



CABINET

26 OCTOBER 2011

REPORT

Subject Heading:

The Council's Financial Strategy

Cabinet Member:

Cllr Roger Ramsey

CMT Lead:

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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.

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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 Crems	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

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- 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

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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.

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- 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

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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

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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.

Cabinet, 26 October 2011

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