to the development; and
 - fair and reasonably related in scale and kind of development.
38. Planning conditions should only be imposed where they are necessary, relevant to planning and to the development to be permitted, enforceable, precise and reasonable in all other respects.
39. Local planning authorities should avoid unnecessary conditions or obligations, particularly when this would undermine the viability of development proposals.

(e) Planning for prosperity

40. The draft Framework says that the Government is committed to securing sustainable economic growth noting that there is an urgent need to restructure the economy, to build on the country's inherent strengths and to meet the twin challenges of global competition and of a low carbon future.
41. Local Councils should be positive and proactive in encouraging sustainable growth by setting out a clear economic vision and strategy for their area based on an understanding of business needs across their areas.
42. Planning policies should be positive, promote competitive town centre environments and set out policies for the management and growth of centres. The 'sequential test' is retained for retail and leisure proposals which do not accord with the Local Plan, which makes town centres the preferred location for such uses. The draft Framework removes offices from the need to follow the Town Centres first approach and expects office proposals to be judged on their merits.
43. The Government also proposes that the time horizon for assessing the impacts of unplanned retail and leisure schemes in edge or out of town

centre locations should be extended to 10 years (from 5 years) to enable a more robust assessment to be made and in recognition that impacts may take time to develop.

44. The Government recognises the important role of transport in facilitating development but also contributing to wider sustainability and health objectives. It wants encouragement to be given to solutions which support reductions in greenhouse gases and to reduce congestion where practical. The Government recognises that different policies and measures will be required in different communities and opportunities to maximise sustainable transport solutions will vary.
45. Developments are expected, where practical, to be located and designed to accommodate the efficient delivery of goods and supplies, give priority to pedestrian and cycle movements and have access to high quality public transport facilities, create layouts which minimise conflict, incorporate facilities for charging plug-in and other low emission vehicles and consider the needs of disabled people.
46. The Government proposes to remove the existing national maximum non-residential car parking standards for major developments, so that Councils are better able to develop parking policies that are appropriate to local circumstances and communities.

(f) Planning for people

47. The Government's key housing objective is to increase significantly the delivery of new homes. The planning system should deliver a sufficient quantity, quality and range of housing.
48. The draft Framework removes Government targets specifying the level of housing development that should take place and the proportion of development that should take place on previously developed land. Local Authorities will be required to determine their own level of housing need, through a Strategic Housing Market Assessment (SHMAA), and supply, through a Strategic Housing Land Availability Assessment (SHLAA).
49. Current national policy requires 60% of all new housing to be built on previously developed ('brownfield') land. The Government wishes Councils to be able to determine the most suitable sites for homes reflecting local circumstances, and the draft NPPF deletes the brownfield requirement.
50. The draft Framework requires Councils to have a rolling five year supply of deliverable sites to meet their housing needs with at least a 20% additional allowance to create competition and choice in the land market. Councils will be required to identify a supply of specific, developable sites or broad locations for growth for years 6-10 and where possible for years 11-15.

Councils must ensure that their Local Plans meet the full demand for market and affordable homes in their areas.

51. The Government proposes that local thresholds for affordable housing will be removed to enable local authorities to seek optimum solutions for their areas.
52. The presumption in favour of sustainable development means that Local Plans should be prepared on the basis that objectively assessed development needs should be met unless the adverse impacts of doing so would significantly and demonstrably outweigh the benefits.
53. Councils are required to deliver a wide choice of quality homes and widen opportunities for home ownership. They are expected to do this with an understanding of demographic trends, tenures and affordable housing.
54. The draft Framework says that the Government attaches great importance to the design of the built environment and sees a strong link between good design and good planning. Sustainable development will be secured through good design securing attractive, usable and durable places. Nevertheless, design policies should avoid unnecessary prescription or detail and should focus on the design 'fit' of new development in relation to neighbouring buildings and the local area more generally.
55. Policies are expected to go beyond aesthetics and address the connections between people and places and the integration of new development into the natural built and historic environment. Innovative design is to be encouraged. Developers will be expected to bring forward proposals that take account of the community's views and proposals that have been developed following engagement with the community should be looked on more favourably.
56. Planning policies are expected to identify specific needs and quantitative or qualitative deficits or surpluses of community facilities, open space, sports and recreational facilities. Open spaces should not be built on unless an assessment clearly shows them to be surplus to requirements or the needs clearly outweigh the loss.
57. The importance of the Green Belt is emphasized and existing policy regarding its aims and purposes and inappropriate development remains. However, the right to alter or replace buildings now applies to all buildings, not just dwellings, and sites which have been previously developed no longer have to be identified through a Local Plan for redevelopment to be allowed. The scope for local transport infrastructure to be located in the Green Belt has been extended beyond park and ride facilities. The Government wants to see a more strategic approach taken to green infrastructure and better protection and management of this. A new designation of Local Green Space is identified to enable land that is valued by local communities to be protected and the draft Framework sets out

specific criteria for its designation and the policy approach to taken to development on such areas.

58. The draft Framework is intended to assist in the creation of strong, vibrant and healthy communities. Local communities are expected to have a role in developing a shared vision of the residential environment and the facilities they wish to have. The draft Framework strengthens the protection of community facilities.
59. The Government intends to include the planning policy statement on travellers (which was the subject of recent consultation) in the final Framework. It is seeking stakeholders' views on this approach and the consistency of that statement with the draft Framework.

(g) Planning for places

60. The key objective in regard to the environmental component of the guidance relates to the objective that planning should fully support the transition to a low carbon economy in a changing climate, taking full account of flood risk and coastal change. The Government requires the planning system to secure radical reductions in greenhouse gas emissions and to avoid inappropriate development in areas at risk of flooding. The primary means of achieving these objectives will be through the location of new development and the use of sustainability standards for new buildings. Such standards will be the pre-eminent consideration in evaluating proposals. Local councils will not have to set de-centralised energy targets.
61. The draft Framework broadly maintains the current sequential, risk based approach to flooding in the current guidance whilst suggesting that in the longer term the approach will be to address flood risk through avoidance rather than mitigation.
62. The Government objective is that planning should help deliver a healthy natural environment for the benefit of everyone and safe places which promote well being. There are measures to protect valued landscapes and minimize the impacts on biodiversity and geo-diversity. For noise and pollution, the focus will be on ensuring the right location and relying on other controls to protect amenity. Policies and decisions should aim to avoid noise giving rise to significant adverse impacts on health and quality of life and mitigate and reduce to a minimum other adverse impacts on health and quality of life.
63. The Government wishes to see the historic environment and its heritage assets conserved and enjoyed for the quality of life they bring to this and future generations. The draft Framework incorporates and streamlines existing heritage policy. Councils will be required to set out a strategy for the conservation and enjoyment of the historic environment. The draft Framework says that if proposals affect heritage assets then, in all but exceptional circumstances, they should be refused if they would cause harm

or result in loss. Councils are advised to consider if proposals would have an enabling benefit to conserve a heritage asset.

(4) Issues arising from the draft National Planning Policy Framework for Havering

64. This section of the report considers the issues that offices consider arise from the draft Framework in regard to the possible implications for Havering in its plan-making and development management roles. The focus of the review has been the policy themes raised by the draft Framework rather than the Impact Assessment.
65. It is recommended that the *italicised* comments below form the basis of the response from the Council along with the detailed observations on specific issues in the draft Framework set out in Appendix 1.
66. Subject to Member approval, officers will prepare a composite response document setting out the comments below and those in the consultation template and this will be submitted to the Government.
67. The recommended comments (both below and in the Appendix) reflect current Council policies and priorities as set out in its several current planning and regeneration strategies as well as comments that have been made in response to other consultations.

(a) The overall approach behind the draft National Planning Policy Framework

68. The draft Framework generally retains the policy themes within existing planning policy guidance notes and planning policy statements. The draft Framework is, however, much more concise than the current suite of national policy and guidance documents. One of the stated reasons for this approach is to remove the considerable amount of repetition, and sometimes conflict, which currently exists.
69. *It is welcome that the draft Framework reflects much existing practice. In principle, presenting national planning policy in a clear, simplified and concise form is supported*
70. The commitment in the draft Framework to securing economic growth and providing a positive planning culture to enable this to take place can be highly supported particularly where this will help strengthen local businesses as it closely accords with the Council's intentions for ensuring that Havering has a vibrant and thriving economic base. In turn, this will help enhance prosperity in the borough and this will contribute to improved quality of life.
71. There are some contradictions in the draft Framework, some omissions and some loose wording which due to the document's concise nature raise concerns for interpretation. Some topics in the Framework (such as climate

change) would benefit from further clarification and explanation albeit it would add to the length of the document. The draft Framework provides no information on the transition between the existing and proposed planning systems.

72. In the light of these concerns, Officers consider that the Framework may not provide the climate of certainty that the Government intends and that it may not facilitate the cultural shift envisaged.

73. *The Framework should provide more clarity on some key topics such as climate change. It should be more clear about the transition between the current system and the new one, especially about the implications for plan-making.*

(b) Opportunities for 'localism'

74. *The commitments to reasonable local discretion, and engaging the community in plan making so that the latter reflects a collective vision and a set of agreed priorities, are broadly welcomed.*

75. However, against this, it is a concern that by reason of being in the National Planning Policy Framework, some aspects of the guidance may override legitimate local community priorities and objections at planning inquiries. This may undermine the principles of localism underpinning the draft Framework and the wider approach to planning being promoted by the Government.

76. *The Framework should explicitly emphasise the importance of local considerations in local planning decisions, and should require inquiry Inspectors to give them due weight alongside the Framework rather than stating that it will always take precedence.*

(c) Presumption in favour of 'sustainable development'

77. At the start of the draft Framework sustainable development is defined as being a balance between economic, social and environmental considerations. Thereafter, the term seems to be used to imply only **economic** development.

78. Confusion about how the draft Framework defines 'sustainable development' is also highlighted by the section on design in 'Planning for People'. The objective for this is 'to promote good design that ensures attractive, useable and durable places. This is a key element in achieving sustainable development'. Officers consider that this can be supported but it should be consistently reflected elsewhere in the Framework.

79. *The Framework should explicitly state that the presumption in favour of development only applies to development which is socially and environmentally, as well as economically sustainable, in relation to matters*

highlighted in the draft Framework for the avoidance of ambiguity. The Framework should properly reflect the importance of good design in contributing to the role of planning in terms of place –making.

80. *Notwithstanding this, in the context of ‘sustainable development’, the focus in the Framework on both the natural and historic environments is to be welcomed since these contribute significantly to the quality of life and well being in many places including Havering.*
81. The Glossary is helpful in setting out what makes up heritage assets and the historic environment. It is welcome that the draft Framework says heritage assets include buildings, monuments, places or landscapes positively identified as having a degree of significance meriting consideration in planning decisions.
82. In order to provide appropriate local protection, it is essential that the Framework makes clear that such matters must be properly taken account of in a balanced manner when issues of sustainable development are being considered.
83. *The Framework should recognise that there may, in appropriate circumstances, be valid reasons for refusal where it is necessary for such assets to be afforded local protection.*

(d) The economic focus of the Framework

84. Notwithstanding the issue of what will constitute ‘sustainable development’, the clear economic growth focus, set out in the draft Framework, together with the commitment to securing new homes will support a careful, and balanced, re-assessment of established planning and regeneration approaches to some of the key areas of Havering including London Riverside and Romford.
85. There is, however, a concern that the focus on economic growth in the Framework may be allowed to override environmental protection and other sustainability considerations, particularly in appeal decisions. With the very clear statement in the draft Framework that authorities ‘.....should approve all individual proposals wherever possible’, the ability of the Council to successfully resist development which it considers out of step with Havering’s priorities may be jeopardised.
86. *This part of the Framework should be expanded to make clear that proposals are to be approved wherever possible, “unless there are serious adverse social or environmental effects which would make the development unsustainable.”*

(e) The role of local plans

87. The Government regards up to date Local Plans as those which will be consistent with the NPPF. Local planning authorities are expected to have up to date Local Plans in place as soon as practical after the NPPF comes into effect.
88. It is clear that the Government expect Local Plans to be based on a robust and thorough evidence base. This is supported but it must be recognised that a balance will have to be struck between evidence gathering, the timely preparation of plans and the available resources.
89. *The emphasis on Councils co-operating to prepare their plans is supported and is particularly important for a borough like Havering where many shoppers and workers travel across borough boundaries.*
90. The document also states that it will be open to local planning authorities to seek a certificate of conformity with the Framework. However, details on how this process will work have not yet been announced by CLG. The absence of this information may create uncertainty and concern which will be counter to one of the main aims of the Framework.
91. While the certification process for conformity is presented as optional, local authorities may be forced to seek certificates to avoid likely challenges to the status of plans.
92. *Unless the Statement of Conformity process is clarified in the Framework and streamlined in its delivery, it could result in uncertainty in the planning process as authorities 'queue' for their conformity certificate. Any delay from the Statement of Conformity process may directly conflict with the timely delivery of growth-led plans and be counter to achieving the growth that the Government aspires to.*

(f) The plan-led system maintained

93. Members will recall that the Havering Local Development Framework was one of the first LDFs prepared in London. It has formed a robust land use plan for the borough and a strong and successful context for the Council's 'Living Ambition' and regeneration agenda.
94. *Retaining the plan-led focus of planning is consistent with the approach that has been taken to statutory land use planning in Havering and this is strongly supported.*
95. *In the light of the Framework's strong presumption in favour of sustainable development, the default answer to development being 'yes' may be at odds with the plan-led approach emphasised by the Framework.*

(g) The role of other planning documents supporting Local Plans

96. Inevitably, by reason of its brevity, the draft Framework does lose significant detail about how national policy is to be applied and interpreted at a local level. It is unclear from the draft Framework if the intention is that this void should be filled by Local and / or Neighbourhood Plans, or whether this is considered unnecessary.
97. *It is accepted that local plans should not be overly prescriptive but the Framework should recognise that clear and detailed policies provide certainty for developers and speed up the decision making process and so assist economic growth.*
98. There is also concern that the draft Framework reduces the scope for local authorities to prepare Supplementary Planning Documents (SPDs). SPDs have a useful and positive role in providing guidance on the application and interpretation of planning policies. Members will be aware that this Council has adopted several SPDs to support the LDF dealing with important topics such as design guidance and the protection of areas of specific character such as Hall Lane, Upminster and Emerson Park in recognition of the importance of maintaining and enhancing the distinct character of these areas since they help provide the borough with its high quality environment. In due course, further guidance is expected to be prepared for areas such as Gidea Park because of its significant and long-standing heritage role in Havering.
99. *There will be an important role in the new planning system encompassed within the Framework for SPD-type guidance in interpreting local circumstances if the published Framework retains the simplicity and brevity of the draft.*

(h) Neighbourhood Plans and planning

100. Presently, relatively little has been confirmed by the Government about Neighbourhood Plans including who will be able to prepare them and when this work can take place.
101. Although Neighbourhood Plans should be 'in general conformity with the strategic policies of the Local Plan', officers are concerned that coverage of the borough with a Local Plan prepared by the Council may, over time, be undermined if several Neighbourhood Plans are prepared, particularly as the Government suggests that neighbourhoods will have the power to promote more development than is set out in the strategic policies of the Local Plan.
102. Furthermore, it would appear that local authorities may have to facilitate the preparation of Neighbourhood Plans whilst the individual neighbourhoods themselves will do this work. Whilst the Council is committed to ensuring that plan-making in Havering reflects community priorities, officers consider that the absence of information about who can prepare Neighbourhood Plans and what will be involved in this and when, or

what will qualify as a neighbourhood forum, is a major concern. Officers consider that questions remain over the appetite and capacity for neighbourhoods for this activity.

103. It is also possible that there may be significant differences between neighbourhoods in a local authority area and this may impact on the practicality of preparing such Plans.

104. It is also hard to see how Neighbourhood Plans may deal with contentious issues (that may have strategic dimensions) in a local area any more satisfactorily than the plans prepared by a Council. There may also be a resourcing issue in terms of demands placed on Council staff.

105. *The draft Framework should be much clearer about Neighbourhood Plans in regard to their status relative to Local Plans and their preparation. It will be essential for there to be clarity in the Framework on what will qualify as a neighbourhood forum and who in the community can form one. The Framework should also set out the requirements that must be satisfied by any such forum before any work on a Neighbourhood Plan can start.*

(i) What the Framework means for plan making in Havering

106. The Government intends that the new Local Plans referred to in the draft Framework will replace the existing system of Local Development Frameworks. Havering has had its Local Development Framework in place since 2008.

107. Officers have started work to replace the Havering LDF. This is with the intention of Members having a consultation version of a new Local Plan, prepared in accordance with the approach in the Framework, available for consideration in 2012/13. If the draft Framework becomes effective as soon as the Government intends, the Council will be well placed to ensure that its new Local Plan will be a close 'fit' with it (as will be required for it be 'sound').

108. Whilst the detailed content of the new Local Plan for the borough is still to be decided and its form may be influenced by any practical guidance that the Government publishes in support of the draft Framework, the importance of promoting business growth and attracting investment is likely to be a significant priority.

109. The preparation of a growth-led Local Plan for Havering that balances the economic, social and environmental needs of the borough will, in principle, accord with the approach of the Framework and have the potential to closely link the Council's agenda with it.

110. *The overarching principle of the draft Framework and its focus on economic growth is welcomed since the economic strength and vitality of Havering forms the context for the successful and timely delivery of the*

Council's 'Living Ambition' agenda and maintaining and enhancing the quality of life in Havering. The Council expects that this priority will be reflected in the new Local Plan for Havering which will, in due course, replace the existing Havering Local Development Framework.

(j) What the Framework means for development management in Havering

111. The draft Framework makes clear that in the absence of an up to date Local Plan, consistent with the Framework, planning applications should be determined in accordance with the Framework, including the presumption in favour of sustainable development. Since the publication of the draft Framework, the Planning Inspectorate has issued guidance on this matter for its Inspectors. It states that the draft Framework is 'capable of being a material consideration although the weight to be given to it will be a matter for the decision maker's planning judgement in each particular case. The current Planning Policy Statements, Guidance notes and Circulars remain in place until cancelled.'

112. Recognition of the role of negotiation and pre-application discussions within the development management process is welcomed.

113. There is also a risk that the concise nature of the Framework and the absence of a clear and workable definition of sustainable development along with its greater room for subjective interpretation of policy and material planning considerations, may lead to more legal challenges and in some cases, a greater tendency towards planning 'through case law'.

114. *The Framework's presumption in favour of sustainable development is likely to increase the number of cases where mediocre proposals have to be negotiated to a better quality position rather than be refused, which will impact on resources.*

115. *The draft Framework does not address the issue of enforcement and this is a major concern.*

116. The issue of the immediate implications of the draft Framework for development management are addressed in Section 6 (below).

(k) The provision of new homes

117. In accordance with the London Plan, the Council has sought to maximise housing supply in Havering.

118. *The focus on the provision of new homes that underpins the draft Framework is also supported in principle although it is the delivery of new homes that should be the focus rather than supply.*

119. *The Framework should recognise that demand and need across London will almost always be greater than supply, particularly in boroughs like*

Havering with a relatively constrained urban area and a commitment to safeguarding the Green Belt. Moreover, in some cases, decisions have to be taken over whether it is more important for sites to be used for housing or employment uses, as the latter may contribute more to the economic growth which the Government wishes to see.

120. *Boroughs like Havering should be able to take account of the opportunity presented by windfall sites as these have formed an important, and reliable, component of housing in Havering over the years and they form an important part of the particular circumstances of the London situation.*

121. *In a London context, it is unrealistic to expect a five year land supply to be maintained, nor is it reasonable to require an additional allowance of 20% on the specific deliverable sites ('ready to go') in so far as there is no justification /explanation for this figure.*

(l) Heritage

122. *The existing national guidance on Heritage issues is quite recent compared to other aspects of the overall suite of national planning policy guidance.*

123. *The Framework's guidance on heritage issues rather than simplifying matters may make discussions around proposals involving heritage more complex and protracted thus slowing down the delivery of development. This may be a particular problem where heritage led regeneration proposals are under consideration.*

124. *The 'generalist' nature of the heritage section of the Framework is likely to require local planning authorities themselves to undertake considerable work on these matters. This may have significant implications for how successfully 'heritage' can be resourced within Councils. How, and the extent to which Councils tackle this, is likely to be variable across the country and it may result in disparate approaches to protecting and enhancing heritage especially in relation to statutorily protected buildings and sites which may be, in the longer term, detrimental to the nation's heritage assets.*

(m) Transport

125. *The draft Framework streamlines the core current approach rather than brings about fundamental changes. Many aspects of it reflect the Council's approach as set out in the draft Local Implementation Plan.*

126. *It is encouraging that in the Framework, the Government has taken a balanced approach and understands that people will wish to have choice about how they travel and that transport solutions will vary from location to location and in different communities. It is also helpful that overall need to reduce car usage should be done 'where practical'. The recognition afforded*

to the provision of transport infrastructure to support economic growth is helpful and reflects what the Council has pushed hard for at London Riverside which is a major regeneration priority for the Council and the London Mayor.

127. Havering continues to have strong competition from centres such as Lakeside and Bluewater (both with several thousand 'free of charge' car parking spaces) as well as from Stratford Westfield which opened recently with very good public transport linkages to / from the wider East London area and beyond.

128. *The proposal in the Impact Assessment that maximum non-residential car parking standards be deleted so that Councils may set their own standards to take account of local circumstances and priorities is welcomed. It accords with the wider 'localism' agenda and will afford businesses and their customers flexibility and choice. Along with the other comprehensive initiatives being implemented, it will enable the Council and its partners to respond positively to the competition elsewhere.*

(n) Out of centre offices

129. The Framework proposes a less restrictive approach to out of centre office development. This approach is being considered as part of the Mayor's Outer London Commission work.

130. *Provided this is accompanied by public transport provision, this may assist the economic regeneration of outer London boroughs like Havering.*

(o) Well-being and quality of life

131. The Framework sees the principle of sustainable development as enabling people to enjoy a better quality of life. Several references are made in it to the 'well-being' of the community and its health. Local planning authorities, says the draft Framework, should work with health organisations, plan for creative industries, set policies to meet leisure needs, ensure access to open spaces and recreational facilities and plan positively for facilities such as meeting places and places of worship. The introduction of a new designation of Local Green Space is noted but greater clarity should be provided on the protection to be afforded to these. These were identified in the Coalition Agreement as being 'similar to SSSIs (Sites of Special Scientific Interest). The draft Framework is ambiguous about the protection afforded to these saying 'local communities will be able to rule out new development other than in very special circumstances' and, later, 'local policy for managing development in these should be consistent with the policy for Green Belts'.

132. Officers acknowledge the role of these in contributing to well-being and quality of life. Many of these are reflected in the Council's own policies and

will help deliver the 'Living Ambition' agenda in Havering with its focus on a high quality of life.

133. Many of these topics embrace what has previously been seen as 'culture' and will be taken forward through the Council's emerging Culture Strategy and other linked strategies.

134. *The Framework should explicitly recognise the importance of issues such as the need for arts facilities (including performance facilities), libraries, galleries and opportunities for the interpretation of local history through facilities such as museums. It should also highlight the particular importance of the appropriate provision of play spaces for children. It is a concern that there is no indication in the draft Framework that 'recreation' encompasses anything other than physical activity as all references to it are linked to 'sports' and this interpretation is too narrow.*

135. *'Culture' should be explicitly recognised in the published Framework since this will benefit individuals, assist in the delivery of vibrant and inclusive communities and places, enhance town centres and contribute towards the economic growth underpinning the Framework.*

136. *The opportunity to designate Local Green Space is noted. As announced in the Government's Coalition Agreement document, these were expected to have similar status to SSSIs. However, the draft Framework is ambiguous about the protection afforded to these and provides a mixed message about the circumstances where development may be allowed. The published Framework should clarify the circumstances in which development may be allowed.*

(p) Gypsies and traveller issues

137. The Government is seeking views about the relationship between the Framework and the recently published draft Planning Policy Statement on travellers, even though the Framework does not explicitly address this matter.

138. The section on Green Belt policy is consistent with the recent statement although these groups are not specifically mentioned. The draft Framework identifies a commitment to creating sustainable, inclusive and mixed communities. It is unclear how the final published Framework with its focus on brevity will accommodate the policy section of the recent draft Government statement on travellers published in summer 2011 which ran to 6 pages.

139. The Council's response on this matter in summer 2011 addressed several issues and it is recommended that these be re-submitted to the Government as part of the response to the draft Framework to re-affirm its approach to this issue. In summary, the Council's response said that it wished to see the distinction in the policy between gypsies and travellers and travelling show

people maintained, it supported the removal of the needs assessment and its replacement with a robust evidence base for assessing local needs and it supported targets for pitches being set by local planning authorities alongside other planning policies and priorities. The Council disagreed with local needs being assessed in the light of historical demand and did not support having to plan for a 5 year supply of pitches. The Council wished to see the policy approach be consistent with the established approach in Planning Policy Guidance Note 2 (Green Belts) and said it did not agree with planning policy for these groups being aligned with other forms of housing.

140. *The final, published Framework should include the Government's policy on gypsies and travellers as it would be most unhelpful and contradictory for this to remain in a separate free-standing policy document.*

(q) The draft Framework and the London Plan

141. The draft Framework does not address the issue of the London Plan which forms an important part of the planning process for all London Boroughs in terms of their plan-making and development management roles. The London Plan is part of the development plan system, together with the Framework and Havering's own Local Plan, that proposals will have to be tested against. It is a particular concern that the absence of any reference to the London Plan means that issues with a strategic significance for London such as minerals and waste are not addressed.

142. The London Mayor published his latest London Plan in summer 2011 just before the draft Framework was published. GLA officers have informally indicated that they consider the London Plan to be in accordance with the draft Framework.

143. Setting aside its formal role in the development plan system, the London Plan may help address for London Boroughs any 'gaps' in policy coverage resulting from the 'thinning down' of national policies. On the other hand, there is a concern that aspects of the Framework fail to recognise the specific circumstances of London.

144. The Mayor has indicated that notwithstanding the recent publication of the London Plan he may bring forward early reviews of elements of it along with the preparation of further guidance.

145. Officers consider that Boroughs may need to become more closely involved in setting future priorities for further versions of the London Plan if it is to have a role in providing a London-wide interpretation of the Framework.

146. It is understood that the Mayor is considering the Framework along with possible implications for London Plan policies, in terms of any response he submits to it.

147. *The Framework should recognise the importance of the Mayor's London Plan in land use planning terms and its role in setting a context for other Mayoral strategies. It should provide clarity about the respective roles of the Framework and the London Plan and in appropriate circumstances it should address issues with a strategic significance for London such as waste and minerals.*

(5) Other stakeholders' views

148. Members will be aware that the draft Framework has generated extensive media coverage and put planning high on the agenda for many organisations and commentators.

149. The Government has already responded to several of the comments raised in order to provide guidance and clarity on how it wishes the Framework to be implemented. For example, the Prime Minister has written to the National Trust in response to its concerns on the Green Belt and countryside aspects of the draft Framework.

150. At the time of preparing this report, the position of many stakeholders was still being finalised. It is clear also that most stakeholders will focus their responses on issues that are particularly of relevance to themselves.

(a) London Councils

151. London Councils are expected to generally welcome the simplification of the existing 'voluminous' (their words) guidance but to raise concerns about specific aspects of the draft NPPF.

London Councils are expected to urge boroughs to prepare and adopt Local Plans in recognition of the importance of there being an up to date Local Plan in place. London Councils are also expected to raise concern about the 'gaps' that may arise in planning policy from such a significant editing of current policy but have noted that the London Plan may have a role for London Boroughs in this regard. It expects boroughs to have to be more closely involved in future London Plan work to ensure that it meets their requirements. It is understood that London Councils are concerned that the proposals are 'anti-localist' as there will be an emphasis on local authorities and objectors having to prove disbenefits of proposals. London Councils are also expected to question the potential savings that the Government sees the Framework as delivering and has noted that the current system already achieves a significant number of planning approvals (in the region of 85%).

(b) The Association of London Borough Planning Officers

152. The Association of London Borough Planning Officers (ALBPO) has responded to the Government on behalf of planning officers across London. Its comments have been endorsed by the Planning Officers Society (an umbrella group representing Chief Planning Officers), the London Thames

Gateway Development Corporation and the Olympic Delivery Authority. ALBPO has commented on several aspects of the draft Framework.

153. ALBPO welcomes 'the direction that the Government has taken in reducing the amount of guidance and level of prescription in national planning policy'. It supports the pre-eminent role of sustainable development sitting within the context afforded by up to date Local Plans.

154. ALBPO has expressed concern about the lack of understanding given to the cumulative impacts of development. It has stressed the importance of the role of the London Plan being properly recognised and the need for transitional arrangements being in place so that Councils can transfer between the current system and the new one. It is concerned about the reduced role for Supplementary Planning Documents.

155. ALBPO supports the Government's objectives around economic growth but wants a balanced perspective which takes account of the medium and longer term as well as short term market pressures.

156. Whilst ALBPO supports the housing focus of the draft Framework, it raises concerns that the housing section of the draft Framework does not recognise the specific circumstances of London.

157. ALBPO has concerns about the 'design' aspects of the draft NPPF and wants to see 'design' included as a Core Principle.

The approach of the draft Framework to heritage is broadly supported by ALBPO but it wishes to see greater recognition of the role of heritage led regeneration.

(c) Greater London Authority

158. The formal views of the Greater London Authority had not been published at the time of preparing this report. It is understood from GLA officers that there is concern that the London plan is not mentioned given its importance for the land-use planning in London and that it forms the overarching strategy for several other Mayoral strategies, at the adverse implications for localism, the absence of any recognition of the special (and unique) circumstances that form the context for regeneration and planning in London, the lack of rigour about the definition of 'sustainable' development, the strong case for 'brownfield' development in London to avoid other areas (such as the Green Belt) being subject to intense development pressures, the potential merit (in appropriate circumstances) of increasing locational flexibility towards offices and the need to achieve a proper balance between housing and employment land. It is understood that the GLA may also comment on the approach in the draft Framework to housing land availability and need for an integrated approach to be taken to parking and traffic management. Finally, it is expected that the GLA may highlight the continued importance of monitoring and the importance of a realistic

164. Finally, the draft Framework will need to be taken into account in dealing with planning applications. The report has set out those circumstances and how much weight it should be afforded.

REASONS AND OPTIONS

Reasons for the decision :

To ensure that Havering's views on the draft National Planning Policy Framework are taken into account by the Government when it finalises the Framework.

Other options considered :

The National Planning Policy Framework will set out the Government's planning policies and, importantly, will also set out very clearly how 'planning' should take place to best deliver economic growth.

As such, it will provide a context for the Council's own planning and regeneration policies and programmes and the assessment of development proposals. It is important that Havering responds to the consultation on the draft Framework and the option of not responding has been discounted.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Government is responsible for the preparation of the National Planning Policy Framework and there are unlikely to be direct financial implications for the Council in this regard. The Government's current finance reforms may also overlap with issues raised by the Framework.

The draft Framework will need to be taken into account from now onwards when the Council is considering proposals for its own land.

If the Framework is published by the Government, then the Council will have to take it into account in the preparation of its replacement Local Development Framework (which will be the Havering Local Plan). The

preparation of this will be met from the existing, and future, provision in the Development and Transport Planning Group budget.

Legal implications and risks:

The provisions of the Planning and Compulsory Purchase Act 2004 cover the status of national planning policy in plan preparation and development management.

This report confirms (in Section 6) that the draft National Planning Policy Framework is capable of being a consideration for planning decisions although the weight that can be attached to it for plan making and development management purposes is limited at this stage.

The Planning Inspectorate has said that ‘the weight given to it will be a matter for the decision maker in each particular case. The current Planning Policy Statements, Guidance Notes and Circulars remain in place until cancelled’.

Human Resources implications and risks:

At this stage it is not possible to assess the detailed implications of the draft Framework. Staff in the Regeneration service will be responsible for the preparation of the Council’s Local Plan that will replace the Havering Local Development Framework. Staff in the Development and Building Control service will have responsibility for implementing the Development Management aspects of the Framework.

Equalities implications and risks:

The draft Framework sets out planning policies that are intended to benefit everyone in the community. A fundamental aim of the Framework is to help create mixed and inclusive communities. The Government sees the planning system as facilitating social interaction and it wants local planning authorities when implementing the Framework to involve all sections of the community.

The Government has published an extensive Impact Assessment as a companion document to the draft Framework. Under the heading Statutory Equality Duty, it concludes that the draft Framework will benefit everyone – communities, local councils and businesses – because national planning priorities will be more clearly understood across a wider range of people. The impact Assessment particularly highlights the significance of the Framework in this regard to different racial groups, disabled people and older people.

BACKGROUND PAPERS

None

Appendix 1

In addition to the points highlighted in Section 4 as forming the basis of the recommended response to the consultation, set out below are more specific comments which should also be submitted.

A. Policy questions

| Q. No | Section | Consultation Question |
|-------|------------------------------------|---|
| 1a | Delivering sustainable development | <p>The Framework has the right approach to establishing and defining the presumption in favour of sustainable development.</p> <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> |
| 1b | | <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>Overall</p> <p>Havering supports the general principle of stimulating economic growth and planning having a key role in delivering growth.</p> <p>There are inconsistencies in the draft Framework in respect of the definition of ‘sustainable development’ – in its later pages, it appears to comprise mainly ‘economic’ development.</p> <p>Havering considers that within ‘sustainable development’, the guidance should better balance short and medium term growth with the longer term and ensure that this is not at the expense of the social and environmental aspects of sustainable development.</p> <p>The draft Framework should explicitly state that the presumption in favour of development only applies to development which is socially and environmentally as well as economically sustainable, in relation to the matters highlighted in the Framework.</p> |
| 2a | Plan-making | <p>The Framework has clarified the tests of soundness, and introduces a useful additional test to ensure local plans are positively prepared to meet objectively assessed need and infrastructure requirements.</p> |

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| | | <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/ Disagree/Strongly Disagree</p> <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>Overall, the maintenance of the plan-led system of planning is supported.</p> <p>The absence of any guidance on the transitional arrangements between the existing planning situation and the intended arrangements is a strong concern.</p> <p>Guidance from the Government on the practical issues of plan making in the new regime (eg the form of Local Plans and content) will be welcome.</p> <p>Para. 21 - Supplementary Planning Documents have a useful role in providing guidance on the application and interpretation of planning policies. SPDs have enabled Havering to adopt several guidance documents on design and the protection of specific areas of special character in the borough. Havering considers that there will be a continuing and important role for SPDs to interpret local circumstances if the published Framework retains the brevity and simplicity of the draft.</p> <p>Para. 26 - Clarification is needed promptly on how the conformity issue will be dealt with. It is essential that this does not derail the prompt delivery of plans or local authorities being able to confirm that their plans accord with the Framework. Councils who await a certificate of conformity for a recent plan prepared under the existing system should not be disadvantaged.</p> <p>Para. 27 - The importance of a robust evidence base to underpin Local Plans is supported but a balance has to be struck between evidence gathering, timely plan preparation and available resources.</p> <p>Para. 49 - Much more clarification is needed on Neighbourhood Planning and their relationship with their overarching Local Plan(s) and the roles of the several stakeholders in this process. This is particularly important given the significance that the Framework gives to up to date Local Plans. Havering is concerned that individual Neighbourhood Plans may conflict and that there may be significant resourcing issues which conflict with the Council's ability to deliver the rest of the changes and culture shift underpinning the Framework.</p> |
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| | | <p>It is unclear as to how Neighbourhood Plans will be taken forward in London where boroughs do not have parishes.</p> <p>The Framework should provide clear information about who can prepare Neighbourhood Plans and what will be involved in this and when, and what will qualify as a neighbourhood forum and who in the community can form one.</p> <p>The Framework should also set out the requirements that must be satisfied by any such forum before any work on a Neighbourhood Plan can start.</p> |
| 2c | Joint working | <p>The policies for planning strategically across local boundaries provide a clear framework and enough flexibility for councils and other bodies to work together effectively.</p> <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> |
| 2d | | <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>Para. 44 / 48 - The expectation for cross boundary working between authorities is welcome but may be optimistic. It may not necessarily deliver the outcomes expected (for example, where neighbouring authorities have conflicting views on housing provision).</p> <p>However, Havering has worked successfully with the Greater London Authority on the preparation of the published London Plan. This encompassed several matters but particularly the work around housing capacity issues in the SHLAA as part of confirming annual housing targets. Havering also maintains a very positive and open dialogue with GLA officers in regard to major planning applications.</p> <p>Similarly, Havering is working closely with other east London Boroughs on the preparation of a Joint Waste Development Plan and this is close to being ready for adoption.</p> |
| 3a | Decision taking | <p>In the policies on development management, the level of detail is appropriate.</p> <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> |
| 3b | | <p>Do you have comments? (Please begin with relevant paragraph number)</p> |

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| | | <p>Overall</p> <p>There is some concern that the emphasis appears to be on achieving more development, rather than on good or appropriate development.</p> <p>It is essential that there is an appropriate balance achieved between securing development to promote growth and ensuring that the essential characteristics of places like Havering which provide the reason for people wanting to live here and invest here are not compromised.</p> <p>The Framework should explicitly emphasise the importance of local considerations local in local planning decisions and should require Inquiry Inspectors to give them due weight alongside the Framework rather than stating that it (the Framework) will always take precedence.</p> <p>It is a very strong concern that Enforcement is not dealt with in the draft Framework. PPG18 Enforcement has informed the Council's own policy work and Enforcement Code.</p> <p>Paras. 10 and 13 are contradictory as the latter places more emphasis on the economic aspects of development.</p> <p>Para. 14 'without delay' should be defined.</p> <p>Para. 19 - The overall approach of the draft Framework to 'design' is supported but it should include this in the Core Principles.</p> <p>Bullet point 3 - 'takes into account.....market signals such as land prices, commercial rents' is too vague. (See also later comment in town centres section).</p> <p>Bullet point 5 - 'reduce pollution' is not appropriate for a section dealing with heritage issues.</p> <p>Para. 57 - needs to be more positively worded to say that developers who engage in the pre-application process are likely to benefit from speedier decisions.</p> <p>Para. 74 - this places a significantly onerous burden on local planning authorities and may have adverse costs implications following Appeals.</p> <p>Para. 75 - 'long term' should be defined.</p> |
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| | | <p>Para. 83 - 'where reasonable to do so' is vague and weakens the policy.</p> <p>Para. 110 - other policies may need to be taken into account.</p> <p>Para. 120 - 'should' to be replaced with 'encouraged to' as not all authorities will wish to have design reviews.</p> <p>Para. 142 - it would be sensible for these paragraphs to be headed 'Development in Green Belts'.</p> <p>Para. 146 - what does 'elements' refer to?</p> |
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| Q. No | Section | Consultation Question |
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| 4a | | <p>Any guidance needed to support the new Framework should be light-touch and could be provided by Organisations outside Government.</p> <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> <p>It is contradictory to indicate that the Framework will be supplemented by further guidance when this guidance (eg on heritage issues) exists and has been edited out of the Framework in the drive to shorten it.</p> <p>It is unclear as to who could produce such guidance.</p> |
| 4b | | <p>What should any separate guidance cover and who is best placed to provide it?</p> <p>See comments above (4(a)).</p> |
| 5a | Business and economic development | <p>The 'planning for business' policies will encourage economic activity and give business the certainty and confidence to invest.</p> <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> |
| 5b | | <p>Do you have comments? (Please begin with relevant paragraph number)</p> |

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| | | <p>Overall</p> <p>In general, these policies are broadly supported as the Council is committed to ensuring that Havering has a strong and vibrant economy as part of its 'Living Ambition' agenda. This will help foster further investment and benefit residents and their quality of life and well being.</p> <p>Havering has a started work on replacing its LDF with a Local Plan that will accord with the requirements of the Framework. The importance of promoting business growth and attracting investment is likely to be a significant priority. The preparation of a growth led plan that balances the economic, social and environmental needs of the borough will, in principle, accord with the approach set out in the Framework and have the potential to link the Council's agenda to it.</p> <p>Nevertheless, there is a concern that the focus in the Framework may be allowed to over-ride environmental protection and other sustainability considerations particularly in Appeal decisions. The comment that authorities '..... should approve all individual proposals wherever possible' should be expanded so that proposals are approved wherever possible 'unless there are serious adverse social or environmental effects which would make the development unsustainable'.</p> <p>Opportunities for commercial office development to be in locations other than town centres are supported in principle provided that these are accessible / well served with public transport since this accords with the more flexible approach that the London Mayor is investigating with his Outer London Commission work.</p> <p>Para 75 - 'Planning policies should avoid the long term protection of employment land or floorspace ...' This approach runs counter to London Plan and Borough policies on Strategic Industrial Locations (SILs). The new London Plan strengthens the protection of SILs and states that proposals should normally be refused unless for industrial or ancillary uses.</p> <p>Para. 75 - The Framework should set out what 'market signals' are and avoid a short term, knee-jerk reaction which may result in the loss of valuable employment land so that local planning authorities can make proper planned provision for 'sustainable' economic growth.</p> |
| 5c | | <p>What market signals could be most useful in plan making and decisions, and how could such information be best used to inform decisions?</p> |

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| | | No comment. |
| 6a | | The town centre policies will enable communities to encourage retail, business and leisure development in the right locations and protect the vitality and viability of town centres. |
| 6b | | <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>Overall</p> <p>The focus on town centre development is broadly appropriate.</p> <p>Detailed comments</p> <p>The Framework should more explicitly recognise the importance of town centre location being the first choice for most activities and facilities that the community have access to including jobs.</p> <p>The Framework should explicitly recognise the importance of 'culture'. The section of the Framework dealing with town centres may be an appropriate place for this because culture can also generate economic wealth as well as be essential in its own right for individuals and the community.</p> <p>This should encompass issues such as the need for arts facilities (including performance facilities), galleries and libraries and opportunities for the interpretation of local history through facilities such as museums. The Framework should also highlight the particular importance of the appropriate provision of play spaces for children.</p> <p>Culture being explicitly recognised in the published Framework will benefit individuals, assist in the delivery of vibrant and inclusive communities, enhance town centres and contribute towards the economic growth underpinning the Framework.</p> <p>It is a concern that there is no indication in the draft Framework that 'recreation' encompasses anything other than physical activity as all references to it are linked to 'sports' and this interpretation is too narrow.</p> <p>See above for comments in regard to office development.</p> |

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| | | (Comments on Local Green Space are included in the section dealing with the Natural Environment below) |
| 7a | Transport | The policy on planning for transport takes the right approach. |
| 7b | | <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>Havering has strong competition from centres such as Lakeside and Bluewater with several thousand car parking spaces. The proposal in the Impact Assessment that maximum non-residential car parking standards be deleted so that Councils may set their own standards to take account of local circumstances and priorities is welcomed. It accords with the wider 'localism' agenda and will afford businesses and their customers flexibility and choice.</p> |

| Q. No | Section | Consultation Question |
|-------|-------------------------------|---|
| 8a | Communications infrastructure | Policy on communications infrastructure is adequate to allow effective communications development and technological advances. |
| 8b | | <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>None.</p> |
| 9a | Minerals | The policies on minerals planning adopt the right approach. |
| 9b | | <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> <p>Do you have comments? (Please begin with relevant</p> |

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| | | <p>paragraph number)</p> <p>Overall</p> <p>The brevity of the guidance is welcome and the main topics are addressed albeit some important detail that may have benefitted other stakeholders is absent.</p> <p>There is no mention of the sequential approach to minerals as set out in MPS1. This encouraged the use of secondary aggregates (recycled material) over the extraction of primary aggregates.</p> <p>Formal site monitoring should be referred to and Minerals Planning Authorities advised that they can undertake chargeable site monitoring visits.</p> <p>Reference should be made to landfilling and waste planning guidance as this should be considered when dealing with applications for minerals extraction.</p> <p>Further detail should be provided on the ‘aftercare’ of sites and it should be defined in the Glossary.</p> <p>‘Landbank’ should also be dealt with as above.</p> <p>There is no mention of Residents Liaison Committees which provide an opportunity for stakeholders to address issues arising from minerals planning permissions.</p> <p>Para. 102 - the reference to ‘unacceptable’ in regard to noise limits is a major concern. It infers a large move away from normally acceptable criteria. It will be more appropriate for it to be replaced with ‘adverse significant impact’ as this would link better to environmental impact assessment methodology and terminology (and consistent with para. 173 of the draft Framework). Similar considerations apply in respect of para. 164.</p> |
| 10a | Housing | <p>The policies on housing will enable communities to deliver a wide choice of high quality homes, in the right location, to meet local demand.</p> <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> |
| 10b | | <p>Do you have comments? (Please begin with relevant paragraph number)</p> |

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| | | <p>Overall</p> <p>The emphasis in this section is on boosting housing supply and this is supported in principle.</p> <p>Para. 109 - It must be recognised that demand and need across London will almost always be greater than supply, particularly in boroughs like Havering with a relatively constrained urban area and a commitment to maintaining the Green Belt. Moreover in some cases, decisions have to be taken over whether it is more important for sites to be used for housing or employment uses as the latter may contribute more to economic growth which the Government wishes to see.</p> <p>Bullet point 2 - In a London context, it is unrealistic to expect a five year land supply to be maintained, nor is it reasonable to require an additional allowance of 20% on the specific deliverable sites. The Framework sets out no justification for this figure in any event.</p> <p>Bullet point 4 - In the London context, it is proper that Councils should be able to take account of housing opportunities on 'windfall' sites and this must be recognised in the Framework.</p> <p>Bullet point 7 -The continued support for empty property activity is welcomed.</p> <p>Additional points :</p> <p>It is noted that the issue of gypsies and travellers is not specifically addressed in the draft Framework but that the Government wishes stakeholders to comment on this matter in the light of any response provided to the earlier DCLG consultation on planning for travellers.</p> <p>The Council's response on this matter in summer 2011 said, in summary, that it wished to see the distinction in the policy between gypsies and travellers and travelling show people maintained, supported the removal of the needs assessment and its replacement with a robust evidence base for assessing local needs and supported targets for pitches being set by local planning authorities alongside other planning policies and priorities. It disagreed with local needs being assessed in the light of historical demand and did not support having to plan for a 5 year supply of pitches. The Council wished to see the policy approach be consistent with the established approach in Planning Policy Guidance Note 2 (Green Belts) and did not agree with planning policy for these groups being aligned with other forms of housing.</p> |
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| | | <p>paragraph number)</p> <p>None.</p> |
| 14a | Climate change, flooding and coastal change | <p>The policy relating to climate change takes the right approach.</p> <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> |
| 14b | | <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>Overall</p> <p>The draft Framework lacks sufficient detail to guide local planning authorities in addressing issues on climate change and flooding. There is much in the document that is left open to interpretation. This makes the delivery of any meaningful outcomes and improvements in the environmental standards of new development problematical . Good progress has been made in recent years in delivering environmental improvements by setting out the standards that new developments are required to deliver, by way of the Code for Sustainable Homes and BREEAM.</p> <p>It would be helpful to have more clarity in the Framework regarding how the objectives and aspirations should be achieved.</p> <p>If too much is left open to interpretation this may actually hinder the planning process and development management.</p> |
| 14c | | <p>The policy on renewable energy will support the delivery of renewable and low carbon energy.</p> <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> |
| 14d | | <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>Paras. 152-153 -The approach to supporting the delivery of renewable energy and the presumption in favour of sustainable development is welcomed.</p> <p>The provision for local authorities to identify suitable areas for renewable and low-carbon energy sources will require the development of evidence to support this and this should be</p> |

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| | | recognised in the section on 'Using a proportionate evidence base' |
| 14e | | The draft Framework sets out clear and workable proposals for plan-making and development management for renewable and low carbon energy, including the test for developments proposed outside of opportunity areas identified by local authorities |
| 14f | | <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>Para. 154 – It is welcome that new developments should be designed to avoid increased vulnerability to impacts arising from climate change. However, it would be useful if the Framework outlined the key impacts arising from climate change that new development should anticipate addressing.</p> |
| 14g | | The policy on flooding and coastal change provides the right level of protection. |
| 14h | | <p>Do you: Strongly Agree/Agree/Neither Agree or Disagree/Disagree/Strongly Disagree</p> <p>Do you have comments? (Please begin with relevant paragraph number)</p> <p>Para. 156 -The Council supports the recommendations to apply a sequential and risk-based approach to avoid flood risk.</p> <p>However, to support local authorities in taking account of the uncertainty over future climate change impacts, it would be useful to have an indication of precautionary sensitivity ranges for peak rainfall intensity and river flow (as currently included in Appendix B of the current Planning Policy Statement 25).</p> <p>Para. 157 -The Framework should include greater emphasis on the application and utilisation of Sustainable Drainage Systems (SuDS) in the management of flood risk for local planning authorities which will be required in the vast majority of new developments in line with the Floods and Water Act requirements.</p> |

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| | | <p>will be to the detriment of the overall national heritage assets.</p> <p>CLG should seek to substantively increase the number of terms defined in the Glossary, this would improve the usability of the NPPF without significantly altering its overall content</p> |
| 17a | Impact Assessment | <p>The Framework is also accompanied by an impact assessment. There are more detailed questions on the assessment that you may wish to answer to help us collect further evidence to inform our final assessment. If you do not wish to answer the detailed questions, you may provide general comments on the assessment in response to the following question:</p> <p>Is the impact assessment a fair and reasonable representation of the costs, benefits and impacts of introducing the Framework?</p> |

B: Impact assessment questions

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| QA1 | We welcome views on this Impact Assessment and the assumptions/ estimates contained within it about the impact of the National Planning Policy Framework on economic, environmental and social outcomes. More detailed questions follow throughout the document. |
| QA2 | Are there any broad categories of costs or benefits that have not been included here and which may arise from the consolidation brought about by the National Planning Policy Framework? |
| QA3 | Are the assumptions and estimates regarding wage rates and time spent familiarising with the National Planning Policy Framework reasonable? Can you provide evidence of the number of agents affected? |
| QA4 | Can you provide further evidence to inform our assumptions regarding wage rates and likely time savings from consolidated national policy? |
| QA5 | What behavioural impact do you expect on the number of applications and appeals? |
| QA6 | What do you think the impact will be on the above costs to applicants? |
| QA7 | Do you have views on any other risks or wider benefits of the proposal to consolidate national policy? |

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| <p>QB1.1</p> <p>QB1.2</p> <p>QB1.3</p> <p>QB1.4</p> | <p>What impact do you think the presumption will have on:</p> <p>i. the number of planning applications;</p> <p>ii. the approval rate; and</p> <p>iii. the speed of decision-making?</p> <p>What impact, if any, do you think the presumption will have on:</p> <p>i. the overall costs of plan production incurred by local planning authorities?</p> <p>ii. engagement by business?</p> <p>iii. the number and type of neighbourhood plans produced?</p> <p>What impact do you think the presumption in favour of sustainable development will have on the balance between economic, environmental and social outcomes?</p> <p>What impact, if any, do you think the presumption will have on the number of planning appeals?</p> |
| <p>QB2.1</p> <p>QB2.2</p> <p>QB2.3</p> <p>QB2.4</p> <p>QB2.5</p> | <p>Do you think the impact assessment presents a fair representation of the costs and benefits of the policy change?</p> <p>Is 10 years the right time horizon for assessing impacts?</p> <p>Do you think the impact assessment presents a fair representation of the costs and benefits of the policy change?</p> <p>How much resource would it cost to develop an evidence base and adopt a local parking standards policy?</p> <p>As a local council, at what level will you set your local parking standards, compared with the current national standards?</p> <p>Do you think the impact assessment presents a fair representation of the costs and benefits of this policy change?</p> <p>Do you think the impact assessment presents a fair representation of the costs and benefits of the policy changes on minerals?</p> |
| <p>QB3.1</p> <p>QB3.2</p> <p>QB3.3</p> | <p>What impact do you think removing the national target for brownfield development will have on the housing land supply in your area? Are you minded to change your approach?</p> <p>Will the requirement to identify 20% additional land for housing be achievable? And what additional resources will be incurred to identify it? Will this requirement help the delivery of homes?</p> <p>Will you change your local affordable housing threshold in the light of the</p> |

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| | changes proposed? How? |
| QB3.4 | Will you change your approach to the delivery of affordable housing in rural areas in light of the proposed changes? |
| QB3.5 | How much resource would it cost local councils to develop an evidence base and adopt a community facilities policy? |
| QB3.6 | How much resource would it cost developers to develop an evidence base to justify loss of the building or development previously used by community facilities? |
| QB3.7 | Do you think the impact assessment presents a fair representation of the costs and benefits of the Green Belt policies set out in the Framework? |
| QB4.1 | What are the resource implications of the new approach to green infrastructure? |
| QB4.2 | What impact will the Local Green Space designation policy have, and is the policy's intention sufficiently clearly defined? |
| QB4.3 | Are there resource implications from the clarification that wildlife sites should be given the same protection as European sites? |
| QB4.4 | How will your approach to decentralised energy change as a result of this policy change? |
| QB4.5 | Will your approach to renewable energy change as a result of this policy? |
| QB4.6 | Will your approach to monitoring the impact of planning and development on the historic environment change as a result of the removal of this policy? |



CABINET

26 October 2011

Subject Heading:

Cabinet Member:

CMT Lead:

Report Author and contact details:

Policy context:

Financial summary:

Is this a Key Decision?

REPORT

Community Halls managed by Culture and Leisure Services

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Corporate Asset Management Plan

The four community halls directly managed by Culture and Leisure Services require significant investment in the region to enhance their current condition and to bring the buildings up to a standard that will encourage usage and help the Council achieve the centres' income targets. There is also a need to demolish the Old Windmill Hall. There is currently no provision in the Council's capital programme and very little prospect that the Council could secure external funding to address these investment needs. This report recommends the disposal of Dukes Hall which will reduce the capital investment requirement in that specific site and a proportion of the receipt realised from the disposal could be used to invest in other community facilities.

The recommendations included in this report will also help Culture and Leisure services achieve the Medium Term Financial Savings for Community Halls, as agreed by Cabinet in July 2011.

Yes

Is this a Strategic Decision? Yes

When should this matter be reviewed? October 2012

Reviewing OSC: Towns and Communities

The subject matter of this report deals with the following Council Objectives

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|---|-------------------------------------|
| Ensuring a clean, safe and green borough | <input type="checkbox"/> |
| Championing education and learning for all | <input type="checkbox"/> |
| Providing economic, social and cultural activity in thriving towns and villages | <input checked="" type="checkbox"/> |
| Valuing and enhancing the lives of our residents | <input checked="" type="checkbox"/> |
| Delivering high customer satisfaction and a stable council tax | <input checked="" type="checkbox"/> |

SUMMARY

The Council retains four community halls which are under the direct management of Culture and Leisure Services, with the majority of other community halls having been transferred to community associations under a leasehold arrangement.

This report reviews the current condition, usage and distribution of the remaining facilities in order to make recommendations about their future retention, transfer or closure.

RECOMMENDATIONS

Members are asked to agree:

1. To the closure of Dukes Hall, as from April 1st 2012 and to delegate to the Lead Members for Value and the Lead Member for Culture, Towns and Communities authority to agree terms for its disposal.
2. To agree to demolish Old Windmill Hall now, to be initially funded from Capital Contingency, which will be reimbursed from the Dukes Hall receipt
3. In principle to a proportion of the capital receipt arising from the disposal of Dukes Hall being utilised to deal with urgent repair and maintenance issues at the New Windmill Hall and Tweed Way Hall, assuming that these two halls transfer to a community organisation under a Lease Agreement. To delegate the decision on the level of capital spend from the Dukes Hall receipt on alternative community halls managed by Culture and Leisure Services, to the Lead Member for Value and the Lead Member for Culture, Towns and Communities.

4. In principle to the transfer of the management of the New Windmill Hall to a community group or, in the event of this not proving possible, bring a further report back to Cabinet for consideration of subsequent options.
5. In principle to the transfer of the management of the Tweed Way Hall to a community group or, in the event of this not proving possible, bring a further report back to Cabinet for consideration of subsequent options.
6. To delegate decisions on all property matters associated with the transfer of New Windmill Hall and / or Tweed Way Hall, including the criteria for selecting the preferred voluntary group if more than one group expresses an interest in managing one of the halls, the selection of the preferred community group (s) and finalising lease terms, to the Lead Member for Value and the Lead Member for Culture, Towns and Communities.
7. In principle to protecting existing bookings at those community halls that transfer to a community group, to be set out in relevant agreements;
8. To the demolition of the Old Windmill Hall building given the danger it poses to people who might try to enter the site, subject to the Dukes Hall site being disposed of and to be funded from the associated capital receipt
9. To receive a further report on the option of disposing of the Old Windmill Hall site and adjoining land, to secure further investment in the New Windmill Hall facility for the purposes of leasing the building to a community group and surrounding facilities, in the context of improving the local environment and taking account of the setting of nearby listed buildings.
10. In principle to Cottons Hall being reopened when a Lease can be agreed with a suitable community organisation or, if this does not prove possible, to receive a further report on the future of the site.

REPORT DETAIL

1. Background and strategic context

- 1.1 As part of the Council's Asset Management Plan, strategic reviews are periodically undertaken for individual asset groups to challenge whether the existing asset base should be retained, or alternatively whether the opportunity can be taken to rationalise and/or release assets where Council ownership is no longer optimal.
- 1.2 This approach aligns to current government policy to streamline the public sector estate as promoted in the publication 'Leaner and Greener – Delivering Effective Estate Management' launched by the Secretary of State for Communities and Local Government.
- 1.3 The Council completed a review of all of its community halls in 2009. A decision on the future of the halls managed by Culture and Leisure was deferred pending a review of the Council's capital programme and consideration of any Medium Term

Financial Strategy (MTFS) proposals that might impact on the future of the community halls.

- 1.4 The Council's MTFS Financial Strategy, agreed by Cabinet on 13th July 2011, outlined a variety of savings proposals, including a projected saving of £60k in 2012/13, rising to £107k in 2013/14, resulting from a review of management arrangements for the community halls operated by Culture and Leisure services. A Culture and Leisure Services restructure report which will help secure the identified savings is currently out to consultation with affected staff and their trade union representatives. The consultation period does not come to an end until mid December 2011 and any alternative proposals will need to be fully considered. This means that the proposals included in this report are subject to the outcome of the consultation exercise that is currently under way.
- 1.5 The most recent Condition Surveys for the community halls managed by Culture and Leisure Services were conducted in 2007. Since then a lack of capital resources has meant that little work has been carried out to the halls and, in addition to outstanding works, there are now additional works that need to be undertaken. The table in 2.5 below sets out the investment needs for the four halls considered in this report.
- 1.6 It is the Council's experience in recent years that transferring the management of community halls cannot easily be achieved unless outstanding urgent investment needs are addressed prior to transfer. Therefore to achieve a successful transfer, in a timescale that ensures the MTFS revenue savings are achieved, it is considered essential to have capital funds available to deal with such urgent works. However, there are currently no capital funds available and little likelihood that the Council could secure external funding for this purpose; so there seems to be no alternative but to dispose of one of the halls to realise a receipt and use a proportion of that receipt to invest in the halls that are to remain open. If this strategy is not progressed there is a danger that Culture and Leisure's MTFS savings may not be achieved and, worse, levels of income would reduce further as a result of the buildings deteriorating further.
- 1.7 The Old Windmill Hall was closed in August 2007 due the very poor state of the building. Since then the building has been kept secure and no use has been made of the site. There is now a need to urgently demolish the building as it is beyond repair and posing a danger to anyone breaking in to the site. The building also contains asbestos in the roof which needs to be removed. The total cost of demolishing the building and dealing with associated issues is estimated to be £80k. There is no current budget provision available to cover these costs.

2. Current management arrangements

- 2.1 Management arrangements for Culture and Leisure managed community halls currently fall into two categories:

Category 1 - Community/Social Halls that are managed and controlled by the Council (including Culture and Leisure Services managed Halls);

Category 2 – Community/Social Halls that are leased to community groups at equitable rents.

2.2 A summary of community halls within Category 1 is set out in Appendix A. Council policy in recent years has been to transfer the management of many of the halls to local management committees by way of a leasehold agreement. In addition to empowering community ownership of these facilities, local management committees are able to seek charitable status, offering financial benefits in the form of business rate relief, plus the scope to bid for external funding (e.g. Big Lottery, Future Builders Fund) which the Council itself would be unable to access.

2.3 By retaining the freehold interest, the Council is able to retain control over the type of activities that can be offered to the local community, whilst protecting Council assets for future strategic decisions.

2.4 Culture and Leisure Services retains the direct management of four community halls; namely:

- Tweed Way Hall
- Dukes Hall
- Cottons Hall (currently closed for general community use)
- New Windmill Hall

2.5 The table below highlights the income performance vs. budget (2010/11).

| | 2010/11 Income Budget (£000) | 2010/11 Actual Income (£000) |
|-----------------------------------|-------------------------------------|-------------------------------------|
| Tweed Way Hall | 32 | 28 |
| Dukes Hall | 57 | 45 |
| New Windmill Hall | 59 | 49 |
| Demolish Old Windmill Hall | N/A | N/A |
| Total | 148 | 122 |

(Please note that the income figures are gross; in fact, there is currently a net spend at each of the three halls presently open).

Enhancing the condition of the three remaining halls (i.e. excluding Old Windmill) to an optimal condition for use by community organisations is likely to require a total investment in the order of £0.4m, for which no financial provision exists.

2.6 The existing users of the halls can be split into two broad categories – regular hirers and one off hirers. Regular hirers include pre-school provision through nursery provision at Tweed Way Hall and Dukes Hall, a Montessori school setting at Dukes Hall, dance clubs, over 50's clubs, flower arranging clubs, martial arts clubs and social societies. One-off hirers predominantly include weddings, parties and performances. A full list of all the regular hirers at each hall is included in appendix B.

2.7 Given the significant financial pressures facing the Council it will become increasingly difficult to invest in Council owned assets, whether it be to deal with urgent repair and maintenance issues or keep buildings up to a certain standard so that people want to continue to use them. One of the reasons why income levels at community halls have reduced in recent years and income targets have not been achieved is as a result of the declining state of the buildings. At the same time the Council needs to generate a level of capital receipts to be able to invest in high priority capital projects, which will be of benefit to the local community.

3. Spatial provision of community facilities

3.1 As part of the 2009 community halls review, the geographical spread of all community facilities in Council ownership across the borough was mapped, to give a spatial view of provision in different communities. Appendix C maps the coverage of community halls (Council managed and those let to community associations). The map identifies a concentration in the central and northern area of the borough whilst facilities for the south of the borough are more limited, although these will be enhanced by the new Rainham Library scheme which includes community facilities. Whilst there is generally a good spread of community/social halls across the borough, a number of these facilities cover similar catchment areas.

3.2 Beyond community halls themselves, there are numerous other leisure and recreational facilities which provide hall space, including churches, schools, sport centres and halls owned by voluntary bodies (eg the scouts).

3.3 In the light of the spatial review and the financial constraints facing the Council (limited capital funding to invest in the community halls), it is proposed that an overall strategy is developed that retains the majority of the Culture and Leisure managed community halls and includes the disposal of the site that is least needed in terms of spatial provision (ie Dukes Hall), to reduce the requirements for investment and results in a capital receipt to the Council that can be partly utilised to address the investment needs at the remaining halls.

4. Proposals

4.1 The following measures are proposed for the halls managed by Culture and Leisure Services.

New Windmill Hall

The building requires significant capital investment. It is proposed that the management of the hall is transferred to a community organisation, to achieve efficiency savings, or if this is not achievable then the hall should close. Either way, if the hall remains open a further report should be produced on options to develop the Old Windmill hall site, incorporating a small area of adjacent land, in order to provide a viable development site.

Cottons Hall

This hall is in extremely poor condition and has already closed pending a refurbishment or redevelopment proposal. The building is adjacent to another Council owned building which is leased to the rugby club, who also have access to the ground floor changing facilities with other football clubs. Discussions are ongoing with the Rugby Club and the Friends of Cottons Park regarding them potentially taking over management of the Hall under a leasehold agreement, in order to raise sufficient funding for investment in the facility, whilst retaining scope for broader community use. Possible commercial uses of the site have been explored, including discussions with the Primary Care Trust, but no viable proposition has been put to the Council at this point.

Tweed Way Hall

The building requires significant capital investment. It is proposed that the management of the hall is transferred to a community organisation, to achieve efficiency savings, or if this is not achievable then the hall should close.

Dukes Hall

Given the evidence of potential overlap with other facilities, combined with the need to secure capital receipts to invest in other Council priorities (including other halls); it is proposed that Dukes Hall is closed and the asset released for disposal. The opportunity can be taken to rationalise the site boundary to provide a more viable development site, although the impact on the adjoining park needs to be taken fully in to account. The decommissioning of Dukes Hall needs to be carefully managed to ensure the meals on wheels service continues to operate and existing users are given help to find alternative premises. Although the Council will provide as much support to groups as possible, there is no guarantee that suitable alternative facilities will be found for the groups that will have to vacate Dukes Hall.

By way of background, the Council acquired Dukes Hall in the late 1980s when an opportunity to purchase the land at a reasonable cost occurred, linked to the adjoining development of a retail store.

Old Windmill Hall

The building could potentially pose a health and safety risk at some point and ideally should be demolished as soon as possible.

Langtons Hall

There are no proposals in this report that impact on the management or usage of Langtons Hall, so the current arrangements will be retained.

- 4.2 Assuming agreement to the recommendations in this report the Council will need to manage a process which seeks to transfer the management of one or more halls to a voluntary organisation. There will be a need to establish a selection process which will need to include consultation with existing hirers / users, the advertising of the opportunity to take over the management of the Hall(s), the evaluation

criteria for selecting the preferred partner and the transfer arrangement that needs to be put in place should a transfer proceed.

REASONS AND OPTIONS

Reasons for the decision:

To provide a sustainable community halls infrastructure, ensure retained assets receive adequate investment and ensure that Culture and Leisure Services achieves its MTFS savings targets.

Other options considered:

Options have been considered for each of the four community halls that currently remain in the direct management of Culture and Leisure Services. The decision to retain, close or transfer management has, in each case, been based on a number of factors including condition, investment needs and proximity to other community facilities.

Retention of all four facilities within the Council's direct management is not considered to be a sustainable option, resulting in the decision to rationalise these assets, recycling the receipt from the disposal of some for the benefit of investment in others.

IMPLICATIONS AND RISKS

Financial implications and risks:

The proposals contained in this report will address the indicative investment needs that have been identified for the three halls directly managed by Culture and Leisure Services (excluding Cottons Park) and will also ensure that the Old Windmill hall is demolished. There is currently no provision in the Council's capital programme to address these investment needs.

It is proposed to close Dukes Hall (after 1st April 2012) and dispose of the site. It is proposed to demolish Old Windmill Hall now, in advance of the Dukes Hall receipt; funding will be via Capital Contingency, which be subsequently "reimbursed" from the Dukes Hall receipt.

The proposed disposal of Dukes Hall will reduce the overall investment need, The aim is to achieve the transfer of management of Tweedway and new Windmill Halls, and to aid this, to invest to a level to be agreed by Lead Members Value, and Culture, Towns & Communities – funded again by the Dukes Hall receipt, which is estimated to be in excess of the assumed spend.

For information, it is not general policy to ring fence receipts for specific purposes. This is because this will not necessarily reflect the Council's overall spending priorities, and also there may well be timing issues. Any additions to the Capital Budget currently require the approval of Cabinet and full Council.

The recommendations included in this report will also help ensure that Culture and Leisure Services achieves its MTFS savings targets of £60k in 2012/13, rising to £107k in 2013/14, as agreed by Cabinet in July 2011.

The main financial risk relates to a decision on the future of the halls being deferred, which will result in Culture and Leisure Services not being able to achieve its MTFS savings targets.

Legal implications and risks:

The operation of community halls by the Council is a discretionary activity which the Council can cease, but it needs to take account of the impact that any closure will have on users, particularly those with protected characteristics under the Council's equality obligations, in reaching a final decision on closure if it does not prove possible to find community groups to run the halls.

Negotiation of leases with community groups tends to be a protracted matter, in part because the groups are understandably wary of taking on liabilities, particularly repairing obligations and partially because of the decision making processes of voluntary groups. Completion of such leases by the 1st April 2012 would be unusual given past experience. However allowing groups to commence management without the lease in place is likely to result in the lease negotiation being even more protracted or possibly it never being completed which leads to future problems with the site.

Human Resources implications and risks:

The Human Resource implications directly associated with this report have been covered separately in a Culture and Leisure Services Restructure report that is currently out to consultation with affected staff and their trade union representatives. T

Equalities implications and risks:

A number of local community groups will be affected by the proposals contained in this report. The Council will be seeking to protect usage by existing user groups where a transfer takes place and, where a closure results the Council will help the groups affected to find alternative premises. All affected groups will be dealt with as equitably as possible in this regard.

An Equality and Fairness Assessment has been completed for the restructure report that is linked to Culture and Leisure Services' MTFS proposals, which includes an assessment of the impact on transferring or closing the Culture and Leisure community halls on staff and the local community. A further Equality Impact Assessment will be produced to ensure that the impact on current Dukes Hall users is minimised as far as possible.

No consultation has taken place with the users of the Culture and Leisure managed community halls as this could not be progressed until the recommendations in this report had been considered and decided upon.

An Equality Assessment has been completed for the proposed closure of Dukes Hall. This Assessment shows that parents and carers with children and older people will be particularly affected by the proposal. These affected groups, as well as all other groups currently using Dukes Hall, will be supported in trying to find alternative accommodation.

BACKGROUND PAPERS

Equality Impact Assessment

Appendix A – Schedule of Community/Social Halls managed by Culture and Leisure, Customer Services and Housing (Category 1 Halls)

| Plan Ref | Property_Name | Leaseholder | Existing Management Responsibility |
|-----------------|---------------------------|--------------------|---|
| 1 | Cottons Social Hall | Not Applicable | Culture and Leisure |
| 2 | Tweed Way Social Hall | Not Applicable | Culture and Leisure |
| 3 | Dukes Hall | Not Applicable | Culture and Leisure |
| 4 | New Windmill Hall | Not Applicable | Culture and Leisure |
| 5 | Langtons Gardens | Not Applicable | Customer Services |
| 6 | Betty Strathern Centre | Not Applicable | Housing |
| 7 | Betty Whiting Centre | Not Applicable | Housing |
| 8 | Haydock Close Social Hall | Not Applicable | Housing |

Appendix B – Existing Use of the Culture and Leisure managed halls

| <u>Dukes Hall</u> | |
|--|---------------|
| Weekly | Time |
| Parklane play group (Mon/Tues/Wed/Thurs/Fri) | 09:15 – 12:15 |
| Hylands Senior Citizens (Mon) | 13:45 – 15:45 |
| Upminster old time modern (Wed) | 13:30 – 16:00 |
| Tap Dancing club (Wed) | 20:00 – 23:00 |
| Emery school of dance (Thurs) | 20:00 – 23:00 |
| Funky Voices (Mon) | 20:00 - 22:30 |
| Kaizen Ryu Karate (Sat) | 10:30 – 12:30 |
| 40 + club (Tues/Wed/Fri.) | various times |
| Slimming world (Mon) | 18:30 – 20:30 |
| Slimming World (Tues) | 09:00 – 11:00 |
| Montessori (Mon - Fri.) | 09:00 – 16:00 |
| Once a month | |
| Keyboard society (Thurs) | 19:00 – 23:00 |
| National blood service (Fri) | 12:30 – 21:00 |

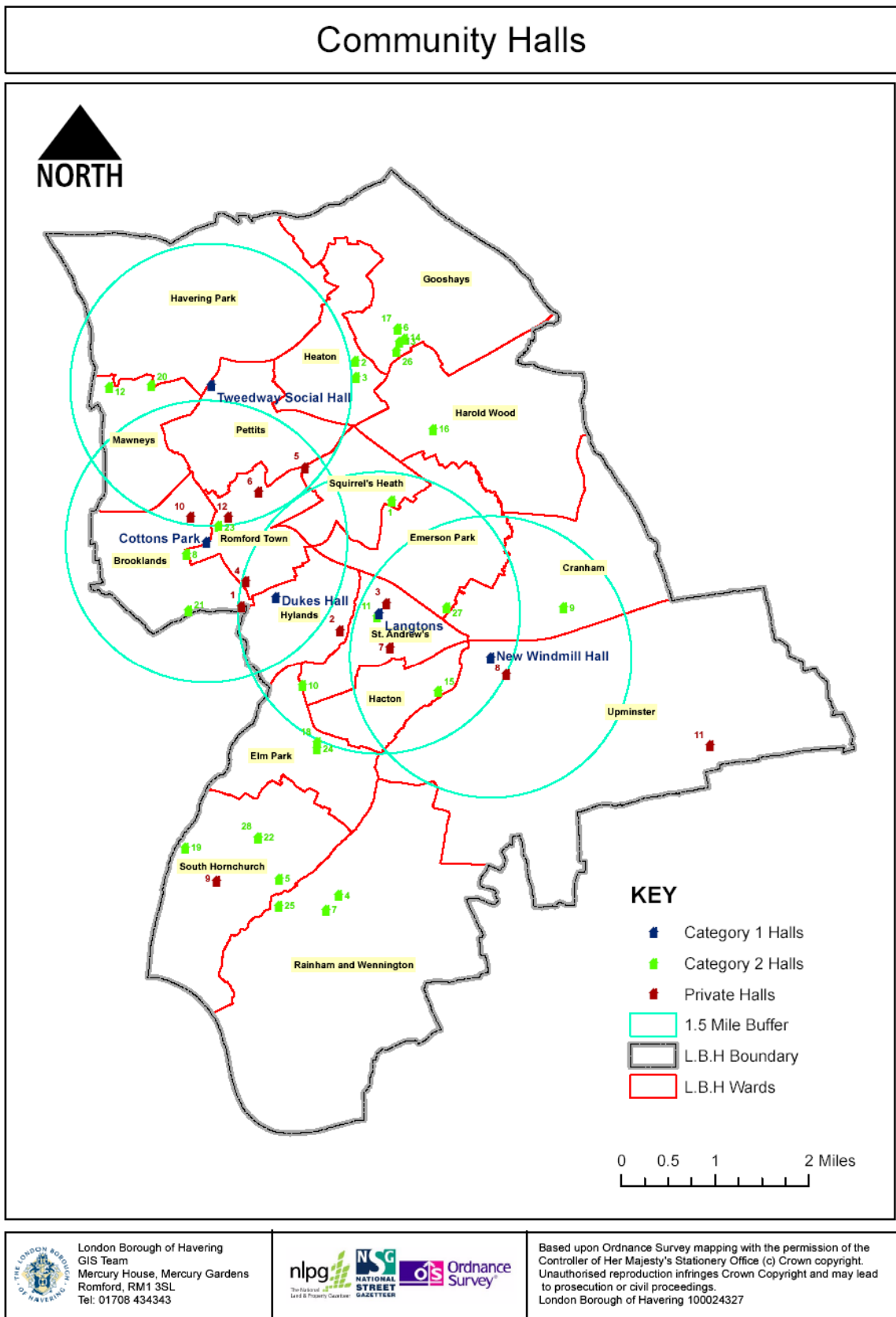
| <u>New Windmill Hall</u> | |
|---|---------------|
| Weekly | Time |
| New Horizons (Mon) | 19:30 – 23:00 |
| Pilates (Wed/Thurs) | 09:00 – 12:00 |
| Tea Dance (Thurs) | 13:00 – 15:30 |
| Ballet (Thurs) | 16:00 – 19:00 |
| Upminster old time modern dance (Thurs) | 19:30 - 22:30 |

| | |
|--|---------------------------------------|
| Church of God (Sun) | 10:00 – 11:00 |
| Tumble Tots (Fri) | 09:00 – 12:30 |
| Once a month | |
| Scrabble Club (Tues) | 19:00 – 22:30 |
| Fine Arts (Tues) | 09:30 – 12:30 |
| Dance classes (term time) | 13:00 – 15:00 and 19:30 – 22:30 |
| Upminster Horticultural society (Tues) | 19:15 – 22:15 |
| Upminster Floral Art (Wed) | 18:30 – 23:00 |
| Bubbles (Sat) | 20:00 – midnight |
| National Blood Service (Fri) | 12:30 – 21:00 |
| East Anglian Railway (Wed) | 19:00 – 22:00 |
| Three times per year | |
| Options (Sat) | 19:00 – midnight |

| <u>Tweed Way</u> | |
|-----------------------------------|---------------|
| Weekly | |
| Pilates | 09:15 – 10:45 |
| Lisa Glead (Mon/Tues/Thurs/Sat) | Various |
| Per-school (daily) | 09:00 – 15:00 |
| Weight Watchers (Mon) | 18:30 – 20:30 |
| Weight Watchers (Tues) | 09:00 – 11:00 |
| Wynne School of Dance (Wed) | 15:30 – 20:00 |
| Towns Women Guild (Wed/Thurs/Fri) | Various |
| Modern Sequence (Thurs) | 19:45 – 22:15 |
| Royal Ambassadors Church (Sat) | 11:00 – 13:30 |

| | |
|------------------------------|---------------|
| | |
| Three times per month | |
| 50+ sports club (Tues) | 19:30 – 22:30 |

APPENDIX C – Distribution of Community Halls and other community facilities.



Appendix C Notes

In the map included as Appendix C, the circles are 3 miles in diameter. This means approximate travel times from the edge of the circle to the hall (1.5 miles) of approximately:

- 6 minutes by car travelling at an average speed of 15 mph.
- 30 minutes by foot at an average walking speed of 3 mph

The map shows that two halls fall individually within the 1.5 mile radius of two other category 1 halls. These are:

1. Dukes Hall (Langtons and Cottons Park Hall)
2. Langtons (Dukes Hall and New Windmill Hall)

Cottons Park Hall falls just outside of the “influence” of Tweed Way Social Hall and Langtons. However, it is within Dukes Hall’s area of “influence”.

The Category 1 Hall provision falls primarily in the west and north-west of the borough with southern and north-east areas particularly far from the current provision.

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| CABINET 26 October 2011 | REPORT |
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| Subject Heading: | APPROVAL OF THE PREFERRED DEVELOPMENT PARTNER FOR THE BRIAR ESTATE |
| Cabinet Member: | Councillor Lesley Kelly |
| CMT Lead: | Cynthia Griffin |
| Report Author and contact details: | Mark Adams 01708 43 4100 mark.adams@havering.gov.uk |
| Policy context: | Implementation of Housing Strategy and Harold Hill Ambitions Programme |
| Financial summary: | The recommended development partner offers the best value to the Council and will enable an associated programme of environmental improvements for the Briar, to a value of £2m. |
| Is this a Key Decision? | Yes |
| Is this a Strategic Decision? | Yes |
| When should this matter be reviewed? | In 6 months |
| Reviewing OSC: | Towns and Communities |

The subject matter of this report deals with the following Council Objectives

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| Ensuring a clean, safe and green borough | [X] |
| Championing education and learning for all | [] |
| Providing economic, social and cultural activity in thriving towns and villages | [X] |
| Valuing and enhancing the lives of our residents | [X] |
| Delivering high customer satisfaction and a stable council tax | [] |

SUMMARY

- 1.1 In November 2008 Cabinet approved the Harold Hill Ambitions Plan, with the improvement of the Briar Road Estate as a priority. This report sets out the procurement process for the selection of a Development Partner for the Briar Estate to provide new homes on small sites and redevelop the shops area; it recommends the approval of Notting Hill Housing Group as the Council's preferred partner. The report also sets out the background to the development of the Briar Improvements Action Plan, including the consultation to date with residents and key partners, and a summary of the environmental improvements essential for the Briar's successful renewal, to be funded primarily through the receipts from the disposal of sites to the development partner.
- 1.2 Further information on the evaluation of tenders submitted is included in an exempt appendix.

RECOMMENDATIONS

Cabinet is recommended to:

- 2.1 **Approve Notting Hill Housing Group, as the Preferred Development Partner for the Briar Estate, subject to the final agreement of terms and the satisfactory conclusion of legal agreements;**
- 2.2 **Approve Notting Hill Housing Group's Variant offer as set out in the Exempt Appendix;**
- 2.3 **Request the Preferred Development Partner to proceed with the development of their design proposals, including consultation with residents, in order to submit a planning application(s);**
- 2.4 **Authorise the Property Strategy Manager, the Head of Housing & Public Protection and the Assistant Chief Executive Legal and Democratic Services to provisionally agree Heads of Terms, deal with all matters arising and prepare the appropriate legal agreements with the Preferred Development Partner for the disposal and development of land in accordance with the principles of the Briar Development Brief and Improvement Proposals and subject to final approval of the terms by the Lead Members of Housing and Public Protection and Value;**
- 2.5 **Authorise the Head of Housing and Public Protection under section 167 (2E) of the Housing Act 1996 to consult on the development of a local lettings scheme for the Briar developments;**

- 2.6 Authorise the Head of Housing and Public Protection to consult stakeholders on amendments to the Lettings Policy to enable specific local lettings policies to be developed for specific developments.**
- 2.7 Subject to all the above, approve £2.0 million be used to fund the schedule of Briar environmental improvements set out in para 3.13 of this report.**
- 2.8 To note that the £2m Capital Budget, as referred to in 2.6., will be an addition to the Council' Capital Programme, and therefore to Resolve that this addition be referred to Council, at the next appropriate opportunity – as reported in para 5.3.**

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| REPORT DETAIL |
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3.0 BACKGROUND

The Briar Road Estate

- 3.1** The Briar Road estate (The Briar) is located in Heaton ward of the Harold Hill area and covers an area of 25 hectares. It is made up of 1,200 homes and has more than 4,000 residents, tenants and owners. The estate has a real community spirit and a range of positive activities going on, including participation in developing proposals to improve the estate, vibrant community groups including the Briar Residents' Action Group (BRAG) and the Briar Community Association (BCA), local schools, a church and some useful local shops, including an award winning bakers.
- 3.2** The Briar also has some particular design issues relating to the quality of some of the housing, the layout of the streets and alleyways and parking, and the use of green spaces. The Briar has some attractive and quiet quarters with mature trees and a green space at Bosworth Field, as well as a superb community centre at the Betty Strathern centre.
- 3.3** In contrast, parts of the estate are in a run down condition with homes in need of investment and the typical problems of restricted access, lack of surveillance and poor use of communal areas and spaces. This has contributed to a decline in the quality of the public realm, with many garages disused for example, and some crime and anti social behaviour.
- 3.4** The layout of the estate has resulted in poor connections through the site, with limited pedestrian access in places, insecure surroundings and a general lack of recreational and play facilities. The Radburn layout with poorly overlooked parking areas creates more difficulties. The open spaces throughout the estate are not well connected to each other, and the estate is set back behind Straight Road and to some extent 'on its own'

Harold Hill Ambitions Plan (HHAP)

- 3.5 In November 2008 Cabinet agreed the HHAP which aims to transform Harold Hill and open up new and exciting opportunities for local people to improve their lives. HHA accords with the Council's wider 'Living Ambition' agenda and is a key priority for the Council.
- 3.6 In the Plan, Cabinet approved some 31 recommendations relating to the overall Harold Hill Ambitions programme, including prioritising improvements for the Briar Road estate and the following recommendation,
- “ That the Head of Housing and Public Protection be authorised to bring forward proposals for the improvement of Briar Road Estate in line with the preferences and aspirations expressed following consultation with local residents and that project management arrangements be made to take forward this recommendation” .
- 3.7 The Council successfully secured support from the Mayor of London's Targeted Funding Stream for the development of estate renewal proposals for the Briar.

The Briar and consultation to date

- 3.8 The Council has worked with all residents on the Briar estate, tenants and owners recognising that it is one community, and that improvements can benefit everyone.

Phase 1 – Initial Consultation

- 3.9 Initial consultation (Phase 1) with residents commenced in October 2008 and generated a high level of interest amongst the community in three public meetings. This was followed by a residents survey in 2009 carried out by an independent company, for the Council and the Briar Community Association. Nearly 900 households responded, more than 70% of those living on the estate. The survey found that more than 70% of residents did have an appetite for more consultation on regeneration.
- 3.10 These results were applicable across the whole estate, with no particular parts dissenting. Also the sample interviewed was representative of the ethnic diversity and age of the estate's population. These results therefore provided a very strong mandate for further detailed consultation on regeneration.

Phase 2 – The Briar Improvements Action Plan

- 3.11 Phase 2 consultation commenced with the development of the **Briar Improvements Action Plan**, published in the Briar Bulletin delivered door to door to all residents and shopkeepers. The Plan was presented to residents at a series of public meetings in March 2010 and at the Harold Hill Area Committee and was received positively.

The Briar Improvements Action Plan has ten points:

- Retention of the vast majority of the estate with Decent Homes for tenants and advice and assistance to homeowners to make essential improvements and repairs;
- Better use of green spaces;
- Better parking closer to where people live;
- Improved street lighting;
- Improved pavements, kerbs and roads;
- Making narrow and unsafe pathways safe;
- Improved and redeveloped shopping area, possible 'village square';
- New recreational and play facilities on Bosworth Field and Faringdon Avenue;
- Discussions with residents on redevelopment of small areas of underused land with new homes;
- Improvements to Betty Strathern Centre.

3.12 Implementation of the Plan has begun with an extensive Decent Homes programme for tenants which has been underway since March 2010. A limited number of homeowners have also taken up the opportunity of financial support from the London Rebuilding Society to carry out improvements to their homes. The improvements to the Betty Strathern Centre were completed in July 2010 and have resulted in an increasing use of the centre which is managed by the Briar Community Association.

Phase 3 – Detailed Consultation

3.13 The Council engaged consultants PRP to work with residents, Homes In Havering and partners, to turn the Improvements Plan into detailed proposals through a series of 'round table' workshops with residents during June and July 2010, followed by officers discussions during the autumn. The result was the **Briar Development Brief and Improvement Proposals** setting out the proposed physical improvements to the estate. This work designed a range of detailed environmental improvements and estimated the costs at £2.0 million, as set out in table 1 below:

Table 1:

| ENVIRONMENTAL IMPROVEMENT | ESTIMATED COST £S |
|--|----------------------|
| Replacement and re-siting of street lighting | 650,000 |

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|---|------------------|
| Removal of existing road and paving surfaces | 200,000 |
| Resurfacing of roads (tarmac) | 300,000 |
| Resurfacing (paving) | 140,000 |
| Kerb replacements | 12,000 |
| Removal of garages | 24,000 |
| Refurbishment of garages | 30,000 |
| Traffic calming measures | 75,000 |
| Closing and reallocation of unsafe pathways | 50,000 |
| Snowdrop Path play area | 17,000 |
| Tree planting and landscaping | 164,000 |
| Bosworth Field Recreational and play facilities | 185,000 |
| New signage | 10,000 |
| TOTAL WORKS COSTS | 1857000 |
| Fees @ 7.7% | 143,000 |
| TOTAL | 2,000,000 |

3.14 Final and detailed consultation on this with residents is awaited following the appointment of a development partner.

A Development Partner for the Briar – The Procurement Process

3.15 A development partner for the Briar is required for two reasons. Firstly, to build the new homes on small sites identified around the estate and to redevelop the shops and square area with a new ‘village square’. Secondly, to provide a mechanism for funding the estate wide environmental improvements, through a proportion of the receipts from the disposal of sites. The Council does not have sufficient capital resources for the above.

3.16 All the Council’s Preferred Housing Association providers were invited to tender at the end of March 2011, recognised in this report as tenders A,B.C and D. Tenderers were invited to:

- i) develop a series of sites across the Briar identified as potentially suitable for residential development with an estimated combined capacity of up to 138 new homes;

- ii) submit proposals to demolish and redevelop the current shops area into a successful and lively 'village square' which would also include an estimated 20 new homes.

The timetable for submission was extended following discussion with the Homes and Communities Agency.

3.17 Four tenders were received. Tender D considered the scheme unviable and was therefore non compliant. The remaining three tenders, A,B & C, were then assessed, having each provided additional clarifying information. The assessment criteria were:

- i) the extent to which the submission met the requirements of the brief as set out in the letter of invitation and the Development Brief And Improvement proposals document;
- ii) ability to deliver the scheme;
- iii) value for money

Tender A was eliminated as its bid:

- a) lacked quality and clarity in certain areas;
- b) did not meet the requirements of the brief in relation to the Village Square;
- c) did not offer value for money and was significantly lower than the two other bids.

3.18 This assessment therefore produced a shortlist of the tenders , Tender B and Tender C from Notting Hill Housing Group. These were then interviewed by an Advisory Panel consisting of officers from Housing and Strategic Property and resident representatives from the Briar Residents Action Group (BRAG) and the Briar Community Association (BCA).

The results

3.20 The two shortlisted tenders were assessed against quality criteria (60%) and land offer (40%). The quality criteria, weighted equally, were:

- number of homes;
- space standards;
- village square proposals;
- commitment and ability to work with residents;
- commitment and ability to work with partners;
- ability to deliver.

3.21 The results out of maximum score of 100, were:

Table 2: Evaluation Results for shortlisted bids

| | |
|--|------|
| TENDER B | 59.0 |
| TENDER C – (NOTTING HILL HOUSING GROUP) | 89.5 |

3.22 In summary, both bids were of a high quality in relation to commitment and ability to work with residents and partners and ability to deliver. However, Notting Hill’s submission was superior in relation to space standards and proposals for the village square, and in value for money offering a higher receipt.

3.23 It should be noted that the offer is based on securing planning permission and a formal valuation by Notting Hill.

3.24 All bidders were invited to submit a variant offer. Notting Hill was the only bidder to submit such an offer.

The Notting Hill Variant offer

3.25 In addition to its principal offer Notting Hill are also offering a variant offer which reduces the number of homes for sale and increases the number of homes at Affordable Rent and Shared Ownership as set out in the table below

The Notting Hill Accommodation Schedule – Tenure Mix

Table 3: Comparison of Tenure Mix for Principal and Variant offers

| | Principal Offer (Nos.) | Variant Offer (Nos.) | Variation (Nos.) |
|------------------|------------------------|----------------------|------------------|
| Affordable Rent | 50 | 81 | +31 |
| Social Rent | 16 | 17 | +1 |
| Shared Ownership | 16 | 47 | +31 |
| Sale | 82 | 19 | - 63 |
| TOTAL | 164 | 164 | |

3.26 All the new homes, apart from new flats above the shops in the village square, would be houses with gardens, with the following size mix:

Table 4: Notting Hill Variant offer - size mix of new homes

| Size | Nos. & % |
|-----------|------------|
| 1 bedroom | 19 (11.5%) |
| 2 bedroom | 65 (39.6%) |
| 3 bedroom | 68 (41.4%) |

| | |
|-----------|------------|
| 4 bedroom | 12 (7.3%) |
| TOTAL | 164 (100%) |

- 3.27 As the table above shows, in the variant offer more than 80% of the homes are 2 and 3 bedrooms.
- 3.28 The variant offer also includes a significantly higher receipt for the Council than the principal offer.

Recommendation for Variant Offer

- 3.29 The Variant Offer is recommended because it offers a significantly higher receipt to the Council and a more accessible form of homeownership for local residents.
- 3.30 It should be noted that the variant offer is also based on securing planning permission and a formal valuation by Notting Hill.

4.0 PROGRAMME TIMETABLE

- 4.1 The current outline project plan, subject to detailed discussion with the appointed Development Partner, is as follows:

| Milestone | Date |
|--|----------------|
| Cabinet approves appointment of Development Partner | October 2011 |
| Detailed consultation with residents on housing development proposals with Development Partner | November 2011 |
| Phase 1 Planning Application submitted | February 2012 |
| Phase 1 Planning Application approved | May 2012 |
| Start on site | September 2012 |
| Initial completions | January 2014 |

IMPLICATIONS AND RISKS

5.0 FINANCIAL IMPLICATIONS AND RISKS

Recommended Tenderer

- 5.1 The primary recommendation in this report is to appoint Notting Hill Housing Group as the Preferred Development Partner, subject to the provisos in paragraph 5.2 below.

- 5.2 Tenderers were asked to give a gross offer, not including section 106 costs or costs for remediation and demolition. As can be seen above Notting Hill scored significantly higher on quality and value for money and, as such, represents the best overall bid for the Council.

Investment

- 5.3 The Homes and Communities Agency, who have awarded Notting Hill HCA grant for 50 Affordable Rented units in this scheme, have indicated their support for environmental improvements. Therefore, a schedule has been prepared of Briar environmental improvements as set out in paragraph 3.13 of this report, to a value of £2m. For information, the investment is profiled to commence in the next financial year, 2012/13. This will be an addition to the Capital Programme, and therefore will require full Council approval – hence recommendation 2.7. to refer this onto Council at the next appropriate opportunity. For information, it is likely Council will consider the overall Capital Budget on 22nd February 2012.
- 5.4 The anticipated receipt is in excess of that £2m figure. There will be funds available to support the Council's wider capital programme.

6.0 LEGAL IMPLICATIONS AND RISKS:

- 6.1 An EU wide procurement was not considered appropriate as the initial assessment of the value of the development scheme proposed was below the EU threshold of £3.9 million.

7.0 HUMAN RESOURCES IMPLICATIONS AND RISKS:

- 7.1 There are no human resource implications arising from this report.

8.0 EQUALITIES IMPLICATIONS AND RISKS:

- 8.1 Members of Havering's more socially excluded communities, notably residents with low incomes and those from black and minority ethnic communities, are over-represented in the Harold Hill area. Thus, the implementation of the Briar Improvements Plan will have a positive impact on these communities' quality of life.

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| BACKGROUND PAPERS |
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None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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