

## **APPENDICES**

- A NEW SAVINGS OPTIONS AND TEMPLATES**
- B REVENUE AND CAPITAL BUDGET STRATEGIES**
- C CONSULTATION RESPONSE**
- D LEVIES**
- E COUNCIL TAX STATEMENT AND SUPPORTING INFORMATION**
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- G VIREMENT AND CONTINGENCY RULES**
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- I CAPITAL PROGRAMME**
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## APPENDIX A

**SAVINGS OPTIONS 2016/17 – 2018/19**

Ref	Savings	16/17 £000's	17/18 £000's	18/19 £000's	Total to 18/19 £000's
	<b>Remaining Budget Gap before Savings Options Considered as reported in the January Cabinet <sup>1</sup></b>	<b>5.621</b>	<b>2.866</b>	<b>3.975</b>	<b>12.462</b>
	<b>Change Profile of Savings Previously Approved:</b>				
	Reduction of Redundancy Pot	(0.500)	0.500		0.000
	Review of Terms and Conditions	0.500	(0.500)		0.000
	Communications : Staffing & Structure		(0.240)	0.240	0.000
	Interest Linked to Housing Company		(0.300)	0.300	0.000
	Public Realm Transformation Review	(0.250)	0.250		0.000
	Communities and Resources Income Generation	(0.500)		0.500	0.000
	Transformation Funding	(0.240)	0.240		0.000
	Commerical Property Income	(0.100)	0.100		0.000
	HRA Recharges	0.800	(0.800)		0.000
	<b>Sub Total (Change in Profile of Savings)</b>	<b>(0.290)</b>	<b>(0.750)</b>	<b>1.040</b>	<b>0.000</b>
	<b>Remaining Budget Gap/(Surplus)</b>	<b>5.331</b>	<b>2.116</b>	<b>5.015</b>	<b>12.462</b>
<b>APPX REF</b>	<b>APPENDICES ATTACHED</b>				
	<b>New Savings To Be Approved:</b>				
SC 01-16	Controlled Parking Zones / Moving Traffic Violations	(0.750)			(0.750)
SC 02-16	Parking Enforcement	(0.500)			(0.500)
CS 01-16	Customer Services	(0.100)	(0.100)		(0.200)
COMM 01-16	Communications and Events	(0.100)			(0.100)
COMM 02-16	Equalities Post	(0.050)			(0.050)
C&L 01-16	Leisure Management Contract /Leisure Centres	(0.100)	(0.100)		(0.200)
COMM 03-16	FOI / Complaints	(0.100)	(0.100)		(0.200)
OSN 01-16	Local Land Charges Income	(0.100)			(0.100)
RES 01-16	Enforcement	(0.100)	(0.100)		(0.200)
	<b>Sub Total (New Savings) APPENDICES ATTACHED</b>	<b>(1.900)</b>	<b>(0.400)</b>	<b>0.000</b>	<b>(2.300)</b>
	<b>Remaining Budget Gap/(Surplus)</b>	<b>3.431</b>	<b>1.716</b>	<b>5.015</b>	<b>10.162</b>
	<b>Additional Adjustments</b>				
	Pensions	(0.750)	(0.750)	(0.750)	(2.250)
	<b>Sub Total (Pension Adjustment)</b>	<b>(0.750)</b>	<b>(0.750)</b>	<b>(0.750)</b>	<b>(2.250)</b>
	<b>Other Adjustments</b>				
	MRP Adjustment	(0.200)			(0.200)
	CSSA Adjustment	(0.207)			(0.207)
	Transfers in of Unringfenced Grants	(0.062)			(0.062)
	Additional Council Tax Income over £1.915k	(0.159)			(0.159)
	Adjustment to 2% Adult Social Care Precept	(0.033)			(0.033)
	Apprenticeships		(0.050)		(0.050)
	HRA Recharges - Unachievable £100k Savings		0.100		0.100
	Business Rate Baseline Adjustment (Provisional)	(0.700)			(0.700)
	Reduction in Housing Benefit Admin Grant	0.138			0.138
	<b>Sub Total (Additional and Other Adjustments)</b>	<b>(1.223)</b>	<b>0.050</b>	<b>0.000</b>	<b>(1.173)</b>
	<b>Remaining Budget Gap/(Surplus)</b>	<b>1.459</b>	<b>1.016</b>	<b>4.265</b>	<b>6.740</b>
	<b>Use of Reserves</b>	<b>(1.459)</b>	1.459	0.000	0.000
	<b>Remaining Budget Gap after Use of Reserves</b>	<b>0.000</b>	<b>2.475</b>	<b>4.265</b>	<b>6.740</b>

1. Figures include delay in reduction of Contingency budget to 2018/19 and unachievable savings from Private Sector Leasing.

**NEW OR REPLACEMENT SAVINGS TEMPLATE**

<b>Service &amp; Service Head</b>	<b>Description of Service Area</b>
Streetcare – Steve Moore	<b>Parking- Moving Traffic Contraventions (MTC's)/ Schools enforcement PSPO</b>

<b>Is this a New or REPLACEMENT Savings Item?</b>	Please indicate by ticking Box below
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NEW SAVING

Yes

REPLACEMENT SAVING

<b>IF REPLACEMENT Saving show the Original Savings Item that is being replaced.</b>	N/A
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**Current Budget Information**

The enforcement of MTC's was introduced in September last year. No budget target was set as the level of non-compliance was unclear although officers believed it was high. To date a select few of the 200+ sites have been enforced and have identified that non-compliance is very high thus creating a dangerous environment for the boroughs residents, businesses and visitors. The income generated from September significantly contributed to the overall challenging income targets set for parking for 15/16.

<b>What is protected within the Service?</b>	N/A
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**Main Savings Items Description**

Increased enforcement activity to improve the safety of over 200 key MTC locations across the borough and at a number of school sites where PSPO's will be deployed to improve site safety. The proposal will require one off investment to procure the CCTV and to regulate the MTC's from a 'line and signage' perspective, with some funding being required to install specific PSPO awareness signs.

**Savings proposals**

<b>Savings Details</b>	<b>Value of Saving and Year(s)</b>			
Increased enforcement of MTC's and school areas using MTC powers and Public Space Protection Orders (PSPO). The savings highlighted are full year and any delay in introduction will reduce the savings target.	TOTAL:			
	15/16	16/17	17/18	18/19
		£750K		
	TOTAL:			
	15/16	16/17	17/18	18/19
TOTAL SAVINGS BY YEAR	TOTAL:			
	15/16	16/17	17/18	18/19
		£750K		

<b>Reasons for recommending proposals</b>	To increase the safety of the borough highway network and improve the safety of children and carers around school sites.
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**Identified Risks and Dependencies**

The savings targets are based on high levels of non-compliance. The overall aim is to see an increase in compliance which will see a reduction in income. However using last year's data it is unlikely that the target will be affected in the first year.

The savings highlighted are full year. Although officers will expand the enforcement of MTC schemes on a priority basis ( i.e. most non-compliant first), and introduce PSPO's in a priority order based upon need, any significant delays in the expansion or introduction of either will result in a reduction in savings.

<b>Number of FTE in area :</b>	N/A
<b>Anticipated reduction in FTE as a result of proposals</b>	N/A

<b>Submitted by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
		Steve Moore	21.01.16

<b>Reviewed by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Finance Business Partner			

**NEW OR REPLACEMENT SAVINGS TEMPLATE**

Service & Service Head	Description of Service Area
Streetcare – Steve Moore	Parking enforcement

Is this a New or REPLACEMENT Savings Item?	Please indicate by ticking Box below
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NEW SAVING

REPLACEMENT SAVING

IF REPLACEMENT Saving show the Original Savings Item that is being replaced.	N/A
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**Current Budget Information**

Stretched targets were set for parking enforcement income for 15/16. Although challenging, at present it is forecasted that the income targets will be achieved. It is also apparent that non-compliance in respect of illegal parking is high across the borough at all hours and on all days, and even though the service has increased the number of CEO's, there is still scope to introduce additional enforcement particularly in the evenings and weekends.

What is protected within the Service?	N/A
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**Main Savings Items Description**

Widening the scope of parking enforcement patrols in the borough by employing up to an additional 15 x CEO's (agency) to patrol, monitor and address illegal parking behaviours taking place on days and at times where currently resources only permit very limited prearranged enforcement patrolling.

**Savings proposals**

Savings Details	Value of Saving and Year(s)								
Increasing the level of parking enforcement activity to address high levels of non-compliance, the result of which is forecasted to generate an overall saving for the council	TOTAL:								
	<table border="1"> <tr> <td>15/16</td> <td>16/17</td> <td>17/18</td> <td>18/19</td> </tr> <tr> <td></td> <td>£500K</td> <td></td> <td></td> </tr> </table>	15/16	16/17	17/18	18/19		£500K		
15/16	16/17	17/18	18/19						
	£500K								
	TOTAL:								
	<table border="1"> <tr> <td>15/16</td> <td>16/17</td> <td>17/18</td> <td>18/19</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table>	15/16	16/17	17/18	18/19				
15/16	16/17	17/18	18/19						
TOTAL SAVINGS BY YEAR	TOTAL:								
	<table border="1"> <tr> <td>15/16</td> <td>16/17</td> <td>17/18</td> <td>18/19</td> </tr> <tr> <td></td> <td>£500K</td> <td></td> <td></td> </tr> </table>	15/16	16/17	17/18	18/19		£500K		
15/16	16/17	17/18	18/19						
	£500K								

<b>Reasons for recommending proposals</b>	To improve the safety of the highways for our residents, businesses and visitors, and provide the community with a more responsive service better able to meet customer demands against the backdrop of an expanding night time and weekend economy based society.
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**Identified Risks and Dependencies****This proposal will require an increase of supervision and associated welfare requirements**

Although officers believe non-compliance is high, this can change and an increase in compliance could result in the savings not being achieved or even a loss to the council, hence the decision to employ agency personnel.

<b>Number of FTE in area :</b>	
<b>Anticipated reduction in FTE as a result of proposals</b>	N/A

<b>Submitted by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
		Steve Moore	21.01.16
<b>Reviewed by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Finance Business Partner			

**NEW OR REPLACEMENT SAVINGS TEMPLATE**

<b>Service &amp; Service Head</b>	<b>Description of Service Area</b>
Customer Services, Caroline Woolf	Customer services contact centre including PASC covering phones and face to face contact for multiple services

<b>Is this a New or REPLACEMENT Savings Item?</b>	Please indicate by ticking Box below
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NEW SAVING REPLACEMENT SAVING 

<b>IF REPLACEMENT Saving show the Original Savings Item that is being replaced.</b>	
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**Current Budget Information****Full budget 2015/2016**

	<b>Original Budget</b>	<b>Revised Budget</b>
A23300 Customer Services Performance Team	212,850	212,850
A23310 The Contact Centre	2,286,446	1,791,184
A23315 Blue Badge Scheme	17,880	17,880
A23318 Customer Services Web Author Team	147,240	147,240
A23620 Customer Services Savings	(192,292)	0
A29255 Contact Centre HRA	919,690	919,690
<b>Total</b>	<b>3,391,814</b>	<b>3,088,844</b>

**Salaries budget 2015/2016**

<b>Cost Centre</b>	<b>Budget Subjective</b>	<b>2015</b>
A23300 Customer Services Performance Team	611000 SALARIES	205,330
A23310 The Contact Centre	611000 SALARIES	2,617,874
A23318 Customer Services Web Author Team	611000 SALARIES	154,670
		<b>2,977,874</b>

**Note: £300k will be removed from salaries across this group of Cost Centres for 16-17 to meet the original £300k savings target delivered by restructuring the service between September 2015 and March 2016.**

<b>What is protected within the Service?</b>	Nothing
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**Main Savings Items Description**

Further headcount reduction in the contact centre based on pushing the online offer and channel shifting customers to cheaper channels especially the web. This is in addition to savings already offered for these years and means accelerating the online push.

**Savings proposals**

<b>Savings Details</b>	<b>Value of Saving and Year(s)</b>			
Reducing headcount in the contact centre based on channel shifting customers to the web	TOTAL:			
	15/16	16/17	17/18	18/19
		£100k	£100k	
	TOTAL:			
	15/16	16/17	17/18	18/19
TOTAL SAVINGS BY YEAR	TOTAL:			
	15/16	16/17	17/18	18/19
		£100k	£100k	

<b>Reasons for recommending proposals</b>	We have improved online take up since November 2015 through a greater push to online. In some cases we have shut off channels for customers who are able to self serve and have nudged them more forcefully onto the web. We have also reduced face to face contact by introducing an appointments only system for certain services and have dealt with more issues over the telephone thus avoiding the need for customers to come to the PASC
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**Identified Risks and Dependencies**

**Some customers are not happy using the web. They are able but unwilling. Some customers (although these are very few) are unable to use the web. There exist multiple channels where customers can be helped to self serve and these include the PASC and libraries. We are working closely with libraries to roll out this capability to a wider audience. We still offer service to those who absolutely cannot use the web but we must ensure this number is kept to a minimum.**

**We are also looking at self serve payment kiosks which might be introduced into libraries, whereby customers can pay Council bills through a machine. This will also enable us to close the manned payment kiosk in the PASC.**

**It may be necessary to switch off some channels completely in order to realise the savings but this will be closely reviewed and discussed as a last resort.**

<b>Number of FTE in area (from 1<sup>st</sup> April 2016) :</b>	77.39
<b>Anticipated reduction in FTE as a result of proposals</b>	c. 8 FTE

**Submitted by**

	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
		Caroline Woolf	21/1/16

**Reviewed by**

	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Finance Business Partner			



**NEW OR REPLACEMENT SAVINGS TEMPLATE**

<b>Service &amp; Service Head</b>	<b>Description of Service Area</b>
Communications – Cheryl Curling	<b>External and Internal Communications and campaigns; Media relations; social media and online communication, major event management , Design and Production of publications including Living in Havering Magazine, advertising, sponsorship.</b>

<b>Is this a New or REPLACEMENT Savings Item?</b>	Please indicate by ticking Box below
NEW SAVING <input type="checkbox"/>	REPLACEMENT SAVING <input checked="" type="checkbox"/>

<b>IF REPLACEMENT Saving show the Original Savings Item that is being replaced.</b>	
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<b>Current Budget Information</b>							
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Period Actual</b>	<b>Actuals</b>	<b>Encumbrance</b>	<b>Actuals + Encumbrance</b>	<b>Budget Remaining</b>
A22000 Living	17,210	47,270	40,146.02	56,399.54	0.00	56,399.54	(9,130)
A22005 Commercial Projects	60,090	21,660	4,766.15	74,414.84	0.00	74,414.84	(52,755)
A22010 Design Services	(49,610)	(48,830)	853.97	(55,293.63)	0.00	(55,293.63)	6,464
A22020 Communications Unit	365,370	394,750	(6,114.62)	325,423.47	1,548.50	326,971.97	67,778
A22030 Campaigns And Marketing	205,370	175,660	32,779.55	117,167.91	375.00	117,542.91	58,117
A22031 Internal Communications	24,200	28,350	(28,199.27)	(3,780.01)	0.00	(3,780.01)	32,130
A22035 Events	77,330	76,950	(11,220.30)	72,574.38	635.00	73,209.38	3,741
<b>Total</b>	<b>699,960</b>	<b>695,810</b>	<b>33,011.50</b>	<b>586,906.50</b>	<b>2,558.50</b>	<b>589,465.00</b>	<b>106,345</b>

<b>What is protected within the Service?</b>	Robust, proactive communications support is maintained along with free events for residents. Living publication is protected and supported by the GovDelivery e-bulletins.
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<b>Main Savings Items Description</b>
Event Management – reduce the cost of delivering events Staffing levels – reduce the size and change composition of the Communications Team Look to bring in new income through advertising/sponsorship

<b>Savings proposals</b>									
<b>Savings Details</b>	<b>Value of Saving and Year(s)</b>								
Events Reduce the overall budget for the Havering Show, reducing from 2 to 1 day and encourage increased sponsorship to offset some of the costs while maintaining the event as free to attend. Cease funding one-off events unless the relevant service area is prepared to fund. Reduce funding for Armed Forces Day, Holocaust Memorial Day, Remembrance Sunday.	TOTAL: <table border="1"> <tr> <td>15/16</td> <td>16/17</td> <td>17/18</td> <td>18/19</td> </tr> <tr> <td></td> <td>10K</td> <td></td> <td></td> </tr> </table>	15/16	16/17	17/18	18/19		10K		
15/16	16/17	17/18	18/19						
	10K								
Staffing levels Implement the agreed proposals of the review of the Communications Team. Remove one vacant post in external relations and a vacant management post in campaigns and marketing	TOTAL: <table border="1"> <tr> <td>15/16</td> <td>16/17</td> <td>17/18</td> <td>18/19</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table>	15/16	16/17	17/18	18/19				
15/16	16/17	17/18	18/19						

		£70K		
Introduce advertising in the GovDelivery e-bulletins as a pilot first with a view to roll-out across all e-bulletins.	TOTAL:			
	15/16	16/17	17/18	18/19
	£20K			
TOTAL SAVINGS BY YEAR	TOTAL:			
	15/16	16/17	17/18	18/19
	£100K			

<b>Reasons for recommending proposals</b>	<b>Staffing</b> This proposal uses current vacancies to meet the requirements of making savings while allow for a restructure of the team following the results of the external review. It maintains a strong external and internal function to support the Council through behaviour change both internally and externally and will provide a robust and proactive communications and reputation management programme.
	<b>Events</b> The Council continues to run a range of popular events to engage with residents and strengthen community links while using advertising and sponsorship to support the delivery of safe events.
	<b>Advertising</b> The GovDelivery e-bulletins have proved a very effective and popular communication channel. By allowing advertising we can improve the package we currently offer to advertisers, supporting local businesses and economy.

**Identified Risks and Dependencies**

<b>Staffing</b> Reputational risk- High demand for communications activity to manage issues and proactively promote the Council's activities is likely to continue and will stretch a reduced team.
<b>Events</b> By maintaining almost all annual events, reputational risks are very limited.
<b>Advertising</b> Risk that income will not be achieved but the income level is more than realistic so this is limited.

<b>Number of FTE in area :</b>	14
<b>Anticipated reduction in FTE as a result of proposals</b>	2

**Submitted by**

	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
		Cheryl Curling	22/1/16

**Reviewed by**

	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Finance Business Partner			

**NEW OR REPLACEMENT SAVINGS TEMPLATE**

Service & Service Head	Description of Service Area
Pippa Brent-Isherwood (Head of Policy and Performance)	<p>The proposed savings impact on the Equalities and Diversity Team and the Performance Team which supports the Children and Learning &amp; Achievement services.</p> <p>The corporate Equalities and Diversity function co-ordinates design and delivery of the Council's Single Equality Scheme (SCS) and the corporate equalities and diversity training programme and is responsible for ensuring that the Council is a "fair to all" service provider and employer.</p> <p>The Children and Learning Performance Team leads on ensuring that colleagues in Children's Services and Learning and Achievement have effective tools and systems in place to monitor performance and identify emerging issues expediently in order to facilitate early corrective action where required. The team supports these services to make effective use of benchmarking and other data and trend analysis to inform evidence-based decision-making and commissioning and accurate financial forecasting. The team advises the services it supports on the design of business processes and also prepares and submits a wide range of statutory returns on behalf of the services supported.</p>

<b>Is this a New or REPLACEMENT Savings Item?</b>	Please indicate by ticking Box below
NEW SAVING <input checked="" type="checkbox"/>	REPLACEMENT SAVING <input type="checkbox"/>
<b>IF REPLACEMENT Saving show the Original Savings Item that is being replaced.</b>	N/A

<b>Current Budget Information</b>
<p>The Council currently spends approximately £52k per annum on a single Corporate Diversity Advisor. As part of the Policy and Performance restructure that was implemented in December 2015 it was intended to boost the capacity in this team by creating an additional Project Officer post. These proposals delete this planned additional resource.</p> <p>The Children's Performance budget is currently £385,360 per annum. The recent staffing structure (which is currently being implemented) reduced the spend on staffing by £15,317, from £225,140 to £209,823 per annum. The proposals set out here will reduce spend in this area by a further £10,499.</p>

<b>What is protected within the Service?</b>	<p>The service will continue to employ a Corporate Diversity Advisor to support implementation of the equalities and diversity agenda across the Council.</p> <p>The service will also continue to employ 4.069 FTE within the Children and Learning Performance Team.</p>
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<b>Main Savings Items Description</b>
<p>Deletion of the Equalities and Diversity Project Officer post.</p> <p>Reduction of one of the Children and Learning Performance and Business Intelligence Officer posts from 1 FTE to 0.69 FTE.</p>

<b>Savings proposals</b>				
<b>Savings Details</b>	<b>Value of Saving and Year(s)</b>			
Deletion of the Equalities and Diversity Project Officer post	TOTAL:			
	15/16	16/17	17/18	18/19
Reduce one of the Children and Learning Performance and Business	TOTAL:			
		£40K		

Savings proposals					
Savings Details		Value of Saving and Year(s)			
Intelligence Officer posts from 1 FTE to 0.69 FTE		15/16	16/17	17/18	18/19
			£10K		
TOTAL SAVINGS BY YEAR		TOTAL:			
		15/16	16/17	17/18	18/19
			£50K		
<b>Reasons for recommending proposals</b>	<p>A risk assessment of a range of options to meet the target saving has been carried out and found the two options outlined above to be the lowest risk of the options available. These posts are currently vacant so there is no direct impact on staff currently employed by the Council or exit costs for the Council in implementing these proposals. Other staff are able to cover some of the functions performed by these posts, so the impact of their deletion / reduction is partially mitigated.</p>				

Identified Risks and Dependencies			
<p>Deletion of the Equalities and Diversity Project Officer post</p> <ul style="list-style-type: none"> <li>Possible negative impact on recruitment / retention / sickness levels in other posts</li> <li>Additional pressures on services supported and / or other team members</li> <li>No cover of functions during periods of leave</li> </ul>			
<p>Reduction of one of the Children and Learning Performance and Business Intelligence Officer posts from 1 FTE to 0.69FTE</p> <ul style="list-style-type: none"> <li>Possible negative impact on recruitment / retention / sickness levels in other posts</li> <li>Additional pressures on services supported and / or other team members</li> <li>Possible data quality issues within Children's Social Care</li> <li>Reduced support for statutory returns</li> <li>Reduced support for inspections and external assessments</li> </ul>			
<b>Number of FTE in area :</b>	49.4 FTE (across the whole of Policy and Performance)		
<b>Anticipated reduction in FTE as a result of proposals</b>	1.31 FTE		
<b>Submitted by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
		Pippa Brent-Isherwood	25 January 2016
<b>Reviewed by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Finance Business Partner			

**NEW OR REPLACEMENT SAVINGS TEMPLATE**

<b>Service &amp; Service Head</b>	<b>Description of Service Area</b>
Head of Culture and Leisure Services	<b>Sports and Leisure Management Contract, Health and Wellbeing</b>

<b>Is this a New or REPLACEMENT Savings Item?</b>	Please indicate by ticking Box below
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NEW SAVING

REPLACEMENT SAVING

<b>IF REPLACEMENT Saving show the Original Savings Item that is being replaced.</b>	
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**Current Budget Information**

The existing Sports and Leisure Management Contract requires the Council to pay the leisure operator a fee of £290k in 2015/16. MTFS savings of £500k per annum have already been agreed for this service area, to be achieved through the retendering of the existing Sports and Leisure Management Contract; so once the new contract has been let there is an expectation that the Contractor will pay the Council at least £210k per annum, on average, through the life of the contract.

<b>What is protected within the Service?</b>	The services in the Sports and Leisure Management contract would be retained. It is envisaged that the saving will be made as a result of improved performance in managing the sports and leisure facilities in Havering, as reflected in bids that will be received to run the new contract (starting on October 1 <sup>st</sup> 2016).
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**Main Savings Items Description**

This saving will not result in any reductions in the services that will be provided to customers at the borough's leisure centres. As described above the saving is to be achieved through the retendering of the Sports and Leisure Management contract.

**Savings proposals**

<b>Savings Details</b>	<b>Value of Saving and Year(s)</b>			
Sports and Leisure Management Contract savings	TOTAL:			
	15/16	16/17	17/18	18/19
		£100k	£100k	
TOTAL SAVINGS BY YEAR	TOTAL:			
	15/16	16/17	17/18	18/19
		£100k	£100k	

<b>Reasons for recommending proposals</b>	The saving can be made without any impact on the services provided to customers using the borough's sports and leisure facilities.
---	--

**Identified Risks and Dependencies**

The main risk is the tenders received from tenderers do not result in the new saving of £200k being achieved. There is already an agreed MTFS saving of £500k to be achieved, so the total required saving from the Sports and Leisure Management contract is now £600k in 16/17 and £700k in 17/18.

<b>Number of FTE in area :</b>	No Council employees will be affected
<b>Anticipated reduction in FTE as a result of proposals</b>	N/A

<b>Submitted by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
		Simon Parkinson	22/1/16
<b>Reviewed by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Finance Business Partner			

**NEW OR REPLACEMENT SAVINGS TEMPLATE**

Service & Service Head	Description of Service Area
Regulatory Services Patrick Keyes	Local Land Charges Income

Is this a New or REPLACEMENT Savings Item?	Please indicate by ticking Box below
--	--------------------------------------

NEW SAVING

REPLACEMENT SAVING

IF REPLACEMENT Saving show the Original Savings Item that is being replaced.	N/A
--	-----

**Current Budget Information**

Current controllable budget X Current income budget Y
--

What is protected within the Service?	TBC
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**Main Savings Items Description**

Increased income from Land Charges and Street Naming and Numbering
--

**Savings proposals**

Savings Details	Value of Saving and Year(s)			
Increased income from increased fees and charges including street naming and numbering	TOTAL:			
	15/16	16/17	17/18	18/19
		£100k		
	TOTAL:			
	15/16	16/17	17/18	18/19
TOTAL SAVINGS BY YEAR	TOTAL:			
	15/16	16/17	17/18	18/19
		£100k		

Reasons for recommending proposals	Improved cost recovery
------------------------------------	------------------------

**Identified Risks and Dependencies**

Potential loss of income through competition from private sector land search companies	
Number of FTE in area :	3
Anticipated reduction in FTE as a result of proposals	-

<b>Submitted by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Head of Service		Patrick Keyes	
<b>Reviewed by</b>			
	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Finance Business Partner		Peter Davies	



**NEW OR REPLACEMENT SAVINGS TEMPLATE**

<b>Service &amp; Service Head</b>	<b>Description of Service Area</b>
Regulatory Services Patrick Keyes	<b>Regulatory Services Enforcement</b>

<b>Is this a New or REPLACEMENT Savings Item?</b>	Please indicate by ticking Box below
---	--------------------------------------

NEW SAVING

REPLACEMENT SAVING

<b>IF REPLACEMENT Saving show the Original Savings Item that is being replaced.</b>	N/A
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**Current Budget Information**

To be disaggregated as part of future restructuring.

<b>What is protected within the Service?</b>	Enforcement functions vary in their statutory basis. This will be reviewed as part of restructuring.
--	--

**Main Savings Items Description**

Cost reduction derived from review and restructuring of enforcement activity across regulatory and environmental/public realm functions within the Communities &amp; Resources Directorate.

**Savings proposals**

<b>Savings Details</b>	<b>Value of Saving and Year(s)</b>			
Cost reductions following staff and operational efficiencies	TOTAL:			
	15/16	16/17	17/18	18/19
		£100k	£100k	
	TOTAL:			
	15/16	16/17	17/18	18/19
TOTAL SAVINGS BY YEAR	TOTAL:			
	15/16	16/17	17/18	18/19
		£100k	£100k	

<b>Reasons for recommending proposals</b>	A range of enforcement functions are carried out across the Communities & Resources Directorate within Regulatory Services, StreetCare and Culture & Leisure. Restructuring and realigning those functions will enable cost savings, operational efficiencies and improved coordination and outcomes.
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**Identified Risks and Dependencies**

Detail to be worked up through restructure. Risks are resultant structure may lack economies of scale to maintain expected levels of performance and also that there is imbalance between front line response and professional/ technical resource. Dependent on effective mobile working technology.

<b>Number of FTE in area :</b>	TBC
<b>Anticipated reduction in FTE as a result of proposals</b>	TBC

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<b>Submitted by</b>			
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	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Head of Service		Patrick Keyes	

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<b>Reviewed by</b>			
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	<b>Signature</b>	<b>Print Name</b>	<b>Date</b>
Finance Business Partner			

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**BUDGET SAVINGS 16-17 EQUALITY IMPACTS**

<b>SAVINGS REF</b>	<b>SAVINGS TITLE</b>	<b>SERVICE AREA</b>	<b>EQUALITIES IMPACT</b>	<b>MITIGATING ACTIONS</b>
<b>C&amp;L 01-16</b>	Leisure Management Contract /Leisure Centres	Culture and Leisure Services	There are no equality risks associated with this saving there will be no detriment or impact on service users or staff	n/a
<b>COMM 01-16</b>	Communications and Events	Communications	There are no direct equality implications arising out of the proposed savings	n/a
<b>COMM 02-16</b>	Equalities Post	Policy and Performance	There are no equality implications arising - the Council will continue to meet its existing legal duties and functions within the remaining resources and staffing levels	n/a
<b>SC 02-16</b>	Parking Enforcement	Streetcare	There are positive equality impacts arising from this proposal as all communities will benefit from the increased safety measures	n/a
<b>COMM 03-16</b>	FOI / Complaints			

**BUDGET SAVINGS 16-17 EQUALITY IMPACTS**

SAVINGS REF	SAVINGS TITLE	SERVICE AREA	EQUALITIES IMPACT	MITIGATING ACTIONS
CS 01-16	Customer Services	Customer Services	<p>The proposed savings may impact upon the following protected characteristics</p> <p>Age</p> <p>Disability</p> <p>Race</p> <p>There will be an impact on staff as a result of this proposal any reductions in staffing levels will be subject to the Councils organisational change policy</p>	<p>Some customers are not happy using the web. They are able but unwilling. Some customers (although these are very few) are unable to use the web.</p> <p>There exist multiple channels where customers can be helped to self-serve and these include the PASC and libraries. The Council will work closely with libraries to roll out this capability to a wider audience.</p> <p>The Council will still offer a face to face service to those who absolutely cannot use the web</p> <p>The restructuring process will be subject to an equality impact assessment. The EIA will determine which protected characteristics will be most impacted by the restructure</p>
SC 01-16	Controlled Parking Zones / Moving Traffic Violations	street care	<p>There are positive equality impacts arising from this proposal as all communities will benefit from the increased safety measures</p>	n/a
OSN 01-16	Local Land Charges Income	Regulatory Services	<p>There are no equality implications arising from this budget proposal</p>	n/a
RES 01-16	Trading	Regulatory	<p>The restructuring process will be subject to an</p>	

**BUDGET SAVINGS 16-17 EQUALITY IMPACTS**

<b>SAVINGS REF</b>	<b>SAVINGS TITLE</b>	<b>SERVICE AREA</b>	<b>EQUALITIES IMPACT</b>	<b>MITIGATING ACTIONS</b>
	Standards / Enforcement	Services	equality impact assessment and this will be able to assess which protected characteristic will be most impacted by the restructure	There will be an impact on staff as a result of this proposal  any reductions in staffing levels will be subject to the Councils organisational change policy

## **REVENUE BUDGET STRATEGY**

The Council will ensure that there is an effective Medium Term Financial Strategy in place to drive forward the financial planning process and resource allocation. The financial strategy will be determined by priorities set out in the Council's Living Ambition vision and detailed in its Corporate Plan.

The Council is clear about, and remains committed to, its *Living Ambition*, the long-term vision for the future of the borough, which is to provide Havering's residents with the highest possible quality of life, in a borough that thrives on its links to the heart of the capital, without ever losing the natural environment, historic identity and local way of life that makes Havering unique.

Underpinning the *Living Ambition* are five key goals: Environment, Learning, Towns and Communities, Individuals and Value, with a number of strategic objectives under each Goal. The Council is committed to allocating resources in a way that will support the achievement of these objectives.

The Council recognises the pressures on its budget, and while seeking to protect and enhance front-line services as far as possible, will aim to contain these pressures within existing resources. Cabinet Members will examine all budget pressures and seek reductions where possible.

The Council will wherever possible seek new funding and explore new ways of working. The Council will continue to look at new methods of service delivery to improve services to the public and the value for money that they provide, including working in connection with a range of other organisations and groups.

By becoming an increasingly 'connected council', Havering will continue to seek to improve efficiency and deliver better value for money. In particular, the Council will aim to identify efficiencies that will not impact on the delivery of key services to local people. Its focus will be on identifying ways to reduce the cost to tax payers of running those services.

The Council will ensure that, given the severe financial pressures it has already faced and is continuing to face, growth will only be supported in priority areas, and only where these are unavoidable. However, the Council will expect the Government to ensure that adequate funding is made available to fund any additional costs arising from new burdens placed on Havering, or from services transferred to it.

The Council will ensure that the most vulnerable members of its community are protected, will continue to lead in the development of social cohesion, and will ensure that the services provided and resources allocated reflect the diverse nature and needs of our local community and our responsibilities to the local environment.

The Council will lobby to ensure that the Government provides adequate funding to take on any new responsibilities and to illustrate the impact of the low funding basis for Havering and its residents, but will ensure that, in broad terms, its spending is in line with the basis on which the Government allocates grant funding, and that spending levels will be realigned against any reductions in funding. The Council will therefore continue to reduce its spending where the Government removes funding, in line with the relevant level of reduction.

The Council will engage with its local community, its partners and individual stakeholders in developing financial plans, and will reflect on the outcome of its consultation process in the identification of priorities and the allocation of resources.

While addressing its priorities and setting a balanced and prudent budget, the Council will seek to keep any increase in the Council Tax to the lowest possible level and in line with its stated aspirations whilst maintaining reserves at the minimum level of £10m.

And as part of that process, the Council will not utilise the minimum reserve of £10m, or any reserves earmarked for specified purposes, to subsidise its budget and reduce Council Tax levels as this is neither a sustainable nor a robust approach.

The Council will seek to ensure that sufficient financial resources are available to enable it to deliver a long-term savings plan within the constraints of funding available to it from both local taxpayers and the Government, and will seek to utilise any unallocated funds with that purpose in mind.

The Council will adopt a prudent capital programme designed to maintain and where possible enhance its assets, in line with the Living Ambition.

The Council will finance capital expenditure through a combination of external funding and receipts from the sale of assets that are deemed surplus to requirements, and will only apply prudential borrowing where a business case can be made to finance investment through borrowing, or where there is an income or savings stream arising from the investment. A provision for Regeneration and Development schemes has been established for which it is intended to fund individual schemes from prudential borrowing.

The overarching objective of the Council's financial strategy remains to deliver high quality, value for money services to our community, whilst ensuring that the cost of those services is compatible with the level of funding provided to it by the Government.

## **CAPITAL BUDGET STRATEGY**

The capital budget strategy sets out the Council's approach to capital investment over the medium term. It has been developed in consultation between senior officers, Members and the Council's key strategic partners and is integrated with Havering's *Living Ambition*, set out in the Council's Corporate Plan.

The Council will ensure it engages with the local community and wider stakeholders in developing its financial plans.

The Council has adopted a prudent capital programme in line with the *Living Ambition* designed to:

- protect, maintain and develop existing assets and infrastructure – the backlog of repairs to existing assets such as school buildings, office accommodation, and infrastructure assets such as roads and paths;
- develop new facilities for which there is significant public demand or upgrading assets to meet the expectations of local people, and obtaining value for money from the use of our assets and resources;
- support the delivery of the Council's transformation programme and further initiatives to improve efficiency and effectiveness e.g. through the adoption of

new technology to release revenue savings or improve service delivery to the community.

The Council will seek to continue to improve efficiency and value for money, in particular to:

- maximise asset utilisation;
- ensure assets are fit for purpose and health and safety compliant;
- facilitate and promote community use;
- explore alternative management arrangements e.g. leases to community groups;
- explore opportunities for innovative ways to procure and deliver capital projects to maximise the resources available;
- consider the wider aspects of capital projects, for example whole life asset costs, equality and diversity, and environmental implications;
- investigate shared usage/ownership arrangement with other local authorities, partners and stakeholders.

As well as the above, the Council's approach to capital asset management includes the review of existing assets in terms of suitability for purpose, alternative and future use, and maintenance requirements. The aim for the Council to rationalise its asset portfolio and only hold assets that support the delivery of its goals, offer value for money or in some other way are important for community, heritage or other significant social purpose.

The capital budget strategy is intrinsically linked to the revenue budget strategy. The revenue implications of capital expenditure and funding decisions are explored and accounted for on an ongoing basis. These are reflected as appropriate and include the consideration of the challenging financial climate which the Council faces.

The Council will finance capital expenditure through a combination of:

- Receipts
- External Funding
- S106 Contributions
- Revenue Contributions to Capital
- Capital Grants
- Capital Allowances
- Supported Borrowing
- Prudential Borrowing

Each funding stream is considered in terms of risk and affordability in the short and longer term.

The current and future economic climates have a significant influence on capital funding decisions. As a result planned disposals are kept under regular review to ensure the timing maximises the potential receipt where market conditions are not favourable.

Capital expenditure will only be permitted where funding streams have been identified and confirmed. Prudential borrowing will be used to fund regeneration and development initiatives, where a business case can be made to finance the investment from an income or savings stream.

Every effort is made to maximise grant funding, leverage opportunities and other external funding opportunities, where they are consistent with the Council's *Living*



*Ambition* vision, goals and other specific strategies. Use of grant funding will however only be made where the cost to the Council is minimised or where this – both capital and revenue – can be contained within existing resources.

Where expenditure is to be financed through capital, this will only occur where funds have been realised. Neither capital receipts generated through disposals nor S106 contributions are committed until they are actually received. This is due to the complex conditions and timing issues that can be associated with them.

The Council is also continuing to attract private investment into Council facilities through exploration of potential partnership and outsourcing arrangements.

This funding approach has been made with reference to the Council's current and longer term financial position, the prudential code, the current and projected economic climate, and the Council's asset management strategy as set out in the Corporate Asset Management Plan.

The capital programme will be reviewed on an annual basis. This will consider items such as new funding opportunities and Member priorities. In year changes e.g. the availability of additional external funding, will be made on an ongoing basis as part of routine programme management. These will be implemented with regard to the Council's Constitution and agreed procedures.

**Councillor Roger Ramsey  
Leader of the Council  
LONDON BOROUGH OF HAVERING**

Town Hall | Main Road | Romford | RM1 3BD

**Telephone:** 01708 432031

**E-mail:** [roger.ramsey@havering.gov.uk](mailto:roger.ramsey@havering.gov.uk)

**Date:** 15 January 2016

**My Reference:** RR/as

Shafi Khan  
DCLG  
2<sup>nd</sup> Floor, Fry Building  
2 Marsham Street  
London  
SW1P 4DF

Sent via email to:  
[LGFConsultation@communities.gsi.gov.uk](mailto:LGFConsultation@communities.gsi.gov.uk)

Dear Shafi Khan,

[London Borough of Havering - Local Government Finance Settlement](#)

[Introduction](#)

The Spending Round (SR15) and the Local Government Financial Settlement will dominate local government finance for the next 5 years. As a result, it was crucial not only to ensure that cuts to local authorities were allocated fairly but also to address the unfair starting position in funding methodology. This was essential in order to help authorities not only contribute to the austerity reduction and protect front line service but also ensure a fair and transparent funding system to the residents of not only Havering but across England. Unfortunately neither of these circumstances has been achieved.

This briefing note is to highlight some of the irregularities and unfairness of the local government finance settlement. Havering residents over the past 15/20 years have had to deal with below average grant allocations which has ultimately impacted on services and the level of council tax they have had to pay, and now to make it even worse, because they have had to pay higher council tax, their Central Government grant is set to be cut even further.

Before moving on to the settlement itself I would like to comment on the wholly unacceptable consultation period, particularly in light of the extended holiday period for Christmas and the New Year. If we here in Havering tried to restrict consultation in this way we would rightly be hauled over the coals by local people, and almost certainly be criticised by Government. If that were bad enough, we then had the

debacle of the correction required to our settlement as a result of an error at DCLG which meant in reality we did not receive an accurate figure until 23 December 2015.

We, and no doubt many other authorities, are having to address a reduction in funding of a scale which we could not realistically have anticipated at a very late stage in our financial planning/budget setting process.

## Funding

### Four Year Settlement

Havering welcomes the certainty of a four year settlement. We have long called for local government to have the same planning horizon as government itself. This would be a step towards financial certainty. However, it has to be put into the context of a rebalancing of funding with both Council tax and localised business rates playing a more important role than the centrally allocated Revenue Support Grant. It will therefore be very hard to accept the four year position as we believe it is fundamentally flawed.

### Settlement / Changes in funding methodology

In 2013, the funding formula was frozen to enable the introduction of business rate retention. The formula was frozen to the detriment of those authorities who have been seeking a fairer system in the allocation of funding. Deprivation indicators previously used in the settlement calculation were too heavily weighted in the formula as the fixed cost and the level of actual population is the biggest driver of costs. Havering's population is average for London but it has had the oldest proportion of elderly population for a very long time, and in recent years we now also have the fastest growing children's number in London, see Appendix B.

The 2016 settlement brought about a significant change in the methodology in apportioning cuts with no prior warning. Whilst we understand the need to distribute funding reductions proportionately, the methodology in using past council tax funding does not reflect the ability to raise income in the future. Based on this methodology, the past decisions made by councils and its residents are now impacting the councils future core grant. This methodology is clearly unfair as it penalising Havering's residents for contributing more to local services which is basically now being used to negate the cuts to grant rich authorities. This is clearly unfair to the residents of not only Havering but authorities who have never received the appropriate funding in order to deliver services. The higher Council Tax reflects the already unfair grant distribution.

Havering has always been one of the lowest funded authorities in London despite having the highest proportion of over 65's in London. Below is a table comparing Havering to its east London neighbours and the huge cliff edges in funding it produces.

Table 1

Code	Local Authority	Population (1)	Provisional Settlement 2016/17 £m's	Per Head of Pop £'s
R393	Havering	245,974	52.516	213.50
R399	Redbridge	293,055	81.955	279.66
R402	Waltham Forest	268,020	108.689	405.53
R383	Barking and Dagenham	198,294	89.494	451.32
R398	Newham	324,322	172.677	532.42
	East London	1,329,665	505.332	380.04
	Outer London	5,398,702	1,915.76	354.85

As can be seen, Havering is the lowest funded east London borough per head of population. Other authorities are receiving over twice as much funding per head of population which in our opinion is unfair to local residents of Havering. Table 2 demonstrates the impact on residents if Havering received the same level of funding as its lowest neighbour and if Havering received the same level of funding as the average outer London Borough.

Table 2

	Population (1)	2016/17 Funding (£ms)	Difference from actual	Impact on Council Tax (inc GLA)	Difference in Council Tax Bill per household
Havering	245,974	52.516		1,514.00	
Based on average 2nd lowest grant per head in East London (279.66 per head of population)	245,974	68.789	16.273	1,318.20	195.80
Based on the outer London Average (based on £354.85 per head of population)	245,974	87.284	34.768	1,095.66	289.91

As can be seen, Havering would benefit from a £16.273m increase to its funding if Havering's funding matched the 2<sup>nd</sup> lowest east London allocation which is equivalent to a £195.8 (12.9%) reduction in a band D property council tax. If Havering's funding was based on the outer London average, Havering would receive an additional £34.7m which equates to £290 (19%) reduction in council tax for local residents.

**If Havering received the average level of settlement funding for an outer London Borough, Havering would have the lowest council tax in outer London and still manage to protect front line staff in 2015/16.**

Prior to 2013, the funding formula was changed annually to reflect a change in need, so the formula was at least trying to keep up with the changing pressures that local authorities faced. Since 2013 the formula has been frozen and changes in need are no longer considered. This on its own is bad enough. However some of the changes in national policy have created significant additional burdens for some Councils like

Havering, whilst leaving others with resources they no longer require. This is at a time when changes in need are no longer being considered.

The most significant has been the introduction of the Housing Benefits cap. This has forced individuals and families to move out from more expensive inner London Boroughs (where most of the additional funding went before the freeze in formula grant), to the outer London boroughs. Due to the formula freeze the funding remains with those more central boroughs, however the needs and challenge of providing services has moved to the Outer London Boroughs, but without any change in resource to support them.

In addition, Havering has been actively encouraging house building within the authority in order to help first time buyers and meet the demand in housing supply, supporting central government priorities (including affordable home expansion within our Housing Revenue Account) only to now find that we are penalised for having done so.

This is all now compounded further with the impact of the use of an authority's spending power to allocate reductions in funding.

The table below demonstrates the reduction in grant for east London. As can be seen Havering loses 96% of its core funding compared to other neighbouring authorities. In addition Havering faces the 4<sup>th</sup> highest percentage reduction in London.

Table 3

Local Authorities	19/20 provisional RSG	Percentage Reductions by 19/20
Newham	36.20	59%
Barking and Dagenham	17.73	62%
Waltham Forest	18.50	68%
Redbridge	10.23	77%
Havering	1.38	96%

**Why should Havering residents be penalised for contributing more to local services?**

**Council Tax**

For the last 10 to 15 years, Havering has had one of the highest council tax levels in London. This high council tax was in direct response to the historic flawed funding methodology put in place by Government which is still impacting authorities today and now will for the next 4 years. The table below shows the highest and lowest council tax band D for London and their respective Settlement Funding Allocation (SFA) which clearly identifies the implications of the flawed central government funding methodology.

Local Authorities - London	Inner / Outer London	Council Tax	Settlement Funding Allocation 16/17
<b>Highest Council Tax</b>			
Kingston upon Thames	Outer London	1,379.65	32,152,646.68
Richmond upon Thames	Outer London	1,287.39	32,992,985.22
Harrow	Outer London	1,234.36	58,245,820.50
Havering	Outer London	1,219.00	52,516,359.53
<b>Lowest Council Tax</b>			
Kensington and Chelsea	Inner London	782.58	79,805,285.33
Hammersmith and Fulham	Inner London	727.81	95,062,281.70
Wandsworth	Inner London	388.42	114,599,096.99
Westminster	Inner London	379.16	140,567,887.95

As can be seen, there are huge variances not only between authorities but also the between inner and outer London. There is direct correlation between settlement funding and council tax. This makes the new methodology in allocating funding reductions even more severe for those authorities with high council tax which have been derived from government flawed methodology in allocating funding.

It is noted that you have chosen to take authorities' ability to raise council tax into account, but not their ability to raise other income, such as parking charges. As an outer London authority with challenges from places like Lakeside and Blue Water with free parking, Havering's ability to raise income in this way is very limited, compared with the multiple millions raised in the four authorities shown above with low council tax levels. What rationale was used for inclusion of one income stream over any other?

**Is it fair that authorities with the lowest council tax and highest core grant are seeing the lowest percentage reduction in funding?**

## Demand

There are still significant challenges ahead for Councils like Havering who will have to make savings overall, sufficient enough to compensate for any additional cost pressures they face, despite receiving a flat-cash settlement over the next four years. These include those arising from the following, some of which are explained in more detail from a Havering point of view below as these pressures are not faced equally:

- General inflation
- Cost pressures of the care sector
- Increases in the number of adults and children needing support
- Increases in demand for everyday services as the population grows
- Pressure on homelessness and
- Increases in core costs such as National Insurance, the National living wage, funding apprenticeships.

## Adults

As can be seen from the above, Havering residents are being unfairly penalised by the current methodology in allocating funding. The deprivation indicators used do not reflect the demographic pressure especially given the pressures surrounding adult social care. This is a huge pressure impacting on all authorities and in our opinion should be based on indicators that represent the true costs and true drivers of costs rather than perceived deprivation. Cost pressures in relation to adult social care are primarily driven by the population of elderly residents however the formula does not represent the full extent of this true activity driver. Other grants such as the Better Care Fund (BCF) are based on the formula grant calculation which exacerbates the funding problem. As a result, Havering's grant per head in regards to the BCF is the lowest in London as shown in Appendix A. Also from viewing the grant allocations, some authorities who receive the largest grant per head actually have the lowest population of over 65s in London. In our opinion this methodology which is impacting multiple grants is severely flawed and disproportionately impacts on Havering.

Havering has the highest proportion of elderly population in London, and this is expected to increase considerably by 2021, but the current methodology the funding model is and will not address this high need, high cost area. The ability to raise an additional 2% on the council tax to fund adult social care is welcomed, although this goes no way to covering the costs, and once again penalises local people to pick up the costs

## Childrens

Over the last five years, Havering has seen unprecedented net inflow of children under 15. Appendix B demonstrates the level of net migration impacting on Havering. Havering has received the highest number of children from other boroughs which obviously puts significant burdens on the council and its schools. This trend is likely to continue to all outer London boroughs as the benefit cap affecting those most in need are forced to move out of central London into cheaper residential property in the outskirts of London. As previously mentioned, as the formula has been frozen since 2013, Havering will not receive any additional funding for this new burden which is due to changes in government policy. Therefore Havering and other outer London boroughs will be required to find additional funding to meet this existing pressure. The funding for these remain within cash rich / grant dependant boroughs.

**The funding formula currently creates huge variation in government funding between neighbouring authorities thus creating a postcode lottery. Removing these cliff edges by smoothing the grant allocations by areas would help provide a fairer and transparent system.**

## School Places

These children's numbers have resulted in an additional 2,700 permanent primary school places having been created in all year groups from 2011/12 - 2015/16, the equivalent of 90 additional classes. The number of Primary age pupils (Years R-6) is expected to continue rising significantly from 19,834 in 2013/14, to 23,333 in 2018/19, which is more than 3,000 extra pupils over the next five years. The number of pupils is projected to continue to rise further. As well as an impact on primary places the number of secondary age pupils (Years 7-11) in Havering schools is expected to rise

significantly from 15,038 in 2014-15 to 18,051 in 2023-24. Beyond this point the longer term strategic forecasts indicate a further increase in pupil numbers.

### Indices of Deprivation

The recently published Indices of Deprivation demonstrate the movement of people from inner London to outer London and in particular Havering. Appendix C shows the last recently published deprivation scores and these show that Havering is the ONLY borough in London where these are going up. Once again demand and pressures are on the increase at a time when the formula is frozen and so doesn't reflect need with the result that Havering residents are being further punished in the settlement.

### Balances

The recent Ministerial letter to one of Havering's MP's also made reference to the Councils unringfenced reserves being in the region of £60m. This is wrong, the total reserves the Council holds is £60m but £48m of those are earmarked for particular and known circumstances, and signed off by our external auditors when the accounts are closed. We actually only hold £12m of unringfenced reserves, which is a comparatively small sum, approximately 2% for a £500m business. Also using reserves to "smooth the path over the four year" period is risky and poor practice given the extent of the financial turmoil the nation has seen as well as the uncertainty in the economy. Surely there would be no suggestion of putting the Council at further financial risk.

### New Homes Bonus

The New homes Bonus grant was initially a "reward" for local authorities to increase housing supply and affordable homes which are so greatly needed in the country. We welcome further incentives to promote housing growth however the changes in New homes Bonus would seem to suggest "sharpened" cuts to local government. Not only will the period of the grant payable be reduced from 6 to 4 years but reduced also to fund adult social care based on a formula apportionment which does not represent the drivers of true costs. Local authorities are in the best position to allocate funding to those most in need within the authority and as such, this move by central government will not only be at the detriment to self-funded authorities and go against the concept of localism but also the ability for authorities to target those most in need.

### Business rates

A great deal has been discussed about local authorities driving growth in order to benefit financially and improve the economy, however even if local authorities retained 100% of business rates, it is highly unlikely that the huge variation in funding could be resolved in such a way. In order to produce a fair funding system, the cliff edges and use of deprivation indicators / settlement funding allocation need to be revisited to ensure a fair and transparent system. In continuing the current arrangements, the same unfairness in funding allocation will only continue in the form of "tariffs" and "top-ups" at the detriment of those authorities who are more likely to be self-funded.

Although we welcome the opportunity in promoting growth and benefiting the economy and austerity reduction, there are a number of areas that has caused unfairness and restriction in the system. Some of the issues are detailed below:



- The funding baseline was based on the out of date formula grant which does not reflect the pressure affecting in local authorities.
- The calculation of the business rate baseline caused a number of authorities to lose out in funding due to other authorities growing considerably before rates retention was implemented. The choice to baseline without in year data caused a number of authorities to benefit unfairly.
- The risks in appeals are causing instability in retained funding.
- There is a lack of autonomy for local authorities to benefit local areas and the residence the authority serves.

In 2014/15 Havering along with Barking and Dagenham are currently the only London authorities who have formed a pool to help promote growth and share the benefits that the pool provides. Given recent announced on authorities ability to retain 100% of business rates and the continuation of top-up and tariff, this will potentially impact all authorities who have a business rate pool. Assuming that top-ups and tariffs will be adjusted to account of the changes in business rates this would make the pool unviable. A lot of work has been done, funded through the current pooling system in order to create and maintain growth, training and support have been given to businesses free of charge in order to assist their businesses which is currently not on offer elsewhere. Without the benefits of the pool, services like this would not be viable.

## Conclusion

The chancellor's vision of self-funded councils can only work if the method of equalisation is fair. Anything based on the current methodology will only be at the detrimental of those authorities who are low geared authorities that have to charge a more in council tax to compensation for a poor grant allocations. Residents should not be penalised for a funding formula that is based dominantly on deprivation instead of true activity drivers. Also the impact of the new methodology in using past council tax decision on future grant allocations creates a double hit to those authorities who have not received the appropriate level of funding in the past.

In an attempt to combat this unfair funding allocation, Havering has had to make steps to find savings and efficiencies before most other authorities and increase council tax in order to protect front line services thus resulting in residences having to pay more in council tax than the majority of other London Boroughs. We accept that changes that are mentioned below are difficult and may take time however this is essential in order to provide a fair base for all authorities.

It will be fascinating to see how many inner London boroughs who historically were funded more appropriately when funding followed need, but since the formula was frozen and demand has moved to outer London Boroughs now also find that their funding has received greater protection, do not feel the need to increase either their core council tax or the adult social care precept. Maybe then you might realise how flawed the use of the new Spending Powers are.

We appreciate that the settlement is hard to challenge legally, although we have a duty to consider how to best represent our residents, and although we have seen the individual equality impact assessments produced for each of the separate decisions in the settlement, we would be really interest to the see the cumulative impact assessment, required under the Equalities Act 2010 for these overall changes, and wondered if we could be directed to a copy of it?

## Recommendations

We genuinely believe that the local government funding system is neither objective nor equitable in its allocation of resources to local government and as a direct result has a direct impact to Havering's taxpayers. We would therefore ask Ministers to consider the following proposals:

1. Review the current formula grant in respect of:
  - a. Remove previous local funding decisions on council tax from the methodology in apportioning cuts. If Minister's not prepared to do this, then to consider the inclusion of other income streams, that local authorities are able to benefit from.
  - b. Cliff edges - One method of rectifying this on-going issue to create a phased smoothing affect between local authorities to ensure that a postcode lottery does not continue to exist. We accept that this is not a "quick-fix" solution however a phased approach would address the issue in time.
  - c. Indicators used in allocating funding - A number of the indicators are out of date and do not reflect the demographic pressures impacting local authorities. Some of the true drivers of expenditure such as population are not reflected or it's impacted so significantly by perceived deprivation indicators that this driver of cost is lost.
2. Business Rates
  - Provide local authorities with further autonomy over the running of business rates and ensure the system is stable.
  - Further stabilise the appeals system especially for those appeals pre the retention of business rates.
  - Review the business rate baseline to ensure a fair starting position.
3. Ensure that those authorities who have set up pools are not unfairly penalised due to any changes in top-ups / tariffs.
4. In line with devolution principles, give authorities greater control of other income areas and levels, such as localising planning charges.
5. If any additional funding is identified for 2016/17 at this late stage, our view is that it should be allocated to damp the most significant year on year grant losses.

Yours sincerely,



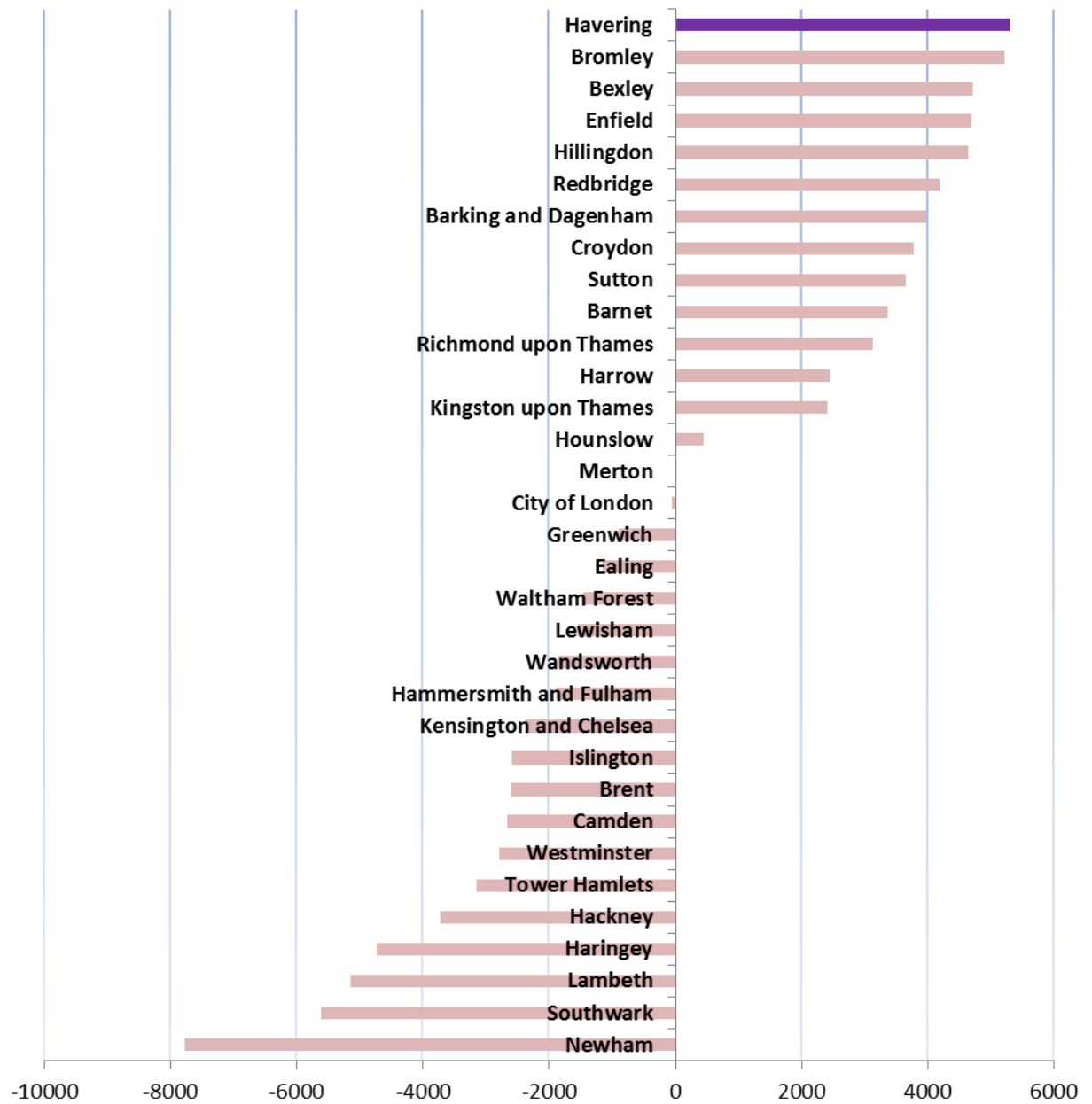
**Councillor Roger Ramsey**  
**Leader of the Council**

## Better Care Fund per Head of Population (London)

Local Authority	Better Care Funding Allocation £ms	14/15 Estimated over 65 population	Grant Per Head £s
Tower Hamlets	18.738	16038	1168
Hackney	18.649	17848	1045
Newham	21.040	21232	991
Lambeth	22.007	23737	927
Islington	16.981	18619	912
Southwark	20.478	22964	892
Hammersmith and Fulham	13.148	16987	774
Lewisham	19.740	26757	738
Camden	18.170	25204	721
Wandsworth	20.007	27797	720
Westminster	18.203	25387	717
Haringey	16.473	23134	712
Barking and Dagenham	13.055	19517	669
Greenwich	18.010	27034	666
Kensington and Chelsea	13.180	20239	651
Waltham Forest	16.054	26437	607
Ealing	22.283	37449	595
Brent	19.832	33721	588
Hounslow	15.288	27813	550
Merton	11.254	23765	474
Redbridge	16.032	34365	467
Croydon	21.498	46236	465
Kingston upon Thames	9.882	21259	465
Enfield	18.518	40113	462
Barnet	21.540	49294	437
Hillingdon	15.642	36655	427
Richmond upon Thames	10.689	26592	402
Sutton	11.096	28757	386
Harrow	13.183	34738	379
Bexley	13.708	38520	356
Bromley	19.232	54141	355
<b>Havering</b>	<b>15.495</b>	<b>43956</b>	<b>353</b>

14/15 figures as per the ONS Census 2011.

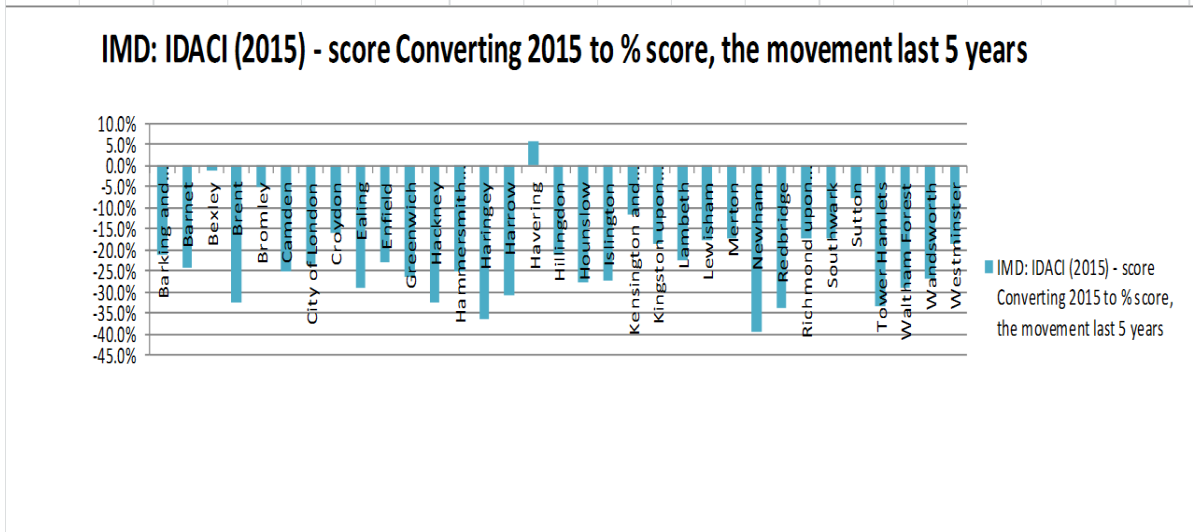
**Netflow Migration of Children** (the difference between outward and inward migration of children)



**Figure 1: Netflow of children across London boroughs.**

Figure 5 visually represents the netflow of migration among children across London Boroughs. Figure 5 shows that Havering has experienced the largest netflow across all London boroughs. Across this 5-year period there were a total of 5,314 children, who have settled in the borough from another London boroughs. Figure 5 also illustrates that there is a migration of children out of Inner London Boroughs, which have experienced a negative netflow, into Outer London Boroughs. However, the biggest Inflows of children into Havering come from neighbouring Outer London Boroughs, B&D and R.

Chart 2 London Shift from 2010 to 2015



## Consultation questions

### Question 1: Do you agree with the methodology for allocating central funding in 2016-17, as set out in paragraphs 2.6 to 2.8?

No. The revised methodology directly penalises the taxpayer of local authorities as well as acting as a disincentive to promote tax base growth. Including the council tax requirement within the methodology is basically taking funding away from local taxpayers who contribute to local services via council tax. This funding is therefore being transferred to other highly grant funded authorities to negate the scale of their reduction, at a time when their service pressures are reducing significantly. This in our opinion is unfair to local residents to Havering and other self-funded authorities.

The London Borough of Havering has always been an underfunded authority as pressures specifically around adult social care have never been adequately addressed in the funding model. As a result, in order to provide statutory services such as adult social care, Havering has historically had to increase council tax higher than most other authorities to negate central governments flawed funding methodology. This new methodology once again further penalises Havering from a flawed government funding methodology.

In addition, Havering has been actively encouraging housing building within the authority in order to help first time buyers and the demand in housing supply, supporting central government priorities. This new methodology now penalises authorities who have been driving growth and aiding residents.

### Question 2: Do you agree with the proposed methodology for calculation of the council tax requirement for 2016-17, as set out in paragraphs 2.10 and 2.11?

No, the council tax requirement should not form part of allocating central government resources. Council Tax is based on local and passed decisions made by the electorate. Based on this new methodology residents of Havering will be paying council tax for it to be basically be redistributed to other grant rich authorities.

**Question 3: Do you agree with the proposed methodology in paragraph 2.12 for splitting the council tax requirement between sets of services?**

As per Question 2, the council tax requirement should not form part of the methodology

**Question 4: Do you wish to propose any transitional measures to be used?**

No, Government should, as in the past, allocate cuts to those authorities who are receiving the most in grants. If the government is going to implement this however, there should be some consideration of need built into the formula. The last time need was reflected was in 2013 before the formula was frozen. To now make further changes without assessing whether the current allocation reflects the pressures Councils face is fundamentally flawed.

**Question 5: Do you agree with the Government's proposal to fund the New Homes Bonus in 2016-17 with £1.275 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.15?**

Yes this would seem sensible.

**Question 6: Do you agree with the Government's proposal to hold back £50 million to fund the business rates safety net in 2016-17, on the basis of the methodology described in paragraph 2.19?**

Yes this would seem sensible.

**Question 7: Do you agree with the Government's proposed approach in paragraph 2.24 to paying £20 million additional funding to the most rural areas in 2016-17, distributed to the upper quartile of local authorities based on the super-sparsity indicator?**

N/a

**Question 8: Do you agree with the Government's proposal that local welfare provision funding of £129.6 million and other funding elements should be identified within core spending power in 2016-17, as described in paragraph 2.28?**

No, As RSG for a number of authorities will cease there is little point in identifying previous grants which are no longer available.

**Question 9: Do you agree with the Government's proposal to include all of the grant funding for the Care Act 2014 (apart from that funded through the Better Care Fund) in the settlement, using the methodology set out in paragraph 3.2?**

No, it's our belief that this funding should be kept as an unringfenced grant. Adult social care is the biggest area of spend and pressures for all authorities and as such this should continue to be treated separately based on the original methodology. In addition as identified in the Local Government financial settlement, the Adult Social Care funding grows in value by 2019/20 as a result this funding should be shown separate away from the new funding methodology and funded in full by Government.

This is particularly important as the formula no longer has any reflection of need and demand in Council areas, so allocating it into a flawed formula does not ensure it is directed where truly needed.

**Question 10: Do you agree with the Government's proposal to include all 2015-16 Council Tax Freeze Grant in the 2016-17 settlement, using the methodology set out in paragraph 3.3?**

Yes, there is no reason for the grant to continue outside of the Settlement Funding Allocation

**Question 11: Do you agree with the Government's proposal to include all 2015-16 Efficiency Support Grant funding in the settlement and with the methodology set out in paragraph 3.5?**

Yes, there is no reason for the grant to continue outside of the Settlement Funding Allocation

**Question 12: Do you agree with the Government's proposal to include funding for lead local flood authorities in the 2016-17 settlement, as described in paragraphs 3.6 and 3.7?**

Yes, there is no reason for the grant to continue outside of the Settlement Funding Allocation

**Question 13: Do you agree with the Government's proposal to pay a separate section 31 grant to lead local flood authorities to ensure funding for these activities increases in real terms in each year of the Parliament?**

Yes, given the pressures in this area, funding should be provided in order to help authorities deal with aspects of flooding.

**Question 14: Do you have any views on whether the grant for lead local flood authorities described in paragraph 3.8 should be ring-fenced for the Spending Review period?**

This funding should be unringfenced and away from the constraints surrounding ring-fenced grants.

**Question 15: Do you agree with the Government's proposal to adjust councils' tariffs / top ups where required to ensure that councils delivering the same set of services receive the same percentage change in settlement core funding for those sets of services?**

No, As per question 1. Residents should not be unfairly penalised due to an unfair funding methodology. Why should a local taxpayers contribution to services be taken away to fund other local authorities.

**Question 16: Do you have an alternative suggestion for how to secure the required overall level of spending reductions to settlement core funding over the Parliament?**

Funding allocations since 2010 have been difficult however each authority has had the same level cuts against their Settlement Funding Allocation. We feel this is the best form of allocation as it directly represents the funding it receives from Central government and also focuses authorities towards self-funding. In addition the new methodology in allocation funding now penalises authorities for following government policy, benefiting local residents and driving to be self-funded.

**Question 17: Do you have any comments on the impact of the 2016-17 settlement on persons who share a protected characteristic, and on the draft equality statement published alongside this consultation?**

*“Changes in locally raised income. Central funding is one of a number of revenue streams, and likely increases in other sources of income such as retained business rates and council tax will mitigate reductions in central funding to some degree“.*

We believe including council tax to mitigate the reductions in central funding is unfair and immoral. Local residents are contributing to its local services via council tax only for this to be removed via the grant settlement process. Therefore with Havering having the largest proportion of elderly residents in London; Havering's elderly residents are paying to mitigate cuts for other grant rich authorities.

In addition, as per the equality impact assessment, 36% stated that elderly services have “worsened” and 41% who actually use these services. As a result of government immoral method of allocating funding this will further penalise those authorities with a high taxbase and elderly population which in our opinion is discriminately penalises these authorities unfairly. Why should Havering elderly residents face higher cuts to subsidise grant rich authorities.



<b>LEVIES</b>
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The levies are as follows:

	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>% Increase (Decrease)</b>	<b>Estimated/ Provisional / Final</b>
East London Waste Authority	13,023	13,823	6.14%	Estimated
Environmental Agency (Thames)	176	180	2.00%	Provisional
Environment Agency (Anglian)	19	20	5.00%	Estimated
Lee Valley Regional Park	249	244	(2.00%)	Provisional
London Pension Fund Authority	315	315	0.00%	Provisional
	<b>13,782</b>	<b>14,582</b>	<b>5.80%</b>	

Note 1 : the ELWA levy is subject to approval by board at its meeting on 8th February 2016. Any amendment to the levy will be advised to Cabinet and reflected in the subsequent report to Council.

Note 2 : all other levy figures are either provisional sums or estimates calculated using the same percentage figure pending confirmation from the levying body.

Note 3 : all levies will be affected by the change in calculation of the Council Tax base.

## COUNCIL TAX STATEMENT AND SUPPORTING INFORMATION

### 1. Collection Fund

The Council is required to maintain a collection fund. Into this fund is paid all income from the Council Tax payers, and National Non Domestic Rate Payers (NNDR). From April 2013, it also includes Council Tax support payments. The precept set by the Greater London Authority and the requirements of the Council (which includes the levies) and paid from the Fund.

The balance on the fund estimated at 31<sup>st</sup> March 2016 has to be distributed to the GLA and Havering to reduce their individual elements of the Tax.

### 2. Band D equivalent and the Council Tax Base

#### 1. Calculation of the Tax Base - 'The Band D Equivalent'

The Council Tax regime covers eight bands of property. Each band has an arithmetic relationship with the other - and all bands are related to Band D for charge purposes as follows:

Band	Proportion of Band D Charge	
A	$\frac{6}{9}$	of Band D
B	$\frac{7}{9}$	of Band D
C	$\frac{8}{9}$	of Band D
D	$\frac{9}{9}$	of Band D
E	$\frac{11}{9}$	times Band D
F	$\frac{13}{9}$	times Band D
G	$\frac{15}{9}$	times Band D
H	$\frac{18}{9}$	times Band D

It is therefore, possible to work out a tax base by multiplying the number of properties in each of the bands by the relevant proportion (see Annexe A). Known single person discount properties and student properties are also taken into account in arriving at this figure.

Certain other factors also have to be taken into account. These are:

- Number of properties that are yet to be listed in the appropriate band for all or part of the coming year.
- Properties Eligible for the Long Term empty Premium
- A reduction for the number of properties that attract disabled relief, which for Bands B-H receive a charge relating to one band lower than the band allocated to the property. Properties in Band A are also entitled to disabled relief, thereby reducing the charge to 5/9ths of a Band D property charge.
- A reduction for the estimated number of successful appeals against the banding allocated for individual properties.
- A reduction for the estimated number of properties becoming subject to single

person discount, and student discount during the year.

- A reduction for the estimated number of properties eligible for Council Tax Support

The net effect of these adjustments is incorporated in a single figure called the Band D equivalent figure. Thereafter, the estimated effect of possible non collection also has to be considered, the effect of which is to reduce the equated number of properties taken into account in setting the Council Tax and this final figure is the “Council Tax base”.

## **2. Assessed Level of Non Collection**

The estimated non collection level for 2015/16 was 2%. A review has shown that the provision should be decreased to 1.50% in 2016/17 due to higher collection of Council Tax arrears.

## **3. Detail of the Calculation of the Council Tax Base**

Section 33 of the Local Government Finance Act 1992 has been expanded via an amendment to the Act to accommodate the changes to the taxbase in calculating the final tax base figure - item T.

The manner of calculation of the Council Tax base is set out in the local Authorities (Calculation of Council Tax Base) (England) Regulations 2012

‘T’ is determined by the formula:

$$A \times B$$

Where: -

A is the total of the relevant amounts for that year for each of the valuation bands which is shown or is likely to be shown for any day in that year in the Council’s valuation list as applicable to one of more dwellings situated in its area (i.e. the Band D equivalent).

B is the Council’s estimate of its collection rate for that year.

The regulations lay down a formula for the calculation of A and these are attached at Annexe A.

The calculations are as follows: -

A	=	86,775
B	=	98.50%
T	=	85,474

## **4. Calculation of the Council Tax Base for 2016/17 for Part of the Area**

A further calculation is needed to deal with the levies in respect of the Anglian and Thames Regions of the Environment Agency affecting part of the Council’s area for Land Drainage purposes. These are derived from the above figures. The formula is shown on Annexe B.

TP is the amount of the Council Tax base for the relevant part of its area.

The calculations shown on Annexe B give rise to the following figures for TP for each of the Environment Agency regions:

Thames	79,366
Anglia	6,108



Item TP for each levy affected is calculated as follows:

$$TP = M \times \frac{N}{M + O}$$

where

	<u>Thames</u>	<u>Anqlian</u>
M is the unscaled Council Tax base for a part of the authority's area, calculated according to the number of dwellings situated in that part of the authority's area (in total that is the Band D equivalent figures for the Council, 86,775)	80,574	6,201
N is the authority's Council Tax base (85,474) (1.50%)	85,474	85,474
O is the unscaled Council Tax base for the remaining part of the authority's area	6,201	80,574

Thames	80,575 x	$\frac{85,474}{6,201 + 80,575}$	=	79,366
Anglian	6,201 x	$\frac{85,474}{6,201 + 80,575}$	=	6,108
				85,474

Thus, the total for both regions (85,474) equates to the Council's tax base.

**LONDON BOROUGH OF HAVERING  
PROVISIONAL COUNCIL TAX STATEMENT – 2016/17 BUDGET**

2015/16		Estimate 2016/17
£	<b>Havering's Expenditure</b>	£
176,208,904	Service Expenditure	156,658,643
2,000,000	General Contingency	2,000,000
<b>178,208,904</b>	<b>Havering's Own Expenditure</b>	<b>158,658,643</b>
	<b>Levies</b>	
13,023,000	East London Waste Authority	13,823,000
176,557	Environment Agency (Thames)	180,088
18,564	Environment Agency (Anglia)	19,492
249,438	Lee Valley Regional Park Authority	244,449
315,425	London Pensions Fund Authority (LPFA)	315,425
<b>13,782,984</b>	<b>Sub Total – Levies</b>	<b>14,582,455</b>
(26,149,782)	Unringfenced Grant	(10,096,284)
<b>165,842,106</b>	<b>Sub Total – Total Expenditure</b>	<b>163,144,814</b>
	<b>External Finance</b>	
(30,442,521)	Revenue Support Grant	(20,889,741)
(9,383,968)	Business Rates Top-up	(9,462,167)
(21,830,714)	National Non Domestic Rate	(22,513,105)
<b>(61,657,203)</b>	<b>Sub Total – External Finance</b>	<b>(52,865,013)</b>
(2,678,000)	Council Tax Deficit/(Surplus)	(3,793,000)
(195,818)	Business Rates Deficit/(Surplus)	1,863,460
<b>101,311,085</b>	<b>Havering's Precept on the Collection Fund</b>	<b>108,350,261</b>

2015/16		<u>The Collection Fund</u>		Estimate 2016/17	
£	£ p	Expenditure	£	£ p	Precepts
101,311,085	1,219.00	London Borough of Havering	108,350,261	1,267.64	London Borough of Havering
24,517,450	295.00	Greater London Authority (Provisional)	23,590,824	276.00	Greater London Authority (Provisional)
21,830,714	262.67	London Borough of Havering Retained Business Rates (Provisional)	22,513,105	263.39	London Borough of Havering Retained Business Rates (Provisional)
14,553,809	175.12	Greater London Authority - Retained Business Rates (Provisional)	15,008,737	175.59	Greater London Authority - Retained Business Rates (Provisional)
36,384,523	437.79	Central Government - Retained Business Rates (Provisional)	37,521,841	438.99	Central Government - Retained Business Rates (Provisional)
271,109	3.26	Cost of NNDR collection	270,688	3.17	Cost of NNDR collection
<b>198,868,690</b>	2,392.84	<b>Total Expenditure</b>	<b>207,255,456</b>	2,424.78	<b>Total Expenditure</b>
		<b>Total Income</b>			<b>Total Income</b>
(73,040,155)	(878.84)	National Non-Domestic Rate	(75,314,371)	(881.14)	National Non-Domestic Rate
<b>125,828,535</b>	<b>1,514.00</b>	NNDR receivable	<b>131,941,085</b>	<b>1,543.64</b>	NNDR receivable
<b>83,110</b>		<b>COUNCIL TAX per Band D property</b>	<b>85,474</b>		<b>COUNCIL TAX per Band D property</b>
		<b>Council Tax Base</b>			<b>Council Tax Base</b>
					<b>85,474</b>
					<b>Council Tax percentage change 1.96%</b>
		<b>Council Taxes Per Property Band</b>			<b>Change</b>
Valuation as at 1/4/91		<b>£ p</b>		<b>£ p</b>	<b>£ p</b>
Under £40,000		1,009.33	Band A	1,029.09	19.76
£40,000 - £52,000		1,177.56	Band B	1,200.61	23.05
£52,001 - £68,000		1,345.78	Band C	1,372.12	26.35
£68,001 - £88,000		1,514.00	Band D	1,543.64	29.64
88,001 - £120,000		1,850.44	Band E	1,886.67	36.23
£120,001 - £160,000		2,186.89	Band F	2,229.71	42.82
£160,001 - £320,000		2,523.33	Band G	2,572.73	49.40
Over £320,000		3,028.00	Band H	3,087.28	59.28

## APPENDIX F

### PROVISIONAL SCHOOLS BUDGETS 2016/17

(Net of estimated academy recoupment)

2015/16 £		2016/17			
		Early Years Block £	Schools Block £	High Needs Block £	Total £
8,579,924	Early Years	10,351,557	0	0	10,351,557
72,981,049	Primary Schools	0	73,008,790	2,624,139	75,632,929
14,993,930	Secondary Schools	0	14,093,362	339,483	14,432,845
5,985,089	Special Schools	0	0	4,320,911	4,320,911
2,620,029	Pupil Referral Service	0	0	2,620,029	2,620,029
911,116	Academy SEN funded by LA	0	0	2,126,184	2,126,184
<b>106,071,138</b>	<b>Estimated Total DSG to Education Providers</b>	<b>10,351,557</b>	<b>87,102,152</b>	<b>12,030,746</b>	<b>109,484,455</b>
11,870,563	Centrally Retained	498,364	5,514,136	5,922,944	11,935,444
	Transfers between funding blocks	-100,000	-1,300,000	1,400,000	0
<b>11,870,563</b>	<b>Estimated Total DSG to be Retained Centrally</b>	<b>398,364</b>	<b>4,214,136</b>	<b>7,322,944</b>	<b>11,935,444</b>
<b>117,941,701</b>	<b>Total DSG Allocation</b>	<b>10,749,921</b>	<b>91,316,288</b>	<b>19,353,690</b>	<b>121,419,899</b>

Note 1: The Dedicated Schools Grant is allocated in sub blocks.

Note 2: The above figures are net of £75,465,000 which is recouped by the DFE for academies. This is based on the number of academies as at 31<sup>st</sup> December 2015

Note 3: Allocations to all areas within the High Needs Block are estimated and will be finalised before the start of the financial year.

Note 4: Final figures will be published in the section 251 statement by 31<sup>st</sup> March 2016

Note 5: The figures include a transfer from the Early Years and Schools Blocks to the High Needs Block to meet increasing demands in that area.

**VIREMENT AND CONTINGENCY RULES  
PART 4 : RULES OF PROCEDURE  
CONSTITUTION OF LONDON BOROUGH OF HAVERING**

**Virements**

Virement is the ability to meet increased expenditure or reduced income under one service's budget head from savings in another. Virements may be used for both revenue and capital budgets.

Any decisions taken by the Executive shall not exceed those budgets allocated to each relevant budget head. Members do not have authority to create budgets.

Approval of virements must comply with the limits laid down in the Financial Procedure Rules (FPR).

Budget virements are required when a change to Council policy and/or service delivery requires resources to be reallocated, or when additional resources are received, or to meet any anticipated budgetary shortfalls.

All virements, whether revenue or capital, are subject to the following authorisation process as set out in the FPR, under Financial Planning and Financial Management, Section 6 of the FPR:

- (a) Virements in excess of £1 million will require Cabinet approval.
- (b) Virements between £250,000 and up to £999,999 will require approval by the relevant Cabinet Members.
- (c) All other virements will need to comply with procedures specified by the Deputy Chief Executive Communities & Resources

The cumulative value of virements for the year should be considered when deciding whether the various thresholds have been reached. The Deputy Chief Executive Communities & Resources will take the final decision as to whether a number of smaller virements need to be grouped together for threshold calculation purposes.

**Use of Contingency Funds**

The Deputy Chief Executive Communities & Resources may set up a central contingency fund. There will only be one such fund for the entire Council.

The Deputy Chief Executive Communities & Resources is authorised to release sums from the contingency if:

- (a) the amounts are not greater than £25,000, and
- (b) the item is deemed by them as unforeseen and a relevant use of the contingency, or
- (c) if the item is urgent (e.g. an emergency or threat to life) and there is insufficient time to consult with the relevant Cabinet Member.

The relevant Cabinet Member can release all other sums from the contingency if:



- (a) the item is deemed by the Deputy Chief Executive Communities & Resources as unforeseen and a relevant use of the contingency, or
- (b) the item is urgent (e.g. an emergency or threat to life) after consultation with the Deputy Chief Executive Communities & Resources.

The Chief Executive has power to incur expenditure from the Contingency Fund without any further approval in exercise of their powers under paragraph 3.2 of part 3 of the Constitution to incur expenditure in connection with an emergency or disaster within the borough.

The Deputy Chief Executive Communities & Resources will also provide for a level of contingency for capital projects that is appropriate in their view, taking into account the level of risk associated with the capital programme. Sums will be released in accordance with the capital virement rules set out in the Financial Procedure Rules.

**LOCAL GOVERNMENT ACT 2003**  
**BUDGET ROBUSTNESS & OPPORTUNITY COST OF RESERVES**

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**1. BACKGROUND**

- 1.1 The Local Government Act 2003 sets out requirements in Part 2 in respect of Financial Administration. This paper sets out the requirements of the Act in respect of the robustness of the budget and the adequacy of reserves. It also considers the opportunity cost of holding reserves.
- 1.2 Section 25 requires the Chief Financial Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its council tax or precept. The authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.
- 1.3 Section 26 gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The minimum would apply to “controlled reserves”, as defined in regulations. The intention in defining controlled reserves would be to exclude reserves that are not under the authority’s control when setting its call on council tax, for example the balance on the housing revenue account and schools balances. There may also be a case for excluding other types of reserve. Regulations to define controlled reserves would only be made in conjunction with regulations setting a minimum.
- 1.4 It was made clear throughout the parliamentary consideration of these provisions that section 26 would only be used where there were grounds for serious concern about an authority. The Minister said in the Commons standing committee debate on 30 January 2003: “The provisions are a fallback against the circumstances in which an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty. Only in such circumstances do we envisage any need for intervention.” There is no intention to make permanent or blanket provision for minimum reserves under these provisions.
- 1.5 If the need to apply a minimum to an authority were identified, the minimum would be set after considering the advice of the CFO to the authority and any views expressed by the auditor. The authority would be consulted on the level to be set.
- 1.6 Any minimum set under section 26 applies to the allowance to be made for reserves in the budget. There is nothing to prevent the reserves being used during the year even if as a result they fell below the minimum. However, if in preparing the following year’s budget it was forecast that the current year’s reserves would fall below the minimum the CFO would need to report to the authority under section 27.

## **2. REPORT OF CFO ON ROBUSTNESS OF THE ESTIMATES**

2.1 The budget has been prepared using the three year Financial Strategy agreed by Cabinet in November 2015 as its starting point. This Strategy has been embellished through:

- The revenue and capital budget strategy statements, which are included as part of this report;
- The forecast position as set out in the Cabinet report of January 2016 and February 2016;
- The schedule of savings proposals set out in those reports;
- The outcome and forecast impact on the Council of the Local Government Financial settlement as reported to Cabinet in January 2016;
- A variety of announcements concerning the new funding system;
- The Autumn Budget Statement 2015;

2.2 As the development of the budget for 2016/17 has progressed, the position has been the subject to reviews with Heads of Service, CMT, Cabinet Members and the Cabinet Member for Resources.

Due consideration has also been given to the over-arching strategy above along with the delivery of corporate priorities in undertaking these reviews and this is reflected in the detailed budget proposals.

All the proposals have been developed alongside service planning.

Furthermore:

- a) In respect of pressures, the Council has reviewed its pressures alongside those identified by the LGA and London Councils to provide a cross check/challenge;
- b) In respect of savings, the proposals have been risk assessed against an agreed set of criteria which will ultimately inform in-year monitoring;
- c) A review of legislation takes place on an ongoing basis as part of the budget development process to assess possible implications;
- d) Financial modelling related to the new funding system and its impact on Havering's budget has been under constant review and refinement, especially with the ABS and subsequent LGFS announcements;

2.3 At a more detailed level, each budget is being built having due regard of:

- Staffing changes incorporating proposed restructures;
- Inflation;
- Existing budgets;
- The proposals for budget adjustments and savings;
- The impact of changes to specific grants.

2.4 The budget includes a contingency that will provide a reasonable level for unforeseen issues that could arise during the year. This has had due regard to a risk assessment. Further information on the basis of this is set out later in this statement.

2.5 A review of all 2015/16 significant budget variances has taken place to assess any impact on the 2016/17 budget outside of the proposals in order to:

- (a) Ensure action plans are in place where a possible adverse variance could occur;
  - (b) Ensure use of any possible additional favourable variance is considered in the context of the overall strategy;
  - (c) Inform the risk assessment of contingency and reserves.
- 2.6 It is however also evident that the robust approach taken in previous years, in maintaining the contingency sum, and in holding reserves at the minimum level recommended, has enabled the Council to successfully manage in the past a major call on financial resources from one of our key services. This has been achieved without any noticeable impact on front-line services during the year. Whilst this is not a tenable long-term approach, the approach to resolving this problem in-year strengthens the argument to sustain appropriate levels of reserve funds as part of the Council's financial strategy.
- 2.7 The budget has been drawn up to provide financial stability and a platform for 2016/17 and future years. The proposals include a number of specific efficiency savings for which plans have been prepared and are in the process of being implemented over time. The Council's financial strategy will continue to roll forward having regard to the pressures, issues and priorities of Havering.

### **3. THE ADEQUACY OF RESERVES**

- 3.1 Councils need balances so that they can deal with unforeseen calls on resources without disrupting service delivery. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although advice can be sought from the external auditors it is not their responsibility to prescribe the appropriate level. In setting the level, the Authority should take into consideration the advice of their Chief Finance Officer (CFO), taking into account all local relevant circumstances.
- 3.2 In previous years, the Audit Commission's Comprehensive Area Assessment (CAA) has taken account of both the level of financial reserves and the identification and management of variances, in assessing an authority's use of resources. These should be reviewed on an annual basis.
- 3.3 The Strategy agreed by Council in July 2009 set out that the minimum level for the authority will be £10m. This Strategy has been maintained since that time. As is the norm, a full review has taken place as part of the budget setting process. The risk assessment is attached at Annex 1 and the CFO's advice is that the minimum level of reserves, and the provision of the contingency sum, should remain at their current levels, consistent with the level set in previous years.
- 3.4 The working balances as at 31 March 2015 amounted to £11.8m; being £1.8m above the minimum amount recommended by the MTFs and the revenue budget strategy, but set at a level to ensure greater financial robustness given the uncertain financial climate that has existed for some time and remains the prospect for the foreseeable future. Whilst Members may regard this as a considerable level of reserves, these reserves support any issues on both revenue and capital and the Capital Programme's reliance on the delivery of capital receipts has remained.

- 3.5 After taking account of the most recent projection in the current year and more significantly the outcome of the Local government financial Settlement, it is anticipated that the Council's general reserves will be to £11.8m 31 March 2016.
- 3.6 Members will be aware that the working balances provide protection against unforeseen events that could impact on the authority. Reserves have to be used carefully. They can be used only once. Decisions to use reserves to fund on-going spending or hold down Council Tax increases can only apply for one year. In the following year, either additional budget reductions have to be made or additional Council Tax increases are required. There is a significant risk of future financial instability if significant levels of balances are used to fund on-going spending or reductions in Council Tax. This is particularly the case when the Government has made it clear that they intend to retain a tough Council Tax capping regime, which will limit Council Tax rises in future years to pay for one-off use of balances.
- 3.7 As a general rule, the Council should only plan to use reserves to fund one-off spending where the reserves exceed the recommended level. Where the Council decides to use balances to fund on-going spending or reductions in Council Tax, they should indicate how they plan to make up the budget shortfall in future years. All Members must be mindful of their stewardship responsibility to the Council.
- 3.8 Having regard to the above and the current year's projected outturn, no use of general reserves/working balances or change to the existing financial provision within the contingency or special reserve is therefore recommended. This is consistent with the revenue budget strategy statement recommended for approval by Council as part of this report. It is however planned to utilise up to £1.8m of General Reserve in 2016/17 as a one off contribution only, reducing this reserve to the £10m minimum set out in this strategy
- 3.9 The Council maintains earmarked funds for specific purposes and their use is planned and approved for specific purposes, often to confirm with accounting policies, manage arrangements across financial years, or to fund known future commitments. The most significant are for the following:
- (a) Insurance Reserve, which is part of the Insurance Self-Funding Arrangement to meet future liabilities incurred but not yet claimed.
  - (b) Strategic Reserve for corporate transformation – these funds are used for the various transformation programmes across the Council – as well as priority projects and bridge funding for schemes such as the Property Strategy and the Leisure contract cash flow.
- 3.10 Other reserves continue to be expended/planned in accordance with the approvals/purpose. A review has taken place of these as part of the budget finalisation.
- 3.11 The working balances of the HRA are also subject to a risk assessment; this will be included in the report to Cabinet on the HRA budget for 2016/17.

## **4. OPPORTUNITY COST OF RESERVES**

- 4.1 Holding general reserves to meet unexpected events or emergencies is a necessary requirement. However, there are opportunity costs and benefits of holding cash balances, which can be measured in different ways, depending on what these resources were alternatively to be used for. For example, holding cash gives a financial benefit in contrast to using the cash to fund capital expenditure. The financial benefit would be the difference between the investment return and the total borrowing cost. At the current time, these are in fact broadly neutral, but a cost of around 4% will be incurred in respect of a provision to repay debt.
- 4.2 On this basis, for every £1 million of cash held, the purely financial benefit could be deemed to be £30k per annum or approximately £300k per year for balances of £10 million. This is dependent on prevailing money market conditions, which in the current economic climate can fluctuate significantly. Using the balances to repay debt earlier would not achieve a matching saving given the costs around early redemption and the similarity in short-term lending rates and long-term borrowing rates. For information, £1m equates very approximately to 1% on the Council Tax.
- 4.3 If, however, this is considered in the context of using these balances to fund one off expenditure, then the opportunity cost is the improvements that would accrue from that expenditure. This might for example be improvements in services, increased performance or some other measure. Such items have been considered by officers during the course of developing the MTFs, but these have not generally been included within the final proposals or the detailed budget given the broad financial constraints within which Havering is operating.
- 4.4 Should these items be included within the budget, they would obviously provide a basis for additional and/or improve services; with the need to appreciate that reserves exist for various reasons, and once expended, either have to be replenished, or the funding terminated. This is the opportunity that is being missed by holding general reserves. However this is only relevant if those items match the Council's priorities and Medium Term Financial Strategy.
- 4.5 It is important that in considering the level of working balances that the issue of the opportunity costs and benefits of such an approach is also considered and that Members weigh up the potential benefits against the risks. The other important factor in making this judgement is to consider is that balances can as indicated only be spent once, and can realistically only be used to support one off expenditure, or to allow time for management action to be implemented.
- 4.6 As stated above, the use of significant levels of balances to fund ongoing spending or reductions in Council Tax can pose material financial risks, especially the Council's ability to generate funds through Council Tax is limited by the capping regime. This could mean that any need to replenish balances could impact on front line services. Hence the level of reserves held overall is a balance between the risks facing the Council and the need to protect the Council and Council Tax payers from the short and longer term potential impact of these risks and the opportunity costs of holding those balances. The previous advice that the £10 million minimum level of balances is a prudent and

appropriate level at this time given the risks being faced by the Council must be stressed.

## **5. REVIEW OF RESERVES AND CONTINGENCY**

- 5.1 As indicated earlier in this report, the assessment of the sums required for reserves and contingency purposes has been subject to a review. This review takes into account the various risks facing the Council, the level of risk, the actions taken to mitigate risk, and the financial assessment of the risk. The review has also included consideration of the Corporate Risk Register, with the objective of ensuring that all such risks having a potential financial impact are covered in the reserves and contingency assessment.
- 5.2 The outcome of this review is set out in Annex 1 to this Appendix. This shows each risk and the detail associated with it, and includes a cross-reference to the Corporate Risk Register. Each risk is evaluated in term and a financial assessment is made of the potential costs arising and the degree of likelihood, which in turn drives the sum for which provision is being made.
- 5.3 The Corporate Risk Register is kept under review by the Corporate Management Team, so any changes are then reflected when the reserves and contingency assessment is updated.

**RISK ASSESSMENT FOR RESERVES / CONTINGENCY 2016/17**  
**REVIEWED AT 21 JANUARY 2016**

Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assessment of Risk (counter measures in place)	Contingency		Reserves	
				Value of Assessment £000	Value Having Regard to Risk £000	Value of Assessment £000	Value Having Regard to Risk £000
1. Reduction in Grant Funding CR8 Financial Challenges CR4 Business Growth	DCECR	Grant levels do not materialise and/or are reduced or cut, eg further withdrawal of Specific Grants, further reductions to Revenue Support Grant, reduced funding following changes to funding system, further reductions within CRS period, leading to need to scale down/cease services.	Medium to High	Addressed as part of budget strategy and detailed budget development		2,000	1,000
2. Reduction in Income Levels CR4 Business Growth CR8 Financial Challenges	DCECR / DCECAH	Income levels do not materialise and/or debts are not collected at forecast levels, e.g. (a) Increasing arrears (b) Falling income (c) Falling recovery rates.	Medium	500	250	2,000	1,000
3. Increased service demand, changes in demography CR5 Change Management CR10 Social Care and Public Health	CE/ DCECAH / DCECR / GDPH	Demand led services increase over budget assumptions, e.g. Children's placements, Adult's social care, homelessness, benefits. Changes in property base leading to changes in population in overall terms and in	Medium	1,000	500	5,000	2,500
				Long term addressed as part of budget strategy and detailed budget development			
4. Savings Shortfall CR5 Change Management CR8 Financial Challenges	CE/ DCECR	Major savings/efficiency programmes are not delivered in accordance with plans, e.g. efficiency programmes fail to achieve expected savings, unable to deliver full value of savings, within expected timescales	Medium	3,000	1000	Addressed as part of budget strategy and detailed budget development	
5. Workforce Issues CR1 Workforce Planning	CE/ DCECR	Workforce issues, e.g. (a) Vacancies/cover needs resulting in higher cost (b) Support to statutory officers	Low to Medium	Addressed as part of budget strategy and detailed budget		2,500	1,250



Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assessment of Risk (counter measures in place)	Contingency		Reserves	
				Value of Assessment £000	Value Having Regard to Risk £000	Value of Assessment £000	Value Having Regard to Risk £000
		(c) Equal pay matters (d) Disputes (e) Recruitment/retention (f) Succession Planning (g) Single Status		development			
6. Management of Capital Programme CR4 Business Growth & Investment CR5 Change Management	DCECR	Changes in Capital Programme/cash flow assumptions, e.g. (a) Capital receipts are not forthcoming in time (b) Receipts do not materialise at all (c) Interest rate market works against Havering (d) Interests from Capital Programme slippage	Medium	500	250	2,500	1,250
7. Supply Chain Resilience CR7 Partnerships, Shared Services & Contractor Arrangements	DCECR	Increase in costs or financial risks in partnership arrangements (including shared services/service collaboration). Failure in key supplier, e.g. financial failure, liquidation, failure in supply chain	Medium	500	250	2,500	1,250
8. Budget Management CR8 Financial Challenges CR10 Health and Social Care CR2 Community Engagement & Communications CR6 Business Continuity & Emergency Planning	DCECR	Arrangements for budget and financial management, e.g. unexpected overspends, increase in costs above rate of inflation such as pay awards, contracts, utility bills, variances not identified by monitoring system. Business continuity, e.g. flu pandemic, terrorism, network virus, legionella outbreak, adverse weather	Medium	1,000	500	3,500	1,750
				Long term addressed as part of budget strategy and detailed budget development			
9. New Legislation CR8 Financial Challenges CR10 Health and Social Care CR2 Community Engagement & Communications	CE/ DCECR / DCECAH	New legislation including changes in funding arrangements for social care lead to changes in demand/changes in service entitlement that are not matched by compatible funding increases from Government, leading to a greater cost falling on Havering	Medium	Addressed as part of budget strategy and detailed budget development		2,500	1,000
<b>TOTAL POTENTIAL</b>				6,500	2,750	22,500	11,000

Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assessment of Risk (counter measures in place)	Contingency		Reserves	
				Value of Assessment £000	Value Having Regard to Risk £000	Value of Assessment £000	Value Having Regard to Risk £000
ASSESSMENT HAVING REGARD TO RISK LIKELIHOOD – MINIMUM LEVEL REQUIRED			<b>Overall Medium Risk</b>		2,000		10,000

CE = Chief Executive  
DCECR = Deputy Chief Executive Communities and Resources

DCECAH = Deputy Chief Executive Children’s, Adults & Housing  
GDPH = Group Director Public Health  
DL&DS = Director of Legal & Democratic Services

**CAPITAL PROGRAMME****1. BACKGROUND**

- 1.1 Capital expenditure is expenditure on acquiring or enhancing tangible or intangible fixed assets. This is usually land or buildings, but can be equipment in some instances. All expenditure that is considered to be capital should be accounted for as capital and not charged to revenue.
- 1.2 The Asset Management Plan and Capital Strategy detail the Council's approach to capital investment. These documents set out the use of capital resources and areas of funding. They also discuss how this investment has contributed to the achievement of the Council's goals and vision and how this is planned to develop over the medium term.
- 1.3 Among these key activities is the management of existing assets. Without this it is likely that revenue maintenance costs would increase as assets deteriorate. Capital resources are also required to facilitate investment in projects seen to be a priority by our local community, e.g. Streetcare.
- 1.4 The capital programme has historically been funded largely by capital receipts. The main other funding streams have been:
- Town and Country Planning Act (S106 Agreements) – these are planning gains received from developers in recognition of the additional services that will be required as a result of development schemes. These can relate to a number of areas including education provision, highways improvements and public realm enhancements - services look to use these funds to supplement existing programmes.
  - Grant – largely Education / Transport for London and specific to the schemes.
  - Borrowing where it is either on an invest to save basis or where the investment supports a savings stream, and can be repaid.
- 1.5 Other funding streams are:
- Prudential Borrowing – having regard to appropriate indicators the Council is able to borrow resources to fund capital expenditure. Before doing so it must be assured that sufficient revenue funds are available to meet the ensuing revenue implications arising from capital expenditure. The Council is required to set aside a Minimum Revenue Provision (MRP) of 4% in respect of the increased borrowing requirement plus the resulting interest charge. Very broadly, increased borrowing of £1m will incur a revenue liability of £76,000 per annum over 25 years.
  - Revenue Contributions to Capital – revenue resources can be used to fund capital expenditure when these are deemed to be available.
  - Capital Allowances – most notably in relation to the maintenance of the Council's housing stock
  - External Funding – opportunities to maximise external funding are taken whenever these are consistent with the aims and objectives of the Council. Major funding bodies include the Heritage Lottery Fund, Sport England and the European Social Fund. Many of these schemes require the Council to contribute match funding to the delivery of project and careful consideration is given to how this can be achieved. There are also grant funding streams – often unringfenced – which are allocated by

Government departments. These generally have a broad purpose but are available for deployment through local investment decisions.

- Supported Borrowing – central government allocates grant to support a certain level of borrowing. However, as a floored authority the Council is unable to take up any opportunities for additional supported borrowing as no actual grant is received.

## **2. CURRENT STRATEGY**

- 2.1 It is well known that outside of specific capital grants, the Council's main funding in the past has been capital receipts generated via disposals and some contributions from S106 agreements. This approach has been adopted to reduce pressure on the revenue budget and hence Council Tax. Targets were set and agreed by Council for the receipts to be generated.
- 2.2 It had become apparent that this could not continue indefinitely, as the potential to realise large receipts has reduced. Not only has the quality and number of sites reduced, but it has been further affected by the economic climate. This has significantly reduced the potential value of the remaining sites and has added a further complication as to the most appropriate time to market disposals. If sales are delayed until the market recovers, significantly larger receipts may be generated. However, it is not possible to predict with any degree of certainty when, or even if, this will occur.
- 2.3 With this in mind, the Council has been planning for other funding streams, if it is to have a realistic capital programme to meet its needs. All potential funding opportunities have been explored, e.g. S106 agreements, external grants, but it had been assumed that increased borrowing would need to be the major source of funding.
- 2.4 In the short term this will be needed to bridge the timing gap, to ensure that best value is achieved in the disposal of its surplus assets. In the longer term as disposal opportunities are exhausted, borrowing is likely to be the major source of funding for capital expenditure, outside of any capital grants.
- 2.5 Any borrowing creates a liability in revenue whilst the loan is repaid. Repayment is made in accordance with the Council's Minimum Revenue Provision policy of 4% per annum, but will depend on the life of the asset being purchased. As a direct charge funded through Council Tax, borrowing levels have to be managed through the budget process along with other budgetary pressures. In conjunction with the appropriate repayment period, borrowing needs to be included as part of the Council's long term financial strategy. It must be considered that as borrowing levels increase over consecutive years that borrowing costs will also incrementally increase. Appropriate revenue provision would need to be made to address this.
- 2.6 Local Authorities are required to comply with the Prudential Code when carrying out their treasury strategy for borrowing. This is a professional code of practice to support authorities in taking their decisions on capital investment in fixed assets. In essence, this ensures that capital investment plans are affordable, prudent and sustainable. Any level of borrowing determined by the Council would need to comply with this code.
- 2.7 In 2016/17 the capital programme has been expanded to fund regeneration and development projects which will generate an income stream to the Council. These projects will be funded from prudential borrowing subject to approval of the business case. . It is anticipated that the core Capital Programme will continue to be funded from capital receipts, Section 106 receipts and other sources of external funding rather than borrowing.

2.8 This broad approach is felt to be sufficient to finance the programme until the end of financial year 2016/17, subject to the generation of the anticipated level of capital receipts. The position will be reviewed again in 2017/18 taking account of the anticipated level of resources and the broader economic conditions which might influence the Council's borrowing strategy.

### **3. PROPOSED CAPITAL PROGRAMME BLOCK ALLOCATION**

3.1 Given that it is now proposed that the core programme is based on the application of receipts and external funding as the prime sources of finance, the overall programme has been assembled in the context of the expected level of receipts. This review has also taken into account anticipated levels of grant funding as well as the timing of receipts. The principle of a block allocation for specific programme areas has been used to generate an overall indicative programme.

3.2 The following block allocation is recommended to Cabinet for approval

	2016/17
	£'m
Total core programme	8.4
Provision for Regeneration and Development	100

3.3 A detailed schedule of schemes within the 2016/17 programme has been drawn up, based on assessed needs and within the context of the individual core elements of the programme. This is set out in Annex 1.

3.4 The provision for Regeneration and Development projects is intended to be funded from prudential borrowing. A provision of £100m has been set aside for this purpose although schemes will require individual project approval before they are included in the programme.

3.5 The Treasury management report included elsewhere on the agenda assumes a cash outflow of £20m per annum for Regeneration and Development. The revenue implications are included in the Treasury Management Strategy on that basis. This increase in capital spending will increase the Council's Capital Financing Requirement (CFR) but does not necessarily give rise to a need to borrow externally. In the short term the Council would simply reduce its external cash investments although consideration will need to be given to the timing of any borrowing decision.

### **4. SCHOOLS EXPANSION PROGRAMME**

4.1 The capital programme also includes the phase 4 schools expansion programme. The financing of this programme is achieved predominately from grant funding with the balance being met from s106 or Tariff income. The service continues to face pressures for additional schools places; a matter which has been reported at some length in previous reports. The Deputy Chief Executive Communities and Resources will keep the matter under review but is at present unable to allocate capital receipts to fund further expansion. It is recommended that the Phase 4 programme be approved in principal subject to confirmation of grant funding.

## 4.2 **Associated Revenue Implications**

- 4.3 The revenue implications for schools are that, in creating additional classes, additional resources will be incurred particularly for teaching and support staff. From the financial year 2016/17 the schools will receive additional funding through their budget shares as the pupils will be on roll at the date of the pupil census that is used to calculate funding. Any growth arising after that point will need to be met from a pupil growth contingency held within the Schools Budget (funded by the Dedicated Schools Grant) as agreed by the Schools Funding Forum. The demand for increased funding to be held as a pupil growth contingency from a ring-fenced DSG is likely to result in less funding being available for distribution to schools putting at risk the ability of schools to maintain current levels of expenditure. Schools are, however, guaranteed through DFE financial regulations to not have their funding reduced by greater than 1.5% per pupil.

### **Revenue Implications for the Local Authority**

- 4.4 It should be noted that an increase in school admissions across the Borough may also have a 'knock-on effect' on other LA budgets such as special educational needs, home to school transport, etc. The details of this are currently being quantified and any pressures arising will be addressed through the appropriate channels. As mentioned previously, the DSG allocation to Havering will be increased from 2016/17 reflecting increased pupil numbers. Most of this will be allocated to schools but there may be some available to fund other pupil related pressures.

### **Risks**

- 4.5 There are a number of risks associated with the primary expansion programme as follows:
- Variation in demand for school places from that forecast, either leading to a requirement for further spend and/or places being delivered which aren't filled. Given that past trends has shown a higher than anticipated increase the latter is unlikely;
  - Increased costs either as detailed schemes are progressed, as a result of the tendering process or due to additional demand;
  - There may be insufficient funding to bridge the shortfall in which case the contingency plan would be to utilise borrowing however this would result in additional revenue costs to the Council and that would increase the projected budget gap for the next 4 years. Every effort will therefore be made to keep this to a minimum.

## 5. **EXTERNAL/GRANT FUNDING**

- 5.1 The table only covers those schemes reliant on funding generated by the Council. There are other funding streams, as indicated above, and these are generally through a grant, which means there is no revenue cost to the Council. Such funding sources mean that the overall scale of the Programme is larger than that covered solely by the table.
- 5.2 Information on external funding sources has in the past tended to be provided after the setting of the budget. Whilst such funding increases the scale of spend, there is no overall net increase, as the costs are matched by external resources, principally grant funding.

- 5.3 The major areas where external funding is received are Streetcare (principally funding from Transport for London, TfL), schools, and regeneration – though the last of these tends to come via different sources over time, the other two have tended to be a single announcement.
- 5.4 Details of TfL funding have already been announced and the Council has been allocated a sum of around £2.173m for 2015/16.
- 5.5 In addition, the Council has been notified of capital grants for education purposes. These are the Local Authority Capital Maintenance and Basic Needs Grant. These grants are neither ring-fenced to specific workstreams within education, nor time-bound, i.e. funding may run beyond next year. However, based upon the actual grant announcements, and the of previous detailed reports to Cabinet on the expansion of schools, which is covered in the previous section, detailed programmes have been drawn up and these are set out in Annex 3.
- 5.6 It is proposed that a detailed programme will be developed for external sources of funding, in line with any specific provisions relating to that funding, where details of the funding have yet to be identified. This will be reflected in future capital monitoring reports. A number of grant funded areas have already been announced and these are listed at Annex 4.
- 5.7 Officers already have delegated authority to accept grant funding on behalf of the Council and any such funding can usually only be applied for specified purposes. Approval has been sought through this report for any schemes resulting from the provision of external funding to be included within the Capital Programme under the authority of officers, to ensure an efficient process is in place.

**THE LEGAL FRAMEWORK GOVERNING BUDGET DECISIONS**

1. The Council is required to set a Council Tax for 2016/17 before 10 March 2016. It may not be set before all precepts have been issued and the decision cannot be delegated to a committee or to Officers. Before setting the level of the tax the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficit estimate to be brought forward from previous years, and any amounts required to be transferred between funds. The tax itself must be sufficient to cover the difference between the agreed budget less government grants retained Business Rates and other grants credited to the consolidated revenue account, and any other expenditure which must be met from the Collection Fund, less any surplus (or plus any deficit) brought forward from previous years.
2. In reaching decisions on these matters, Members are bound by the general principles of administrative law and must not fetter their discretion. All relevant considerations must be taken into account and irrelevant ones disregarded. Any decision made must be one that only a reasonable authority, properly directing itself, could have reached. Members must also balance the interests of service users against those who contribute to the Council's finances. The full resources available to the Council must be deployed to their best advantage and Members must act prudently.
3. Among the relevant considerations, which Members must take into account in reaching their decisions, are the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans which existed under previous legislation is repeated in Section 65 of the Local Government Finance Act 1992.
4. In considering the advice of officers, and the weight to be attached to that advice, Members must have regard to the personal duties placed upon the Council's Section 151 Officer (see para 5 below). The Council may take decisions which are at variance with his advice, providing there are reasonable grounds to do so. However, Members must take into consideration the Council's exposure to risk if they disregard clearly expressed advice, for example, as to the level of provision required for contingencies, bad debts and future liabilities.
5. The Section 151 Officer is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management and account practices meet relevant statutory and profession requirements. Furthermore Section 25 of the Local Government Act 2003 requires the Corporate Deputy Chief Executive, Communities and Resources to report on the robustness of the budget estimates and the adequacy of reserves to which Members must have regard.
6. Members must also have regard to, and be aware of the wider duties placed upon the Council by various statutes governing the conduct of its financial affairs. These include the distinction between revenue and capital expenditure, specified within the Local Government and Housing Act 1989. The Local Government Act 2003 requires that the prudential borrowing limits are set by the Council having regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. This sets out a framework for self-regulation of capital spending, in effect allowing Councils



to invest in capital projects without any limit, so long as they are affordable, prudent and sustainable. To facilitate this arrangement the code requires the Council to agree and monitor a number of prudential indicators.

7. Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that he or she is in arrears, and will not be voting on the decision for that reason. The Member concerned must then abstain from voting. The application of Section 106 is very wide and there have been successful prosecutions under this legislation. It can include meetings held at any time during the year, not just the annual budget meeting, and it may include meetings of committees or sub-committees as well as Council meetings. Members should be aware that the responsibility for ensuring that they act within the law at all times rest solely with the individual Member concerned.
8. The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 provide that the Council's procedures must provide for the minutes to record how each Councillor voted (including any abstentions) when determining the Council's budget and the level of Council Tax to be levied.
9. Having set a budget at the beginning of the year, the Council is also under a duty to monitor that budget during the course of the year and to take remedial action if at any time it appears likely that expenditure will exceed available resources. Members are aware of the duty of the Section 151 Officer under Section 114(3) of the Local Government Finance 1988 Act to report to the Council if it appears that this will happen, and of the impact of Section 115(6) which prohibits any new agreement which would incur expenditure from being entered into following the issuing of such a report and pending its consideration by the Council. The Members of the Council, having received a Section 114 report are obliged to take all reasonable practicable measures to bring the budget back into balance.
10. A Section 114 report is a serious matter which can destabilise an authority and can only be avoided by prudent budgeting and effective budgetary control. This adds emphasis to the need for an adequate contingency provision and a strong corporate commitment to holding chief officers accountable for containing expenditure within cash limits approved during the budget process.
11. It is the duty of the Deputy Chief Executive Communities & Resources as the Section 151 Officer to provide the relevant financial information, which is or ought to be available and advise on the financial prudence of options before Members, and Members must take account of such information and advice in reaching their decisions. The Council is however free to take decisions which are at variance with the advice of those officers, providing there are reasonable grounds to do so.
12. The Section 151 Officer must consider whether in his view the Council had agreed a balanced budget which is capable of delivery taking all know factors into account. In the event that he considers this not to be the case, then he has a personal duty to indicate this by issuing the Council with a notice under Section 114 Local Government Finance Act 1988.

**SCHEDULE OF FEES AND CHARGES**

**(as detailed below)**