Havering
LONDON BOROUGH

CABINET

8 February 2017

Subject Heading:	**THE COUNCIL'S BUDGET 2017/18**
Cabinet Member:	**Councillor Roger Ramsey**
SLT Leads:	**Andrew Blake-Herbert** **Debbie Middleton**
Report Author and contact details:	Mike Board Corporate Finance and Strategy Manager 01708 4322217 mike.board@onesource.co.uk
Policy context:	This report presents the Council's new Vision, overall policy direction, statutory duties and Medium Term Financial Strategy for agreement by Cabinet and recommendation on to Council for consideration and approval.
Financial summary:	The Council is required to set an annual budget for 2017/18 and MTFS for the three year period ending 2019/20. The report includes recommendations to Council for the formal budget-setting process and setting a Council Tax increase of 1.95% (plus a 2.00% Adult Social Care precept) for the Havering element of Council Tax and recommends to Council the Council Tax level at band D as £1,317.71, before inclusion of the GLA precept.
Is this a Key Decision?	**No**
Is this a Strategic Decision?	**Yes**
When should this matter be reviewed?	Annually
Reviewing OSC:	Overview and Scrutiny Board

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

Havering will be clean and its environment will be cared for [X]
People will be safe, in their homes and in the community [X]
Residents will be proud to live in Havering [X]

ALL MEMBERS ARE ASKED TO RETAIN THIS REPORT AND ITS APPENDICES FOR REFERENCE AT THE COUNCIL TAX MEETING ON 22nd FEBRUARY 2017

SUMMARY

This report outlines the context within which the 2017/18 budget is being set and identifies the Council's new Vision, overall policy direction, statutory duties and financial strategy.

The Council's budget needs to reflect the level of funding allocated to it by the Government. Cabinet received reports in December 2016 and January 2017 that provided an update on developments at the national level and the consequential impact on local government funding and set out information on the financial position within Havering. The four year financial settlement covering the period 2016/17 to 2019/20 provides greater clarity over the reduced funding stream and is reflected in the draft MTFS.

The Cabinet report of 18 January 2017 updated Members on the Local Government Financial Settlement, the impact on the proposed financial strategy for the coming financial year and the latest in year financial monitor. This report provides Cabinet with the latest forecast three year funding gap of £13.567m of which £4.347m relates to 2017/18. This report provides an update of the financial strategy and a number of recommendations which are intended to balance the budget for 2017/18. Further reports will be made to Cabinet during the course of 2017/18 to consider the options for balancing the budget in the financial year 2018/19 and 2019/20.

In finalising the budget strategy this report also updates members on any matters which were outstanding at the time of presenting the January report. This includes the Council Tax Base and Business Rate yield as well as the updated position on levies and precepts.

The current position is that an increase in the Havering element of the Council Tax of 1.95% plus a 2.00% precept for Adult Social Care is required to balance the budget.

Final confirmation of the Greater London Authority (GLA) precept is expected at the meeting of the London Assembly on 20 February 2017. The Mayor has proposed an increase in the current precept, as previously advised to Cabinet, and this has been the subject of a similar consultation process. Any changes to the GLA position will be reported at the Cabinet meeting if known, and an update will be provided for the Council meeting.

On the assumption that this is approved by the London Assembly, the combined band D figure would increase to £1,597.73 an increase of 3.5%.

This report provides details of the various components of the budget with appendices.

RECOMMENDATIONS

That Cabinet, in view of the need to balance the Council's policies, statutory requirements, government initiatives, inspection regimes and Council Tax levels:

1. **Approves** the new Vision set out in **Appendix K** that will be the framework for the Council's Corporate Plan, service planning and the context in which future financial strategies will be developed.

2. **Approves** the mitigating action plans referred to in paragraph 3.13 of this report and set out in **Appendix A2.**

3. **Approves** the income generation and savings proposals as set out in **Appendix A1**.

4. **Considers** the advice of the Chief Finance Officer as set out in **Appendix H** when recommending the Council budget.

5. **Approves** the following budgets for 2017/18:

   - The Council's General Fund budget as set out in **Appendix E**.
   - The Delegated Schools' draft budget set out in **Appendix F**
   - The Capital Programme as set out in Paragraph 3.25 and **Appendix I**,

6. **Delegates** to the Chief Financial Officer the implementation of the 2017/18 capital and revenue proposals once approved by Council unless further reports or Cabinet Member authorities are required.

7. **Agrees** that the Chief Financial Officer be authorised to allocate funding from the Capital Contingency included within the draft Capital Programme.

8. **Delegate** authority to the Chief Financial Officer in consultation with the Cabinet Member for Financial Management to determine the projects that will be included in the proposed £5m efficiency programme contained within the Capital Programme.

9. **Agree** that the relevant Cabinet Member, together with the Cabinet Member for Financial Management , be delegated authority to commence tender processes and accept tenders for capital schemes included within the approved under the block programme allocations or delegation arrangements set out in this report.

10. **Agrees** that to facilitate the usage of unringfenced resources, the Chief Financial Officer in consultation with Service Directors will review any such new funds allocated to Havering; make proposals for their use; and obtain approval by the Cabinet Member for Financial Management.

11. **Delegates** to the Chief Financial Officer in consultation with Service Directors the authority to make any necessary changes to service and the associated budgets relating to any subsequent specific grant funding announcements, where delays may otherwise adversely impact on service delivery and/or budgetary control, subject to consultation with Cabinet Members as appropriate.

12. **Approves** the schedule of proposed Fees and Charges set out in **Appendix L**, with any recommended changes in year being implemented under Cabinet Member delegation.

13. **Agrees** that if there are any changes to the GLA precept and/or levies, the Chief Financial Officer authorised to amend the recommended resolutions accordingly and report these to Council on 22 February 2017.

That in addition,:

14. **Cabinet Recommends to Council for consideration and approval**:

    - The General Fund budget for 2017/18
    - The Council Tax for Band D properties and for other Bands of properties, all as set out in **Appendix E**, as revised and circulated for the Greater London Authority (GLA) Council Tax.
    - The Delegated Schools' budget for 2017/18, as set out in **Appendix F**.
    - The Capital Programme for 2017/18 as set out in paragraph 3.25 and supported by Annexes 2, 3 and 4 of **Appendix I**.

15. That it pass a resolution as set out in section 3.29.5 of this report to enable Council Tax discounts to be given at the 2016/17 level.

REPORT DETAIL

This report is split into the following parts:

1. Overall Policy Direction and Strategy.
2. Consultation and the Overview and Scrutiny Committees.
3. Havering's Revenue Budget and Council Tax.
4. Capital Programme.
5. Treasury Management Strategy.
6. GLA Budget.

7. Overall Council Tax Impact.
8. Other Matters.
9. Housing Revenue Account.

Appendices provide more information in certain areas and are cross referenced to the relevant text below.

1. Overall Policy Direction and Strategy

1.1 The Council's budget is a reflection of the Council's Strategy expressed in financial terms. The Council's strategy reflects the main priorities of residents, as expressed in successive consultation exercises – principally, keeping the Borough clean and safe and promoting a high quality of life for local people.

1.2 The Council has recently carried out review of its vision which is now expressed as – **Making a Greater London**. The vision is focused around four cross-cutting priorities: Communities, Places, Opportunities and Connections. Underpinning these themes will be outcomes that the Council will seek to deliver and success will be measured and reported through performance processes. These key themes and outcomes will provide the basis for the new Corporate Plan, service plans and future financial strategies. Further information is included at **Appendix K.**

1.3 The proposals in these papers build on the draft financial strategy agreed by Cabinet in September 2016 and updated in December 2016 and January 2017. A public engagement exercise on the proposed budget strategy was carried out during January 2017. The exercise was not concluded at the time of preparing this report. However, the results will be made available for Cabinet prior to the meeting.

1.4 It is important to note that the Council's financial strategy and budget development process is an iterative one, taking on board a wide variety of issues and enabling forward planning. These include:

- Responding to the difficult and volatile financial climate;
- Ensuring that the Council's policy priorities drive resource allocations;
- Ensuring there remain clear links between revenue and capital budgets;
- Continuing to ensure that all budgets have defined outputs;
- Continuing to seek greater efficiencies – including through working in partnership and prioritising effectively;
- Seeking funding from external agencies and/or partners;
- Continuing to benchmark and deliver value for money.

1.5 There will continue to be difficult decisions to make in future years in order to balance the budget. However, the overall planning process will ensure these decisions will take place in an informed manner to ensure resource allocation reflects policy and service priorities.

1.6 The Council's revenue and capital budget strategies have previously been approved by Cabinet. These set out the key principles around the budget, and are reflected in this report. The updated statements are set out in **Appendix B**, as they underpin the approach taken to setting the Council's revenue and capital budgets.

1.7 It is important for the Council that its financial strategy continues the success achieved in recent years. The strategies will be reviewed and developed during 2017/18 to ensure that they integrate with the Council's Vision and the Corporate Plan as it is developed. The focus will continue to ensure that it:

- Reflects the economic climate and the need for financial prudence;
- Ensures the level of reserves are adequate;
- Links service planning with financial planning;
- Identifies service delivery trends, changes in legislation etc. that will have a financial impact;
- Accurately predicts levels of spend in the future to avoid further overspends;
- Identifies revenue costs resulting from capital expenditure;
- Matches resources to priorities;
- Costs areas of new or increased priority;
- Provides savings to balance the budget;
- Provides savings to fund new investment and areas of increased priority;
- Costs new investment and estimates any subsequent payback;
- Increases value for money;
- Manages risk and uses risk assessment to inform decision making;
- Ensures all projects are adequately funded and resourced;
- Manages risk and uses risk assessment to inform decision making;
- Ensures all projects are adequately funded and resourced.
- Uses Business Intelligence to support service modelling

Partnership Working

1.8 Partnership working is strong in Havering and the Council continues to work with public, private and community groups to develop the Borough.

1.9 The Council works in partnership with Bexley and Newham Councils through oneSource, a joint committee designed to provide back office services and functions more efficiently. Significant levels of savings are expected to be achieved through shared Management, ICT and Procurement. These savings are reflected in the Council's financial strategy.

Economic Climate

1.10 Cabinet will be aware of the general economic climate and in particular the consequential impact on Government spending plans for local government. Markets remain sensitive to global economic and political events which have contributed to increased economic uncertainty. Interest rates have remained at an unprecedented low level for some time although there appears to be an increasing likelihood of rate rises over the medium term. The scale of the national budget deficit, and the actions that would inevitably be needed to be taken to address this, have been the subject of much discussion, and have been addressed in reports to Cabinet since July 2010.

1.11 In setting the budget for 2017/18, it is essential to bear these general economic factors in mind. The Government's Autumn Budget Statement and the subsequent Local Government Financial Settlement were addressed in the reports to Cabinet in December 2016 and January 2017.

Conclusions

1.12 Havering will experience a rapid reduction in its Government grant settlement over the period of the four year settlement ending in 2019/20. In particular RSG will have fallen from £20.9m in 2016/17 to £1.4m in 2019/20. This will inevitably place severe pressure upon the resources available for services and the Council's ability to balance its financial strategy over that period.

1.13 The proposals in this report will enable the Council to balance its budget for 2017/18. Additional steps will be required to close the funding gap in 2018/19 and beyond and will be the subject of further reports to Cabinet.

1.14 Significant financial pressures are being experienced in 2016/17 reported in previous Cabinet. This report includes details of the further management actions proposed to mitigate the potential overspend and to maintain spending in line with budget for 2016/17. Cabinet is asked to approve the detailed actions plans as set out at **Appendix A2** and the income generation and savings proposals at **Appendix A1** to this report.

1.15 The successful implementation of measures presented for approval in this budget report, aim to achieve a balanced revenue budget for 2017/18 and provide the basis from which to further develop the Council's financial strategy to balance its finances over the medium term.

1.16 The proposed budget reflects the views of the local community on the impact of budgetary pressures upon service delivery and Council Tax increases subject to changes in national priorities that are outside the Council's control. The Council can demonstrate that it is prioritising financial resources according to its business objectives and in the context of the general financial climate.

2. Public Engagement and Overview and Scrutiny Board

2.1 Public Engagement

2.1.1 A public engagement exercise is being carried out during January 2017 seeking feedback on the Council's financial strategy. Views are being sought on service priorities and Council Tax levels, including the level of Adult Social Care precept.

2.1.2 The results of the consultation were not available at the time of preparing this report but will be circulated prior to the meeting.

2.2 Overview and Scrutiny Board

2.2.1 The budget proposals for 2017/18 were considered by Overview and Scrutiny Board on 1 February 2017. As this agenda was published before that date, an update will be given at the Cabinet meeting on any matters raised by the Board.

3. Havering's Revenue Budget and Council Tax

3.1 Introduction

3.1.1 The key factors taken into account in finalising the 2017/18 budget are set out in the remainder of this report. As well as the results of the public engagement and budget finalisation, it is important to note that, if the final position on levies and the Greater London Authority (GLA) precept is significantly different from the provisional sums, the final level of the Havering Council Tax may be affected.

3.1.2 The impact of the Greater London Authority precept is covered separately in section 3.27.

3.1.3 This section of the report summarises a number of points covered in greater depth in the previous report to Cabinet. These have been updated where relevant to reflect changing circumstances and more up to date information included where this has subsequently become available.

3.2 Government Grant

3.2.1 As set out in the previous report to Cabinet, the provisional settlement was announced on 15 December 2016. The key elements of the provisional settlement, and a comparison against the current funding level are summarised below:

- There were only minor adjustments to the four year settlement announced in December 2015.
- There is an average increase in "spending power" nationally of 0.4% by 2019/20 assuming all authorities increase council tax, take up the adult social care precept and see significant growth in the tax base of local authorities;
- Excluding the assumptions on Council Tax, there is a 21.8% reduction in core funding which includes a reduction in RSG of over 70% nationally since 2015/16;
- Havering's financial settlement including RSG has fallen by £8.61m (or 41%) for 2017/18 and by £19.51m (94%) by 2019/20. This would leave Havering with only £1.38m in RSG by 2019/20.
- It is highly likely that once business rates are localised further, Havering's RSG will be removed and/or Havering would be required to receive a lower top-up grant or pay a tariff over to Government to compensate.
- There have been significant changes to the New Homes Bonus methodology to not only fund the improved Better Care Fund but also to fund the one-off adult social care grant.

3.2.2 The final settlement is expected during the first half of February, so this is likely to be too late for this report. If it is announced in time for the meeting a supplementary paper will be issued. Otherwise the relevant information will be included in the report to Council.

3.2.3 The Council submitted a written response to the consultation on the provisional financial settlement and this response is included as part of **Appendix C**.

3.2.4 As a result of the settlement, Havering continues to receive a much lower level of grant funding than our neighbours, which reflects the position over a number of years previously.

3.3 Specific Grants

3.3.1 The Council receives a reducing number of specific grants outside of the general grant. These are for specific purposes and many have been subject to external audit verification prior to claim submission. They are not for mainstream funding and, hence, increased levels of specific grants have not assisted in reducing the overall Council Tax level, as they reflect a similar level of spend by the Council. These have historically changed year on year and in some cases the details have not been known until after Council Tax setting.

3.3.2 Assumptions are made in setting the budget on what those grant levels will be, unless specific announcements have already been made. The actual announcements may lead to differing amounts of grant funding being available, and may in fact identify new, or increased, levels of funding.

3.3.3 To facilitate the usage of these un-ringfenced resources, it is proposed that the Chief Financial Officer in consultation with Service Directors review any such funds allocated to Havering and make proposals for their use for approval by the Cabinet Member for Financial Management. Cabinet is asked to approve this. In addition, Cabinet is being recommended to delegate to the Chief Financial Officer authority to make any necessary changes to service and the associated budgets relating to any subsequent grant announcements where delays may otherwise adversely impact on service delivery and/or budgetary control, subject to consultation as appropriate.

3.4 Dedicated Schools Grant and Schools Funding
Dedicated Schools Budget

3.4.1 Details of the DSG funding for 2017-18 were set out in the previous report to cabinet. In brief, the allocations are as follows:

Table 1

Year	Schools Block		Early Years Block		High Needs Block	Additions and cash floor	Total DSG
	GUF per pupil (£)	Allocation (£m)	GUF per pupil (£)	Allocation (£m)	Allocation (£m)	Allocation (£m)	Allocation (£m)
2017-18	4,712.65	169.92	4,626.50	14.845	22.70	0	207.46
2016-17	4,728.70	168.03	3,979.94	11.61	19.49	0.05	198.17
Diff	-16.05	1.89	646.56	3.24	3.21	-.05	8.29

Notes:

1. All of the above figures are before recoupment by the DfE for pupils attending academies, non maintained special schools and post 16 special educational need provision.
2. The Early Years block will be recalculated based on the January 2017 and 2018 early years censuses.

3. The reduction in the GUF per pupil follows a £1.3m transfer from the Schools block to the High Needs block.
4. The increase in the Schools block includes £589k Education Support Services Grant previously allocated to the LA and also for growth in pupil numbers.
5. The increase in the Early Years block will allow increases in the hourly rate paid to providers following the introduction of a national funding formula for early years education and also for the implementation of 30 hours of free entitlement to childcare for working families from September 2017..
6. The increase in the High Needs block includes a transfer of funding responsibilities from the EFA for post 16 SEN and also for population growth.
7. The Additions block in 2016-17 is now included in the Schools Block.

3.4.2 New school funding arrangements were introduced by the DFE in 2013-14 in advance of implementation of a national funding formula which, following a one year delay will be introduced from 2018-19. The intention is to achieve greater transparency on funding through a system where every pupil will attract the same basic level of funding wherever they are in the country with additional sums reflecting additional need, deprivation and area costs.

3.4.3 As the details of the DSG announcement for 2017/18 were included in the previous report to Cabinet, and as these have not changed subsequently, no further update is required.

3.4.4 **Appendix F** summarises the allocation of the DSG across school sectors and other education provision and is recommended for approval.

Education Services Grant

3.4.5 The Education Services Grant (ESG) was introduced by the DFE in 2013/14. The grant is calculated on a per pupil basis according to the number of pupils for whom a local authority or academy is responsible. The ESG funding rate has been reduced from £116.46 per pupil in 2013-14 to £77 per pupil in 2016-17. An additional £15 per pupil is allocated to LAs regardless of whether they are on the roll of a school or an academy. In the Government Spending Review and Autumn Statement 2015 a phasing out of the ESG was announced to save £600 million. The grant ceases from September 2017 with a reduced transitional rate of £66 per pupil for the period April to August. The initial allocation to Havering is £0.606m which will reduce each time a school converts to an academy. Further detail was included in the previous report. Since then, the Schools Funding Forum has agreed that the additional £0.589m of ESG now included in the DSG can be allocated to meet the costs of LA statutory functions. Service level savings of £0.590m have been identified and a provisional one-off contribution of £0.465m. There will, however, be a shortfall against the 2016/17 initial grant of £2.336m of at least £0.086m.

3.4.6 To address this grant reduction, particularly from 2018/19 once the transitional funding has ceased, significant work continues across Learning and Achievement Teams to promote Havering's Education Traded Services to schools and academies within and beyond the authority and to explore options on funding remaining statutory functions

3.5 Public Health

3.5.1 In 2016/17, Havering was issued with a 2-year grant allocation for Public Health. It has been confirmed that the allocation for 2017/18 will be as per last year's provisional figures of £11.224m. This is a £0.284m reduction in funding.

3.6 Council Tax Referendum

3.6.1 For 2017/18, referendum limits remain the same as in previous years (i.e. an increase of 2% or more will trigger a referendum). In addition the Council may levy an Adult Social Care Precept of up to 3% as discussed elsewhere in the report.

3.7 New Homes Bonus (NHB)

3.7.1 On the 17 December 2015, DCLG released a consultation on the changes to the New Homes Bonus with no further details until the 15 December 2016. The aim of the changes to the New Homes Bonus is to “sharpen the incentive” as well as to save £800m in order to partially fund the improved Better Care Fund (BCF) and one-off adult social care funding in 2017/18.

3.7.2 Havering’s allocation for 2017/18 has been provisionally announced as £6.939m which is comparable to last year however this is likely to reduce to approximately £3.3m by 2020/21. This is assuming Havering’s increase in new properties continues at its current rate. The reason for the reduction is solely due to the changes brought about by the revised scheme. In summary these changes are set out below.

- Reduce the number of years the grant is payable from 6 years to 4 years.
- A national baseline or deadweight has been set at 0.40%. Therefore local authorities need to grow their taxbase by at least 0.40% to see any funding in NHB.

3.7.3 The saving made by the Government from the New Homes Bonus, has enabled them to introduce a new one-off Adult Social Care Grant. Details of the grant are yet to be released however Havering’s indicative allocation is £1.010m. Clarification is being sought as to how this grant can be deployed. The grant will be held in the Business Risk Reserve as a contingency against slippage in the savings delivery plan or to support the Integrated Care Partnership.

3.8 General Inflation

3.8.1 The previous report to Cabinet set out the broad approach to budgeting for inflation. In summary, provision will be made for pay awards in line with Government announcements at 1% per annum. Contract inflation is budgeted at 2% per annum and income at 2%. The provision for supplies and services inflationary increases has not been provided.

3.9 Payments to External Bodies

3.9.1 Details of the proposed contributions for 2017/18 for concessionary fares and the Taxicard scheme were set out in the January report to Cabinet. The concessionary fares contribution is now confirmed as £8.313m, an increase of £0.09m from 2016/17. The contribution to the Taxicard scheme has not yet been finalised although it is expected to be released prior to the Council Tax report to Council on 22 February and will be provisionally budgeted at £0.150m.

3.9.2 The Council's payments for the London Councils Subscription and London Boroughs Grants Scheme were reported to January Cabinet and the contributions are confirmed as £0.117m and £0.220m respectively.

3.10 Demographic Growth

3.10.1 Cabinet will be aware from previous reports that of the impact of changes in demography on the level of demand for Council services. The ageing population demographic has led to an increase in demand for adult social care; a trend which is expected to continue over the coming years. However, the impact of change is far reaching and other services such as homelessness and Children's services are also experiencing unprecedented growth in demand for services.

3.10.2 In response to growth in demand and budgetary pressures the draft financial strategy includes provision to increase the budget by a further £2m for Adults Social Care, £2m for Children's Services and £0.75m for general fund Housing Services. As discussed elsewhere in the report, the Government has gone some way in recognising these pressures at a national level by enabling Councils to levy an additional Council Tax precept for Adult Social Care.

3.11 Levying Bodies

3.11.1 The levies are part of the local government settlement and therefore are taken into account when setting the Havering element of the Council Tax. The latest information in respect of levies is set out in **Appendix D**; at this stage the figures are shown as either provisional or estimated, with final figures expected shortly.

3.11.2 The ELWA budget report is due to be approved at its board meeting on 6th February 2017.

3.11.3 Havering's estimated levy for 2017/18 is £15.101m. If confirmed, it will represent an increase of 10.47%, or £1.431m and £0.400m more than originally provided in the budget model. The increase is in relation to the projected increase in levy of £1.18m and increase in reserves of £0.250m to cover costs arising out of the post 2027 waste disposal arrangements. Subject to final notification by the Authority, the approved sum will be reflected in the draft budget for 2017/18.

3.11.4 The ELWA levy is based upon the weight of rubbish disposed of. Residents can make a contribution to reducing the levy by contributing to effective waste management and recycling measures.

3.11.5 For planning purposes, a nominal increase of £0.050m for the remaining levies (Lea Valley Regional Park Authority, London Pension Fund Authority, and the Environment Agency) has been anticipated. The final figures are dependent upon the Council Tax base for each funding authority being confirmed, so the final levies for 2017/18 are currently awaited. The figures included in the Council Tax statement are therefore provisional or estimated.

3.12 Financial Strategy – Budget Finalisation

3.12.1 Cabinet received reports on its financial strategy on 28 September 2016 and 14 December 2016. A further report was considered by Cabinet on 18 January 2017 which considered the impact of additional budget pressures and the Local Government Financial Settlement. At that time, a budget gap of £12.896m was forecast in the MTFS covering the three year period to 2019/20. This included a gap of £3.680m in 2017/18. The latest forecast is included in the table at para 3.21 below.

3.12.2 The outcome of the Local Government Financial Settlement was set out in the previous report of 18 January 2017 and is summarised in section 3.2 below.

3.12.3 Since the January report a number of matters have now been confirmed and are included in the revised strategy. These are summarised below and explained in further detail subsequently:

- Council Tax Base
- Business Rate Yield
- Levies and Precepts
- One-off Social Care Grant
- New Homes Bonus

3.12.4 The updated financial model indicates a deficit of £13.567m over the three year period to 2019/20 of which £4.347m relates to 2017/18. The level of Council Tax increase required to balance the budget is 3.95% including an Adult Social Care Precept of 2.0%.

3.13 Current Financial Position – Revenue

3.13.1 The development of the financial strategy and detailed budget needs to take account of the financial position in the current year 2016/17. The January 2017 Cabinet report sets out a summary of the position at period 7 (October 2016) and this indicated a forecast overspend of around £6.970m subject to management actions required to mitigate and manage the outturn within the approved budget.

3.13.2 Directorates have produced action plans which will contribute to controlling the over spend within 2016/17 and returning to a balanced budget position by the end of 2017/18. The Children’s directorate will return to a balanced position by 2018/19. These action plans are included at **Appendix A2**.

3.13.3 The approved contingency budget for 2016/17 is £2m. Of this sum, £0.900m has already been allocated to support service pressures, leaving £1.1m of contingency uncommitted. As shown in the table below, it is proposed to utilise the remaining £1.1m as part of the plan to manage the final 2016/17 outturn within the Council's approved budget. The directorate action plans will not bridge the £6.970m gap in 2016/17 and will also require the support of the corporate risk budgets (formerly corporate provisions). The following table summarises the impact of the planned management action over 2016/17 to 2018/19 and covers a range of options including:

- **Neighbourhoods:** Management actions taken during 2016/17 will mitigate £0.400m of the £0.800m overspend. A further £0.5m will be saved by the additional measures to be introduced in 2017/18. These include proposals to increase the parking tariff for short stay parking whilst retaining the 30 minute free parking option, increasing the green waste and bulky waste fees by £10 and increasing the fees of resident parking permits by £10 a year.

- **Housing**: Includes demand management options designed to reduce the number of B&B placements required. Management actions will reduce the forecast overspend by £0.400m from £1.040m result in an over spend of £0.600m in 2016/17. However, the actions taken to reduce B&B placements will be effective immediately in 2017/18 and so the remaining £0.600m pressure will be fully mitigated from the start of the 2017/18 financial year.

- **Adults**: demand management and renegotiations with service providers. Management actions will reduce the over spend in 2016/17 by £0.700m from £1.59m to £0.9m by the year end. The remaining £0.900m will be mitigated during 2017/18

- **Children's:** A broad range of options, as set out in the detailed action plan which combined with demographic growth allowances in the budget allocations will aim to bring the budget back into balance by the end of 2018/19.

Table 2

Summary of Recover Plans to address financial pressures	*Pressures £m*	2016/17 £m	2017/18 £m	2018/19 £m
Current Outturn Projection		**7.0**	**5.5**	**0.7**
Action Plan – Neighbourhoods	***0.80***	(0.4)	(0.5)	
Action Plan - Adults	***1.59***	(0.7)	(0.9)	
Action Plan - Housing	***1.04***	(0.4)	(0.6)	
Action Plan – Children's	***3.58***	0.0	(1.7)	(0.7)
Release of Contingency		(1.1)		
Projected Overspend	***7.0***	**4.4**	**1.8**	**0.0**

Note to table 2
The current outturn projection is reduced by savings or income generation proposals as set out in the action plans and shown in brackets in the table reducing the projected overspend accordingly. These overspends are planned to be funded from the Corporate Risk Budget set out in table 3 below.

3.13.4 A summary of the current position on the corporate risk budget is set out in the table below. A further £4.4m is proposed to be utilised from the Corporate Risk Budget to offset the projected 2016/17 overspend as reflected in the table below.

Table 3a

Corporate Risk Budget

	2016/17	2017/18
	£m	£m
Base Budget	**17.1**	**9.2**
Permanent In Year Releases	(3.2)	
One Off In Year Releases	(4.0)	(5.0)
One Off Mitigating Release	(0.1)	
Projected Overspend	(4.4)	(1.8)
Projected Outturn	**5.4**	**2.4**

Table 3b

The change in Base Budget position of the Corporate Risk Budget from 2016/17 to 2017/18 is also set out below.

Corporate Risk Budgets	£m
Base Budget 2016/17	**17.1**
Permanent In Year Releases	(3.2)
Allocation of New Homes Bonus	(3.8)
Re-phased use of budget	(0.8)
Additional 1% in fees and charges	0.3
Other minor	(0.4)
Base Budget 2017/18	**9.2**

3.13.5 After making the planned contributions set out in table 3a to support service pressures, it is anticipated that the corporate risk budget for 2016/17 will be under spent by approximately £5.4m. Any final underspend after balancing the outturn within approved budget will be transferred to the Business Risk Reserve as part of 2016/17 accounts closure. This funding will then be utilised to manage the risk inherent in Directorate savings plans over 2017/18 and 2018/19.

3.13.6 The anticipated corporate risk budget in 2017/18 is £9.2m. This is reduced from the 2016/17 level due to a number of 'one off budgets' ceasing and previous decisions to reduce this budget to support service budget pressures elsewhere. It is planned to utilise £5m in 2017/18 to avoid the need to make further service reductions in other directorates and £1.8m to offset the transitional period of delivery of recovery plans . This will result in a forecast balance of £2.4m available to support the Organisation through the transitional period pending the delivery of directorate action plans during 2017/18 to bring spending within the approved base budget by the end of 2018/19.

3.13.7 By 2018/19, the base budget for the corporate risk budget will have fallen to £3.5m. This should be viewed in the context of the size of the estimated budget gap in 2018/19 of £2.895m and of £6.325m in 2019/20. It will be essential for Service Directors to successfully implement their mitigating action plans to deliver for the remainder of 2016/17 and through 2017/18. In addition, Service Directors will need to ensure delivery of the new budget proposals contained within the proposed budget to manage overall expenditure and keep the Council's financial plan on track.

3.14 Fees & Charges

3.14.1 Fees and charges have been reviewed in order to deliver an increase in income of 2%, though in some areas these fees are set by Central Government and are outside the Council's control. A complete Schedule of Fees and Charges is set out in **Appendix L** and is presented to Cabinet for approval as part of the 2017/18 budget.

3.14.2 Fees and Charges continue to be reviewed and amendments made in line with strategic priorities and the results of the consultation process for services to be paid for at the point of delivery, rather than through Council Tax increases. A key objective is to ensure that fees and charges recover the full cost of service delivery where possible.

3.15 Members Allowances Scheme

3.15.1 The proposed Scheme for 2017/18 is being prepared concurrently with this budget report for consideration and approval by Council on 22 February.

3.16 Contingency Budget

3.16.1 The level of the corporate contingency budget has been reviewed in the context of the budget set out for Cabinet. The Chief Financial Officer (CFO) has set this by having due regard to:

- The budget as proposed;
- An assessment of unquantifiable pressures and unforeseen events that could arise during the 2017/18 financial year;
- The experience in previous years;
- The degree of uncertainty as well as known impact of changes to funding streams;

- The potential effect of changes to both the Business Rates system and Council Tax support payments, though these are now becoming clearer and there has yet to be any material adverse impact;
- The overall budget strategy.

3.16.2 A risk assessment is set out for Members within **Appendix H** as part of the CFO's statement on budget robustness, having due regard to the controls in place that will mitigate both the severity and likelihood of the risk happening. In arriving at the risks included, consideration has also been given to such factors as the:

- Financial risks in any significant new funding partnership arrangements;
- The ongoing economic climate;
- The potential withdrawal of and/or reduction to grant funding;
- Treatment and delivery of savings;
- Level and timing of capital receipts;
- Arrangements for budget and financial management;
- Adequacy of the Authority's insurance arrangements;
- Impact of the loss of both general and specific grant;
- Overall financial standing of the authority;
- Capacity to manage in-year budget pressures.

3.16.3 The result of the assessment is that it is the view of the CFO that a Contingency Budget of £2m continues to be required in the base budget to provide a sufficient revenue contingency to deal with any issues arising during the course of 2017/18.

3.16.4 Any new issues arising that have a longer term impact will need to be considered as part of the budget setting process for 2018/19. The purpose of the Contingency budget is to provide funds to address unforeseen issues that impact within the financial year. Whilst the draft financial strategy assumes that the contingency will reduce to £1m in 2018/19 in line with decisions made in setting the financial strategy in February 2016, this assumption will be kept under review during 2017/18 and in preparing the 2018/19 financial strategy.

3.16.5 The Constitution of the Council incorporates specific requirements in respect of budget virements and use of the contingency; full details are set out in **Appendix G** for Members to note.

3.17 Budget Robustness/Reserves Position and Opportunity Cost

3.17.1 The Local Government Act 2003 sets out requirements in respect of Financial Administration, and in particular to the robustness of the budget and the adequacy of General Fund reserves. The Act requires the CFO to report to an Authority when it is making the statutory calculations required to determine its council tax or precept. The Act also suggests the advice should be given prior to the formal statutory calculation. This advice has therefore been given to both Cabinet in formulating proposals and to members of Overview and Scrutiny in considering the proposals. The Act also gives the Secretary of State the power to specify a minimum level of reserves that an authority must provide for when setting its budget, although there have been no indications that the Secretary of State will use this power.

3.17.2 In line with the requirements of the Act, the formal report of the CFO is appended as **Appendix H**. The Council is required to take the report into account when making the calculations.

3.17.3 The Council's financial strategy sets out that the minimum level of the General Fund Balance held will be £10m. The General Fund Balance currently stands at £11.75m and the CFO's advice is to maintain it at this level given the level of risk associated with the current financial position. Prior to making a final recommendation to Council, there is a need to further consider the current financial position for 2016/17 and its potential impact on reserves. Equally, the importance of retaining sufficient reserves has been emphasised by the variances that have arisen in service areas with large and volatile budgets and service demands, and with the impact of the economic climate within recent years.

3.17.4 After having regard to the consideration of the impact on reserves on the 2016/17 outturn, the existing reserves are likely to be sufficient to maintain this level. For information, this provides a level of reserves which gives limited cover for unforeseen circumstances that may have financial consequences, either one-off or across financial years.

3.17.5 The more detailed advice of the CFO in respect of reserves is also set out in **Appendix H**. This covers both the assessment of the level of reserves needed, and the opportunity cost arising from holding reserves.

3.18 Balance Sheet Position

3.18.1 The focus of the revenue budget strategy is on the Council's income and expenditure. However, regard also needs to be given to key balances included in the Council's Balance Sheet. The Council faces a number of risks and uncertainties which can be mitigated by:

- Ensuring that it maintains an appropriate level of liquid resources, and
- Maintaining an adequate level of general fund reserves and balances.

3.19 Liquidity

3.19.1 The Council held approximately £237m in cash on average during the course of the financial year. This represents the value of the Council's revenue reserves, net current assets, unapplied grants and unapplied capital reserves. Other than reserves, this is money that is committed and is being held pending such expenditure. Given that gross expenditure is the region of £600m, this represents around three months of expenditure.

3.19.2 The level of return achieved on these cash deposits is low by historic standards and the likelihood of an increase in interest rates in the short term is now receding.

3.19.3 The Council is required to approve its annual Treasury Management Strategy Statement at its annual budget setting meeting. The TMSS report is included elsewhere on this agenda and sets out the parameters for investment of this cash and includes the measures to be taken to ensure the creditworthiness of the Council's counterparties. The draft prudential indicators included in the

Strategy also set out the limit for investments on terms of more than one year. In practice longer term lending is minimised to ensure that a high level of liquidity is maintained.

3.20 Earmarked Reserves

3.20.1 An earmarked reserve is a sum set aside to fund planned items of anticipated expenditure for which the liability is not chargeable to the current year's accounts. The Council holds a number of these, the most significant of which is the Corporate Transformation programme reserve. Other funds are earmarked to meet the anticipated costs of strategic projects, insurance claims, capital bridge funding and invest to save resources.

3.20.2 The earmarked reserves are reviewed on a quarterly basis to ensure that they are still required. As a one off resource, any funds deemed to be surplus would be reallocated to support one off projects such as support to the capital programme, contributions to the pension fund or service initiative pump priming.

3.20.3 The Council's financial strategy precludes the use of earmarked reserves to finance known and ongoing financial liabilities, as this is the financially prudent approach required to ensure a stable financial position is achieved. Reserves can only be used once, and the Council's reserves have been established for specific purposes; their use as a one-off means of financing the Council's ongoing revenue budget falls outside the strategy previously approved by Council, and is not therefore recommended.

3.20.4 It is not proposed to use earmarked reserves to support the Council's revenue budget on an on-going basis, as this is not considered to be prudent and not in line with the Council's revenue budget strategy. As stated in the January report, the current advice of the Chief Financial Officer is that a general fund balance of £11.75m is considered to be adequate. However, service pressures in both childrens and adult social care in particular, and the recent major reductions in grant funding and potential for further changes to the funding system, emphasise the need for prudence with the management of earmarked reserves.

3.20.5 At its meeting of 18 January Cabinet approved the creation of a Business Risk Reserve in 2017/18. The unused balance of the Corporate Risk Budget will be transferred into this reserve as at 31 March 2017 and will be available to mitigate against budgetary pressures arising in 2017/18 and beyond. Discussion of the Corporate Risk Budget is included at paragraph 3.13.

3.21 Draft General Fund Budget 2017/18

3.21.1 The January report to Cabinet set out a revised financial strategy for the period from 2017/18 to 2019/20 identifying a funding gap which has been revised to £13.567m including a gap of £4.347m in 2017/18. The financial model has been updated to reflect movement since the January report in order to provide the position for council Tax setting purposes.

3.21.2 The following options were included in the draft Financial Strategy approved by Cabinet 18 January. Details are included at **Appendix A1**.

Table 4a

Lead Officer	Subject	17/18 £m	18/19 £m
Director of Neighbourhoods	Moving Traffic Contravention	**0.250**	
Director of Neighbourhoods	Business Vehicles Charging		**0.500**
Director of Neighbourhoods	Resident Parking Permits	**0.055**	
Director of Neighbourhoods	On/Off Street Parking Charges	**0.150**	
Chief Operating Officer	Leisure contract additional income	**0.150**	**0.250**
oneSource Non-shared	Commercial Income	**0.108**	**0.104**
	Total	**0.713**	**0.854**

3.21.3 The table 4b below reproduces the information provided to Cabinet in the report of 18 January. Table 4c summarises the changes to the model since the report to Cabinet on 18 January. Further explanation is set out in the following paragraphs.

Table 4b

	17/18	18/19	Two Year Total	19/20	Three Year Total
	£m	£m	£m	£m	£m
Budget Gap As reported on 14 December	**3.350**	**2.250**	**5.600**	**6.800**	**12.400**
CL7 My place efficiencies	0.050	(0.050)	0	0	0
SC5 Public realm transformation Review	0.250	(0.250)	0	0	0
SC7 Waste minimisation	0.500	0	0.500	(0.500)	0
Re-phasing of corporate risk budget	(0.800)	0.800	0	0	0
Total of Re-phased Savings	**0**	**0.500**	**0.500**	**(0.500)**	**0**
Increased cost of utilities	0.170	0	0.170	0	0.170
Business Rate Revaluation	0.230	0.145	0.375	0.025	0.400
Adjustments to proposals for income generation	0.045	0	0.045	0	0.045
Revised Budget gap	**3.795**	**2.895**	**6.690**	**6.325**	**13.015**

Table 4c

		17/18 £'m	18/19 £'m	19/20 £'m	Total £'m
Budget Gap as reported at 18 January Cabinet		**3.795**	**2.895**	**6.325**	**13.015**
Adjustments to Budget Strategy Post January Cabinet					
	Increase in Tax base above forecast	(0.728)			(0.728)
CL 7	Reinstate MyPlace Efficiencies Saving	(0.050)	0.050		0.000
	Re-phasing of corporate risk budget	0.050	(0.050)		0.000
	Provision for Temporary Accommodation	1.132			1.132
	Additional 1% Income	(0.322)	(0.585)	(0.585)	(1.492)
	Increase in Corporate Risk Budget	0.322	0.585	0.585	1.492
	ELWA – Levy	0.181			0.181
	ELWA - Reserve	0.250			0.250
	Reduction in CSSA recovery	0.425			0.425
	Freedom Pass	(0.209)			(0.209)
	Removal of Other 1% Inflation Provision	(0.499)			(0.499)
Remaining Budget Gap		**4.347**	**2.895**	**6.325**	**13.567**
3.95% Council Tax increase in 17//18		**(4.347)**			**(4.347)**
Adjusted Budget Gap		**0**	**2.895**	**6.325**	**9.220**

3.21.4 The changes included in the above table are explained below.

3.21.5 **Annual Increase in Council Taxbase** – The Budget Strategy accounts for the annual increase in council tax income arising from the growth in the number of properties. For 2017/18 the Strategy included a £0.980m increase and the actual increase due to growth in the number of properties has been calculated to be £1.7m. The difference has now been included in the table.

3.21.6 **Reinstatement and re-phasing of savings** – The saving proposals for My Place was agreed to be deferred by one year at the Cabinet meeting of 18 January. However, this saving is now considered achievable in 2017/18 and therefore the compensating adjustment to the corporate risk budget has also been reversed.

3.21.7 **Homelessness -** A provision of £1.132m is included in the corporate risk budget although further work will need to be carried out during 2017/18 to determine the full extent of the costs which could far exceed this estimate and relate to the following:

- **Temporary Accommodation** –The amount of Housing Benefit we claim for a unit of temporary accommodation will cease from April 2017. In its place there will be a transitional lump sum payment. This is likely to generate significant additional pressure in 2017/18 and beyond. The potential costs in 2017/18 could range between £1m - £2m although further information is required to determine a more robust forecast.

- **Homelessness Reduction Bill -** . The Homelessness Reduction Bill is currently passing through Parliament. It is going to place additional duties on LAs to help prevent homelessness for all residents rather than just those who are vulnerable. This will include help and advice and help to procure properties. It is estimated that the net cost will be somewhere between £0.750m to £1m per year. However the Bill is currently delayed making it difficult to determine the impact in 2017/18.

3.21.8 **ELWA Levy and Reserve** – ELWA is projecting a levy increase of 10.47% in 2017/18 with projected flatter increases in the future years to 2021/22. The second strand to their Strategy is the establishment of a Strategy Reserve to cover costs arising out of the post 2027 waste disposal arrangements. The Strategy Reserve will be used for revenue costs including feasibility works relating to site options and appraisals, pre-planning work and elements of the planning approval process (procurement of design, build and operate contract). The Strategy is to build reserves up over five years leading to a total of £9.4m after five years.

3.21.9 **Central Support Services Apportionment (CSSA) -** The Council has established oneSource; a joint committee with Bexley and Newham Councils which is a designed to provide back office functions more efficiently. Significant levels of savings are expected to be achieved through shared Management, ICT and Procurement. These savings are reflected in the Council's financial strategy and as a consequence the sums to be recovered from other ringfenced accounts such as the HRA and DSG through CSSA recharges will also fall. This reduction has been calculated to be £0.425m more than expected.

3.21.10 **Freedom Pass Annual increase in Cost** – The Budget Strategy allows for the increase of the annual cost of providing freedom passes to the elderly at £0.300m a year. For 2017/18 the increase in the service provision is only £0.091m, a change in forecast of £0.209m.

3.21.11 **General Inflation Provision** – It is proposed to remove the provision for general inflationary increases relating to supplies and services as a savings option. These pressures would have to be absorbed within service budgets.

3.21.12 Based on the detailed budget proposals and other factors set out above, the Council's General Fund budget for 2017/18 will be as set out in **Appendix E**. This is summarised as follows:

Table 5

	16/17 £m	17/18 £m
Havering's Services	158.965	154.579
Levies	14.428	15.858
Un-ringfenced Grants	-10.248	-9.669
Total Expenditure	163.145	160.768
External Finance inc. Collection Fund	-54.795	-46.363
Havering Precept (Council Tax Requirement)	108.350	114.405

3.21.13 The budget has been produced on the basis of the factors set out in this report. The movement between this year and next is analysed as follows:

Table 6

	£m
Pressures, demographic growth	6.595
Inflation	1.470
Levies	1.481
Savings	-11.060
Net change in provisions and other adjustments	-2.719
Net reduction in Government funding/Collection Fund movement	8.610
NET TOTAL	4.347
Met by changes in Council Tax	**-4.347**

Note to Table 5 and 6
Figures are provisional and will be finalised as part of the Council Tax Setting Report

3.22 Draft Schools' Budget 2017/18

3.22.1 The DSG for 2017/18 is considered earlier in this report and the draft Schools budget is now included at **Appendix F** to this report.

3.23 Havering Council Tax Precept for 2017/18

3.23.1 On the basis of the information set out in this report, including the levies being those as set out in **Appendix D**. **Havering's band D figure would increase to £1,317.71.**

3.23.2 A summary statement, along with further information to support the setting of Council Tax, is set out in **Appendix E**.

3.24 Expenditure Restriction by Government

3.24.1 As set out in the previous report to Cabinet, the Government has made it clear that they intend to ensure that council tax payers are protected against Councils that impose what they consider to be "excessive" council tax rises.

3.24.2 As part of previous settlement announcements, a requirement was introduced for Local Authorities to undertake referenda should their proposed Council Tax rise exceed a pre-determined level. Any proposed rise in Council Tax at or above these levels would trigger a local referendum. The outcome is based on a simple majority of those voting, either in favour or against.

3.24.3 The trigger level relating to the general increase in Council Tax is once again confirmed to be 2% or above.

3.24.4 Announced as part of the 2017/18 LGFS the Government will allow Council's to levy an additional 3% Council Tax increase for the purposes of funding the increasing costs of Adult Social Care. The overall level of this precept is limited to 6%over the three years to 2019/20. Authorities levying the additional 1% will be required to set out how the money will be spent on improving adult social care.

3.24.5 The overall referendum limit will be 5% or above for those authorities intending to levy the 3% Adult Social Care precept.

3.25 Capital Programme

3.25.1 Cabinet at the meeting of 18 January 2017 approved a further extension of the Capital Strategy originally established in 2015/16. The core programme remains reliant upon funding through the generation of capital receipts, although it was accepted that a move towards the use of prudential borrowing will be required to meet the investment requirements associated with regeneration and development projects aimed at generating income and improving infrastructure in the borough.

3.25.2 The proposed core programme for 2017/18 was submitted as part of the report to the previous Cabinet meeting in January and is reflected in the table below. It is recommended that Cabinet approve the following core programme and delegate responsibility to officers for the development of detailed schemes. Detailed schemes to be included in the core programme must comply with the relevant service strategies or plans (e.g. Asset management plan). Schemes to be funded from the Capital Contingency or Efficiency Programme will require approval of a business case under the relevant delegation arrangements.

Table 7

Description	**£m**
Cemeteries	0.160
Parks,	0.510
Libraries	0.145
Leisure	0.185
Street Environment	2.000
Protection of Assets and Health and Safety	0.500
IT Infrastructure	1.000
Regeneration	0.100
Disabled Facilities Grant (Council element)	0.300
Sub total	**4.900**
Efficiency Programme	5.000
Contingency	2.000
Grand total	**11.900**

3.25.3 There are also some other areas where grant funding has already been announced, or where a level of funding for 2017/18 could reasonably be assumed. The largest area of capital grant funding is from Transport for London (TfL), where the Council has been awarded an overall sum of around £3.381m for 2017/18. Although these grants are allocated by individual Government departments, with a clear indication how they would expect these funds to be utilised, with the exception of the TfL funding these funds are normally non-ringfenced.

3.25.4 Cabinet received a report on 12 October 2016 which identified the cost of the phase 4 Schools expansion programme to be £63m of which £49m relates to 2017/18 and beyond. A funding stream of £65m has been identified and includes an estimate of the 2019/20 Basic Needs Allocation of £5m. Given that £2.2m of funding is unallocated this will mitigate against the risk of a reduced grant allocation or increased costs.

3.25.5 Cabinet is asked to approve the Capital Programme as set out in Annex 1 of **Appendix I** for 2017/18.

3.25.6 It is proposed, to enable any specific schemes to proceed in timely manner, that the relevant service area Cabinet Member, together with the Cabinet member for Financial Management, be delegated authority to commence tender processes and accept tenders for capital schemes that previously were agreed by Cabinet. Cabinet is asked to approve this as part of this report.

3.25.7 The release of funds from the Capital Contingency, of £2m, is recommended to be delegated to the Chief Financial Officer.

3.25.8 There is also increasing pressure to fund essential capital expenditure bids not covered by the core programme. For that reason its proposed to include an allocation of £5m for an efficiency programme for schemes which meet the following criteria:

- Schemes will generate ongoing revenue savings
- Schemes which will prevent or mitigate future growth pressures in revenue expenditure. i.e. cost avoidance.

Further work to develop the Council’s longer term Capital Strategy will take place during 2017 to align with the development of the new Corporate Plan. As part of this process, it is recommended that individual schemes be evaluated by the Capital Asset Management Team with the final scheme approval being delegated to the Chief Financial Officer in consultation with the Leader of the Council and Cabinet Member for Financial Management. All schemes would require a clear business case demonstrating the link between investment and revenue savings.

3.25.10The 2016/17 programme included a budget allocation of £100m for regeneration and development projects to be funded from prudential borrowing. The capital cashflows are likely to be spread over a number of years dependent upon scheme requirements and the refinement of the capital strategy to integrate with economic development and regeneration plans during 2017 will enable more comprehensive planning. In the short term it is anticipated that this increase in the borrowing requirement will be met internally, i.e. by utilising internal cash balances by reducing the level of Council investments. However, it is expected that it will be necessary to borrow externally within the term of this MTFS to fund capital expenditure of this level. Further consideration will be given to the borrowing requirement during the course of the year taking account of market conditions and the advice of the Council's Treasury Advisors. Further information is included at **Appendix I and the Treasury Management Strategy Statement** included elsewhere on the agenda.

3.25.11 At present the Council is committed to two projects, Mercury Land Holdings Oldchurch development (£17m) and Havering College (£10m) totalling £27m to be met from the £100m regeneration and development budget. It is expected that further projects associated with Mercury Land Holdings will be brought forward for consideration during 2017/18 which would increase the level of commitments to approximately £50m. Development of the Capital Strategy will provide a comprehensive framework within which to evaluate and prioritise further investment.

3.26 Treasury Management Strategy

3.26.1 The Council is required to agree annually a Treasury Management Strategy Statement including the setting of borrowing limits, and to reaffirm the Council's Treasury Management Policy. The draft TMSS is included elsewhere on this agenda.

3.26.2 Given the importance of the Investment Policy, this is repeated below:

"*The Council will have regard to the (then) ODPM's Guidance on Local Government Investments ("the Guidance") issued in March 2004 and CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities are: -*

(a) The security of capital and
(b) The liquidity of its investments.

The Council will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity."

3.26.3 The Council's Strategy for investment of funds prior to use or held for contingencies is agreed by the Council as part of the budget-setting process. The Treasury Management Strategy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy are set out in a separate report to Cabinet that appears elsewhere on this agenda.

3.26.4 The draft strategy takes account of the prudential borrowing requirements associated with the regeneration and development budget. The actual timing of any increase in external borrowing will be dependent upon cashflow obligations and prevailing market rates and borrowing opportunities.

3.27 Greater London Authority

3.27.1 The Greater London Authority (GLA) precept covers services of the Metropolitan Police, the London Fire and Emergency Planning Authority, the London Development Agency, as well as the core functions of the GLA and Transport for London.

3.27.2 This precept is outside of the control of the Council and as such does not form part of the strategy of the Council. The Council is concerned with the budget and level of Council Tax and of course lobbied to ensure any precept increases are reasonable and add value to the community of Havering.

3.27.3 The announcement of the Mayor's draft budget proposals was made on 21 December 2016. This indicated that the Mayor is proposing to increase the police element of the GLA precept by £4.02 or 1.99% (from £202.11 to £206.13). The general precept remains unchanged at £73.89 – resulting in a total precept of £280.02 or 1.5% increase overall. The GLA have confirmed that they intend not to reduce the general precept by the remaining £8 of the Olympic Levy. Consultation on the budget proposals ended on 13 January 2017. The final draft budget proposals will be considered by the London Assembly on 25 January and the budget is due to be approved by 20 February 2017.

3.27.4 As this meeting falls two weeks after this Cabinet meeting, any change from the Mayor's proposals will be advised to Members accordingly at Full Council.

3.28 Overall Council Tax for 2017/18

3.28.1 The table below summarises the position:

Table 8

	Band D Council Tax £	% Increase/ (Decrease)
General Requirement	1,267.98	
Adult Social Care Precept	49.73	
Total Havering Precept	**1,317.71**	**3.95%**
GLA Precept	280.02	1.46%
Total	**1,597.73**	**3.50%**

3.29 Other Matters

3.29.1 **Council Tax Bill**

The Council Tax bill will show the charges for Council services and the Greater London Authority. It must be served on or as soon as practicable after the day the Council Tax is set, and at least 14 days before the first instalment is due where the bill requires payment of instalments. Council Tax payers can now elect to pay by 12 monthly instalments, rather than the current 10. In addition, the detail supporting information can be provided online, rather than by default having to supply it in hard copy to taxpayers (although they can request a hard copy).

3.29.2 **Restriction on Voting**

While the decision on the level of Council Tax financially directly affects councillors and their families, and is therefore a financial interest, the Council's current Code of Conduct for Councillors provides a specific exemption to permit councillors to determine the level of Council Tax.
Any Member in doubt as to the position may seek advice from the Chief Financial Officer, or the Committee Administration Manager, before the meeting.

3.29.3 **Effect of Council Procedure Rules**

A Member wishing to move an amendment to this report of Cabinet which is recommending the Council Tax to the Council must be mindful of the provisions in Council Procedure Rules:

Rule 11.8(a)
"An amendment to a motion/report at the annual Council tax setting must be submitted to the Chief Executive no later than 6 clear days before the Council tax setting meeting, and must be such that the amendment would, if passed, in the view of the Chief Finance Officer enable a robust budget to be set".

This means that **Midnight on Monday 13 February 2017** is the deadline for amendments to the Council Tax Setting and Budget Report.

Rule 11.8(b)
"Upon receipt of such amendment, the Chief Finance Officer shall consider whether it meets the "robust budget" test, and:

(i) If it does meet the test, the Proper Officer shall include it on the agenda for the meeting.

(ii) If it does not meet the test but the Chief Finance Officer considers that, duly altered, it will do so, that officer shall consult the proposers and, if they accept the alteration(s), the Proper Officer shall include it, as altered, on the agenda for the meeting.

(iii) If it does not meet the test and the Chief Finance Officer considers that, whether or not altered, it will not do so, that officer shall refer the amendment to the Proper Officer who shall proceed with it as an improper amendment under Rule 11(3)(b)."

3.29.4 **Discount for Council Tax Payers Paying in Full**

The Council has agreed in the past, to offer a discount to Council Tax payers who pay their Council Tax in full. It is necessary for Cabinet to recommend Council to agree a specific resolution for this purpose or for any change proposed as the current assumption is that the discount remains at 1.5%. There are currently around 2,500 Tax payers who take advantage of the discount. Cabinet should note that a similar discount is not permitted under business rate regulations.

3.29.5 **Resolution**

"Any Council Tax payer who is liable to pay an amount of Council Tax to the authority in respect to the year ending on 31 March 2018, who is served with a demand notice under Article 20(2) of the Council Tax (Administration and Enforcement) Regulations 1992 and who makes payment to the authority of the full balance of the estimated amount shown on that demand by 1 April 2017, may deduct a sum equivalent to 1.5% from the estimated amount and such reduced amount shall be accepted in full settlement of that estimated amount".

3.29.6 **Resolution for Council Tax**

The Council meeting in February will receive a resolution in the form required reflecting the recommendations of Cabinet.

3.30 Housing Revenue Account

3.30.1 The report on the HRA budget for 2017/18 appears elsewhere on the agenda. This includes both the revenue budget and the associated capital programme.

REASONS & OPTIONS

Reasons for the Decision

The Council is required to set a budget for 2017/18 and, as part of that process, undertake relevant consultation in respect of the proposals included within the budget.

Alternative Options Considered

There are no alternative options in so far as setting a budget is concerned. However, there are options in respect of the various elements of the budget. These are considered in preparing the budget and cover such things as alternative savings proposals, the totality of budgetary pressures and different levels of Council Tax.

IMPLICATIONS & RISKS

Financial Implications and Risks

The Council's budget-setting process assesses the financial risks and implications facing the Council in delivering services within a complex and challenging environment. There are significant risks associated with increasing demographic pressures, the recent four-year LGFS and the continuing uncertainty over the future level of Local Government funding. The Council consistently works to mitigate these risks. It will however be necessary to continually refine the financial forecasts underpinning the Council's budget to ensure that any necessary actions can be taken at the appropriate times, in order to respond to changing circumstances and new challenges, allowing for consultation as appropriate.

The latest financial forecast includes a forecast budget gap of £13.567m over the three year period to 2019/20. Assuming that the measures in this report address the 2017/18 position, a gap of £9.22m will still need to be met by 2019/20. The Council will therefore need to be mindful of the lead in time required to deliver a further savings programme when considering its financial strategy. Additionally, there are risks associated with the delivery of savings and income generation agreed as part of this and previous budget reports. This may increase the potential for in year budget variances requiring corrective measures to be implemented and the strategy refined on an ongoing basis.

Legal Implications and Risks

Under the Local Government Act 2003 calculation of the Council Tax to be levied and adoption of an annual budget must be carried out by full Council on the recommendation of the Leader and Cabinet.

When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions which is shown at **Appendix J**.

When considering the budget, Council must take into account this report from the Chief Financial Officer on the robustness of the estimates and the adequacy of the proposals for reserves. The Council has a statutory duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil its obligations in this regard.

Human Resource Implications and Risks

Any HR issues which occur as part of any change processes will be dealt with according to the Council's HR procedures and employment legislation, and will be subject to consultation with staff and their union representatives, as appropriate.

Equalities and Social Inclusion Implications and Risks

Havering has a diverse community made up of many different groups and individuals. The Council values diversity and believes it essential to try to understand the different contributions, perspectives and experience that people from different backgrounds bring to our community.

Background Papers

Revenue monitoring report period 7 2016/17

Financial Strategy report to Cabinet 18 January 2017
Financial Strategy report to Cabinet 14 December 2016
Financial Strategy report to Cabinet 21 September 2016

APPENDICES

A1 INCOME GENERATION AND SAVINGS PROPOSALS

A2 FINANCIAL PRESSURES – MITIGATING ACTION PLANS

B REVENUE AND CAPITAL BUDGET STRATEGIES

C CONSULTATION RESPONSE

D LEVIES

E COUNCIL TAX STATEMENT AND SUPPORTING INFORMATION to follow

F PROVISIONAL SCHOOLS BUDGET

G VIREMENT AND CONTINGENCY RULES

H ROBUSTNESS OF ESTIMATES, ADEQUACY OF RESERVES AND THE MANAGEMENT OF RISK

I CAPITAL PROGRAMME

J THE LEGAL FRAMEWORK GOVERNING BUDGET DECISIONS

K CORPORATE VISION

L SCHEDULE OF FEES & CHARGES to follow

APPENDIX A1

SUMMARY OF INCOME GENERATION AND SAVINGS PROPOSALS

					£m	£m
REF	**Lead Officer**	**Directorate / Service**	**Service Area**	**Description of Savings Items**	**2017/18**	**2018/19**
Street Mgmt/1	Director of Neighbourhoods	Neighbourhoods / Environment	Street Management - Parking	Moving Traffic Contravention	0.250	
Street Mgmt/2	Director of Neighbourhoods	Neighbourhoods / Environment	Street Management - Parking	Business Vehicles Charging		0.500
Street Mgmt/3	Director of Neighbourhoods	Neighbourhoods / Environment	Street Management - Parking	Resident Parking Permits	0.055	
Street Mgmt/4	Director of Neighbourhoods	Neighbourhoods / Environment	Street Management - Parking	On / Off Street Parking	0.150	
Culture /1	Chief Operating Officer	Chief Operating Officer / Culture & Customer Access	Indoor & Sports Recreation	Leisure Contract additonal income	0.150	0.250
Asset Mgmt /1	Director of oneSource (Non Shared)	oneSource (Non Shared) / Asset Mgmt	Corporate Landlord	Commercial Income	0.108	0.104
				Total	**0.713**	**0.854**

APPENDIX A1
Street Mgmt /1

NEW OR REPLACEMENT SAVINGS TEMPLATE

Service & Service Head	Description of Service Area
Neighbourhoods / Environment – S Moore	Street Management - Parking

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

NEW SAVING		REPLACEMENT SAVING	X

IF REPLACEMENT Saving show the Original Savings Item that is being replaced.	CPZ 2017/18 to be replaced by Moving Traffic Contravention Income (MTC)

Current Budget Information
The parking Facilities Activity A2325E The MTC Income Cost Centre is A24670 517480 000000 602172 The 2016/17 income budget for MTC's is £750k with an additional in year pressure of £300k presented in December 2016

What is protected within the Service?	

Main Savings Items Description
To increase the income generated by the enforcement of Moving Traffic Contraventions by £250k

Savings proposals

Savings Details	Value of Saving and Year(s)			
	TOTAL:			
	17/18	18/19	19/20	20/21
To increase the number of OCN's issued for the enforcement of Moving Traffic Contraventions	£250k			
	TOTAL:			
	17/18	18/19	19/20	20/21
TOTAL SAVINGS BY YEAR	£250k			

Reasons for recommending proposals	Havering introduced the enforcement of Moving Traffic Contraventions late in 2015. The enforcement of identified sites within the borough was carried out by 2x CCTV mobile enforcement vehicles and provided the evidence that motorists within the borough were flouting traffic regulations and creating safety and traffic flow problems. In December 2016, a number of fixed cameras were installed at identified priority sites and will extend to a total number of 20 fixed camera locations. These cameras are unattended and will capture the non-compliance of vehicles driving in bus lanes or completing banned turns.

Identified Risks and Dependencies
An assumption is made that the expected non-compliance of established Bus Lanes and banned turns being evidenced within the borough remains. Following initial enforcement activity triggers, an additional 5,500 PCN's will need to be issued and paid at the average PCN settlement rate of £45 to generate the additional £250k. Those in receipt of an MTC PCN may feel disgruntled at the enforcement activity but such enforcement should generate a change in driving behaviour, which in turn increases the level of compliance. Enforcement activity and compliance will need to be closely monitored and where necessary for the fixed cameras to be redeployed to further identified locations.

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

Submitted by			
	Signature	**Print Name**	**Date**
Steve Moore		Steve Moore	
Reviewed by			
	Signature	**Print Name**	**Date**
Finance Business Partner			

APPENDIX A1
Ref: Street Mgmt /2

NEW OR REPLACEMENT SAVINGS TEMPLATE

Service & Service Head	Description of Service Area
Neighbourhoods / Environment – S Moore	Street Management - Parking

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

NEW SAVING [X]   REPLACEMENT SAVING [ ]

IF REPLACEMENT Saving show the Original Savings Item that is being replaced.	

Current Budget Information
As this item is a new initiative a new cost centre will have to be established. There is no budget for commercial vehicle parking permits currently in existence. The parking facilities activity is A2325E.

What is protected within the Service?	N/A

Main Savings Items Description
The borough has a high percentage of commercial vehicles that are brought home by Havering residents. Current figures suggest nearly 12,000 commercial vehicles are regularly parked either on the streets or drives of Havering. This level of non-resident parking is compounding the problem that already exists with parking capacity in many parts of the borough and has increased since the main utility companies reduced their depot capacity where historically such vehicles returned at the end of each working day. To address the problem and encourage businesses to park their vehicles on their own premises, it is proposed to introduce a £500 annual permit charge for commercial vehicles that park on the highway outside of work time. It is estimated that 1000 vehicles will need to register for the permit hence the 1000 x £500 = £0.5m income prediction. It should be noted that although many other local authorities are considering introducing a similar scheme, no such scheme currently exists and therefore there are risks associated with deliverability.

APPENDIX A1
Ref: Street Mgmt /2

Savings proposals	
Savings Details	**Value of Saving and Year(s)**
To increase the resident permit charges by £10 on each permit issued per household	TOTAL: 17/18 | 18/19 | 19/20 | 20/21 | 500K | |
	TOTAL: 17/18 | 18/19 | 19/20 | 20/21
TOTAL SAVINGS BY YEAR	TOTAL: 17/18 | 18/19 | 19/20 | 20/21 | 500K | |

Reasons for recommending proposals	Problems with a lack of parking capacity are increasing in many parts of the borough. The 12000 commercial vehicles that park on the borough roads each day compound the problem. Introducing a permit to discourage such activity and encourage companies to park their vehicles on their own premises will help to alleviate the problem..

Identified Risks and Dependencies
Havering will be one of the first in the country to introduce such a scheme and therefore there are risks associated with the deliverability. Robust project management will be used to mitigate risks.

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

Submitted by			
	Signature	**Print Name**	**Date**
Steve Moore		Steve Moore	21/12/16
Reviewed by			
	Signature	**Print Name**	**Date**
Finance Business Partner			

APPENDIX A1
Ref: Street Mgmt /3

NEW OR REPLACEMENT SAVINGS TEMPLATE

Service & Service Head	Description of Service Area
Neighbourhoods / Environment – S Moore	Street Management - Parking

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

NEW SAVING [X] REPLACEMENT SAVING [ ]

IF REPLACEMENT Saving show the Original Savings Item that is being replaced.	

Current Budget Information
The parking Facilities Activity A2325E The Resident Permit Cost Centres is A24670 517460 5034 The 2016/17 Income budget for Resident permits is £253k

What is protected within the Service?	

Main Savings Items Description
To increase the cost of a resident permit by £10 for first/second/third permits to £35, £60, £85 These increases have been reflected in the Fees & Charges for 2017/18

Savings proposals

Savings Details	Value of Saving and Year(s)			
To increase the resident permit charges by £10 on each permit issued per household	TOTAL:			
	17/18	18/19	19/20	20/21
	55k			
	TOTAL:			
	17/18	18/19	19/20	20/21
TOTAL SAVINGS BY YEAR	TOTAL:			
	17/18	18/19	19/20	20/21
	55k			

Reasons for recommending proposals	Havering's resident permit charges are low in comparison to that of neighbouring London Boroughs and our Essex counterparts. Many London Boroughs now apply differential permit prices based upon vehicle emissions. Currently Havering do not apply differential charging and have a simple 3 tier pricing structure which applies to the 1st, 2nd, 3rd and subsequent permits only. Cost comparison to neighbouring Barking & Dagenham has an average of £36, £72 and £92.50 for the first permit with vehicle based emissions of 161-180 CO_2 (g/km). Even with the proposed increase, Havering will continue to offer attractive residential permit charges with a cost of just £0.95p per day. Costs of residential permits should cover the cost of implementation and maintenance and protect resident spaces in addition to controlling commuter parking issues.

Identified Risks and Dependencies
An assumption is made that the current customer base will remain with the increase of charges. The current number of residential permits purchased in 2015/16 was circa 5000. There is a risk that customers will try to utilise off street parking provisions or find unrestricted areas to park so as to avoid paying the increased fees. A dependency is noted on having productive and continuous enforcement of the Resident permit zones so as to ensure contravening vehicles are issued with PCN's so as to ensure compliance is evidenced and resident permit spaces are protected. There is a dependency on Members accepting the proposal to increase the residential parking permit prices in order to meet the assumed saving.

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

Submitted by			
	Signature	**Print Name**	**Date**
Steve Moore		Steve Moore	
Reviewed by			
	Signature	**Print Name**	**Date**
Finance Business Partner			

APPENDIX A1
Ref: Street Mgmt/4

NEW OR REPLACEMENT SAVINGS TEMPLATE

Service & Service Head	Description of Service Area
Neighbourhoods / Environment – S Moore	Street Management - Parking

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

NEW SAVING [X] REPLACEMENT SAVING [ ]

IF REPLACEMENT Saving show the Original Savings Item that is being replaced.	

Current Budget Information
The parking Facilities Activity A2325E The On-street Parking Income Cost Centres is A24670 516200 0000 The 2016/17 Income budget for On-Street Parking is £460,840 The off-street Parking income Cost Centre is A24600 516180 0000 The 2016/17 income budget for Off-Street Parking is £342,210

What is protected within the Service?	

Main Savings Items Description
To increase the on/off street parking charge for parking “up to 2 hours” (excluding Romford) from £1 to £1.50. It is important to note that Romford Town Centre tariffs are prevented from being increased without amendments to the Section 106 being made and with acceptance from Town Centre partners. These increases have been reflected in the Fees & Charges for 2017/18

Savings proposals

Savings Details	Value of Saving and Year(s)			
	TOTAL:			
	17/18	18/19	19/20	20/21
To increase the on/off street parking charge for the “up to 2 hours” band to £1.50 (excluding Romford Town Centre)	£150k			
	TOTAL:			
	17/18	18/19	19/20	20/21
TOTAL SAVINGS BY YEAR	£150k			

Reasons for recommending proposals	Havering has low parking charges in comparison to that of neighbouring London Boroughs and our Essex counterparts. Even with the proposed increase, Havering will continue to offer very attractive parking charges. To amend the parking tariff from £1 to £1.50 for a parking stay of up to 2 hours still provides an attractive rate. In comparison the same parking charge applied in Barking & Dagenham is on average £2.70. The introduction of the Cashless parking option "Phone & Pay" will assist customers with the change in tariff price. £1.50 in change may not be readily available however the option to pay using the "Phone & Pay" service will assist and may increase the customer base of the cashless parking facility. An increase in the customer base of "Phone & Pay" may also assist in a reduction of the number of cash collections required from the P&D machines. The continuation of the free 30 minute parking period (**excluding Romford**) still provides a very attractive offer to customers using our parking facilities and therefore allowing for the quick shop visit or school drop off/pick up.

Identified Risks and Dependencies
The savings have been identified and calculated on the current number of transactions reported for the current £1 tariff (**excluding Romford**). The current number of transactions for this particular tariff band is circa 335,000. The assumption is made that the additional saving may be generated if the current customer base remains at 335,000 or higher. If the customer base reduces then it will not deliver the additional saving. There is a risk that customers will try to utilise and exhaust the free parking period (30mins) rather than pay the increased fee and therefore this will need to be closely monitored. There is a risk that members will not be in favour of the tariff increase and therefore the savings will not be realised.

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

Submitted by			
	Signature	**Print Name**	**Date**
Steve Moore		Steve Moore	
Reviewed by			
	Signature	**Print Name**	**Date**
Finance Business Partner			

APPENDIX A1
Culture/ 1

NEW OR REPLACEMENT SAVINGS TEMPLATE

Service & Service Head	Description of Service Area
Culture & Customer Access – S Homer M Royer	Culture and Customer Access – Indoor Sports & Recreation

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

NEW SAVING X   REPLACEMENT SAVING

IF REPLACEMENT Saving show the Original Savings Item that is being replaced.	

Current Budget Information
LBH currently pay SLM on this contract until 20/21 (A20460)

What is protected within the Service?	N/A Leisure services are delivered by SLM

Main Savings Items Description
SLM contract additional saving.

Savings proposals

Savings Details	Value of Saving and Year(s)			
Additional saving arising from new SLM contract above original £700k in MTFS. So, £400k recurring from 2018/19.	TOTAL:			
	17/18	18/19	19/20	20/21
	£150k	£250k		
TOTAL SAVINGS BY YEAR	TOTAL:			
	17/18	18/19	19/20	20/21
	£150k	£250k		

Reasons for recommending proposals	Outcome of commercial negotiations for the new Leisure Contract, including 25m swimming pool and 4 court sports hall at Hornchurch.

Identified Risks and Dependencies
Ongoing discussion with Cabinet regarding a 50m pool and 8 court sports hall option at Hornchurch.

Number of FTE in area :	N/A as staff are SLM
Anticipated reduction in FTE as a result of proposals	N/A as above

Submitted by			
	Signature	**Print Name**	**Date**
			14/12/16
Reviewed by			
	Signature	**Print Name**	**Date**
Finance Business Partner			

APPENDIX A1
Asset Mgmt/ 1

BUDGET SAVINGS INITIATIVE TEMPLATE

Service & Service Head	Description of Service Area
Property Services – Garry Green	Property Services – Asset Management

Current Budget Information
Transfer of MTFS saving elsewhere in the Council and now being transferred to A46570 Commercial Property Shops

What is protected within the Service?	

Main Savings Items Description
£108K Commercial Income

Is this a NEW or SUBSTITUTE saving	**~~NEW~~/ SUBSTITUTE**
For Substitute Savings please show the Original Savings Item that is being replaced.	**Transfer MTFS saving now being allocated to the commercial income budget – asset management**

Savings proposals

Savings Details	Value of Saving and Year(s)			
Additional commercial rents income subjective 520080	TOTAL: £412K			
	17/18	18/19	19/20	20/21
	£108K	£104K	£100K	£100K
	TOTAL:			
	17/18	18/19	19/20	20/21
TOTAL SAVINGS BY YEAR	TOTAL:			
	17/18	18/19	19/20	20/21
	£108K	£104K	£100K	£100K

Reasons for recommending proposals	Corporate reallocation decision

Identified Risks and Dependencies	
Whilst there is scope in the early years to cover this from existing over achievement in income, additional income beyond this period is subject to growth in the rental value of the commercial portfolio and may need to be enhanced with further assets to achieve assumed rental saving levels.	
Number of FTE in area :	N/A

Anticipated reduction in FTE as a result of proposals	

Submitted by			
SLT Member	**Signature**	**Print Name**	**Date**
Reviewed by			
	Signature	**Print Name**	**Date**
Finance Business Partner			

APPENDIX A2

MITIGATING ACTIONS PLANS

Variance 2016/17 £m	Action Plans	Officer Responsible	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
0.840	Neighbourhoods	Steve Moore	0.400	0.505	0.000	0.905
1.590	Adults	Barbara Nicholls	0.671	0.918	0.000	1.589
1.040	Housing	Neil Stubbings	0.400	0.600	0.000	1.000
3.580	Childrens	Tim Aldridge	0.000	1.700	0.700	2.400
7.050	**Total**		**1.471**	**3.723**	**0.700**	**5.894**

MITIGATING ACTION PLAN TEMPLATE

Director	Directorate
Steve Moore	Neighbourhoods

Mitigating Actions					
Brief Narrative on Activity	**Value of Mitigating Action & Year(s)**				
			16/17	**17/18**	**Total**
(1) Accelerated roll out of Moving Traffic Contravention (MTC) enforcement across the borough- The council has embarked on improving road safety through the enforcement of MTC's. Although the primary aim is to improve safety and discourage any MTC's, evidence to date suggests it takes time for driver behaviour to change and penalties are issued as a deterrent. Using trend data the amount of non-compliance expected during this change period in 16/17 will amount to £300k. It should be noted that if the actual level of non-compliance varies from the forecast then the estimated amount of income could either increase on decrease. (2) Increased parking enforcement activity- There is an increasing demand from the public for the council to increase its level of parking enforcement capacity. Havering has one of the lowest levels of enforcement in London and therefore needs to increase enforcement of parking especially in the evenings. Assessing the known levels of non-compliance the predicted level of additional income of £100k for 16/17 should be achievable. It should be noted that if the actual level of non-compliance varies from the forecast then the estimated amount of income could either increase or decrease.	**Service o/s**		0		0
		(1)	(300)	0	
		(2)	(100)	0	
			16/17	**17/18**	**Total**
(3) Increase garden waste collection costs by £10 from £35 to £45 based on the current customer base of 28,000. Any reduction in usage will have a positive effect as the service is currently subsidised therefore then financial risk is mitigated. The actual cost of the service is £70 per year and the increase does not result in full cost recovery. (4) Increase bulk waste collection costs by £10 from £30 to £40 based on the current usage of 3,300 request per year and applying a reduce demand for the service to 2,000 per year. (5) Increase parking permits by £10 for all three costs of1st permit from £25 to £35, 2nd permit from £50 to £60 and 3rd permit from £75 to £85 based on a total customer base of 5000. (6) Increase £1 parking charge to £1.50- Current annual usage is 335,000 and at 50p increase equates to more than the £150k saving forecast. However allowance has been made for a minimal reduction in usage and increased activity of the 30 minute free period.	**Service o/s**		0		0
		(3)	0	(280)	
		(4)	0	(20)	
		(5)		(55)	
		(6)		(150)	
TOTAL OF MITIGATING ACTIONS BY YEAR	**Directorate o/s**				0
	Total		(400)	(505)	

Submitted by			
LT Member	**Signature**	**Print Name**	**Date**
Steve Moore		Steve Moore	02.12.2016
Reviewed by			
	Signature	**Print Name**	**Date**
Strategic Business Partner			

MITIGATING ACTION PLAN TEMPLATE

Director	Directorate
Barbara Nicholls	Adult Services

Mitigating Actions

Brief Narrative on Activity	Value of Mitigating Action & Year(s)

Brief Narrative on Activity

(1) **Adults with Learning Disabilities** – use of one off monies to cover project costs.

(2) **Preventative Team** - Income for Yewtree for accommodation of NELFT OPMH services from 14/11/2016 - Part year effect: £26k. (Full Year - £78.3k.)

(3) **Adult Community and Adults with Learning Disabilities** – Proposal to reduce the number of days paid to care home providers following death of resident.

(4) **Adult Community and Adults with Learning Disabilities** – Continued negotiation with the NHS on cost sharing for complex cases either under Continuing Health Care or S117.

(5) **Adult Community and Adults with Learning Disabilities** – Demand Management through by targeted review and reduce process

(6) **Adult Community and Adults with Learning Disabilities** – Proposal to establish an indicative maximum level of funding for community care packages, above which residents will be offered care in a nursing or residential placement

(7) **Adult Community and Adults with Learning Disabilities** – Proposal to implement a maximum of two weeks respite for service users and carers from April 2017

(8) **Adult Community and Adults with Learning Disabilities** – Proposal to cease adult social care funding of assistive technology to people not in receipt of other adult social care community services. FYE £389k. Implement from 1st July 2017. PYE 2017/18 £290k. Internal consultation required with Housing.

(9) **Adult Commissioning** – Proposal to review unit cost for services provided by voluntary sector partners

(10) **Adult Community and Adults with Learning Disabilities** – Proposal to cease funding of equipment and minor adaptations under £50k

(11) **Adult Community and Adults with Learning Disabilities** – Proposal to review day centre charging and transport provision. Internal consultation required with Asset Management.

Value of Mitigating Action & Year(s)

	16/17	17/18	Total
Directorate o/s	1,591		2
(1)	(390)	390	
(2)	(26)	(52)	
(3)		(39)	
(4)	(230)		
(5)	(25)	(100)	
(6)		(500)	
(7)		(202)	
(8)		(290)	
(9)		(25)	
(10)		(50)	
(11)		(50)	

TOTAL OF MITIGATING ACTIONS BY YEAR

	16/17	17/18	Total
Directorate o/s	1,591		2
	(671)	(918)	

Submitted by

SLT Member	Signature	Print Name	Date
Director of Adult Services		Barbara Nicholls	8th December 2016

Reviewed by

	Signature	Print Name	Date
Strategic Business Partner		Falil Onikoyi	8th December 2016

MITIGATING ACTION PLAN TEMPLATE

Director	Directorate
Neil Stubbings	Neighbourhoods – Housing.

Mitigating Actions

Brief Narrative on Activity	Value of Mitigating Action & Year(s)
(7) Maximise HB income on B&B usage to £22 per night to Dec 2015 *(see below)* *(8)* Demand management *(see below)* (a) Reduce homeless placement to less than 20 per month and therefore usage of B&B accommodation during the remainder of 2016/17 from 86 to zero by 31st March 2017. (b) Increase procurement of out of borough and Havering PSLs by increasing rates by (a) £100 per month for 2 beds (b) £50 per month for 3 beds – PSL numbers projected at 63 units. (c) Maximise use of council and RTB buy-back voids from estate regeneration programme. (d) Increase number of residents moved into social housing from PSL – 10 a month.	

	16/17	17/18	Total
Service o/s	1,000		0
(1)	(400)	(600)	
(2)			
(3)			
(4)			

TOTAL OF MITIGATING ACTIONS BY YEAR

	16/17	17/18	Total
Directorate o/s	1,000		0
	(400)	(600)	

Submitted by

SLT Member	Signature	Print Name	Date
Neil Stubbings		Neil Stubbings	12th December 2016.

Reviewed by

	Signature	Print Name	Date
Strategic Business Partner			

Additional Information:

1 - Housing Benefit Payments
Housing Benefit have assessed the amount due as £22 per night and have agreed the level of evidence required. The IT systems and evidential trails are now in place and the first payment is due in January 2017. The figure of £400k is the amount of benefit expected for all the Bed and Break (B&B) placements during 2016/17.

2 - Demand:

Current average number of cases accepted for housing is 20 per month, therefore Jan-Mar 2017 requirement is:	60 units
As of 21st December 2016, number of B&B units:	76
Total units required to have nil B&B as at 1st April 2017:	**136 units**

Supply:

Last six months average council relets have been 38 per month.	
From January 2017 allow 60% for homelessness, This provides 23 per month. Jan – March 2017 is	69
Out of Borough procurement currently agreed is	63
RTB buy backs from Regeneration Jan – Mar 2017	10
Total number:	**142 units**

In addition, decants from the Regeneration programme will provide additional shortlife units for use by existing hostel residents, freeing up hostel units for use rather than B&B. Decanting arrangements start from the 17th January 2017 once the transition period for the Allocation Policy changes finishes. These numbers are not included in the above numbers.

The figure of £200k from reduced B&B spend relates to the reduction in B&B from December 2016 to March 2017 as the numbers reduce. The current projections are based on 86 units per night for the rest of the financial year.

By the end of the 16/17 financial year, the actions above will see all families moved out of B&B.

Therefore the additional cost paid in 16/17 relating to the payments for B&B placements will no longer be needed.

The £750k demographic pressure growth for 17/18 will be utilised to keep the number of homelessness acceptances to 20 a month. One of the actions to achieve this is by the use of Finders Fee placements where potentially homeless persons use a finders fee to secure private sector alternatives.

MITIGATING ACTION PLAN TEMPLATE

Director	Directorate
Tim Aldridge	Children's Services

Mitigating Actions

Brief Narrative on Activity

(1) **Managing demand** – Reduce the number of children who are in the children's social care system and reducing caseloads. Particular focus on Looked After Children (LAC) and Children with Disabilities (CAD), with a forensic analysis of the care planning and decision making, recommending options to strengthen support, move child back home or achieve permanency. Work is in progress and greater savings are being explored.

(2) **Placements supply and quality** - Reduce the unit cost for the supply of placements by renegotiating contracts, collaborating with other Local Authorities to manage the placements market and improve quality. This reduces the possibility of enforced moves.

(3) **Placements costs** – Reduce the costs attributed against children, by moving them into lower cost in-house foster care, where appropriate.

   a. **Foster Carers** – Build a greater supply of foster carers, so that there is capacity to enable to move children into in-house provision.

(4) **Workforce** – Increase the number of permanent social workers, reducing the need for high cost agency workers. One aspect to achieve this is by developing an approach for a Social Work Academy, which will invest in newly qualified social workers and developing them, leading to greater retention.

(5) Legal – With greater challenge, application of thresholds and oversight of cases, there will be a reduction in the costs for legal support.

There are also items, which will help reflect a reduction in costs but are yet to developed. These are;

a) Cost avoided by working with families at the edge of care. Intervening and providing support earlier, reduces the risk of children and families entering the statutory social care system.
b) Better support for Care Leavers, so they are significantly less likely to be referred back into social care.
c) Predictive modelling – By using Business Intelligence we can use a range of relevant variables to determine the risk factor of a child entering care. The provides additional support for making decisions.

We will also need to cater for an expected increase in demand for services but this is being mitigated against by a stronger application of thresholds and management oversight. Additionally, growth of £2.23m

Value of Mitigating Action & Year(s)

	16/17	17/18	18/19
Directorate o/s as at period 7	3,582		
Bfwd Balance		3,582	452
Additional underlying pressure		898	
Undelivered Savings		100	
	3,582	**4,580**	**452**
(1)		(400)	(100)
(2)		(415)	
(3)		(475)	(350)
(4)		(360)	(200)
(5)		(50)	(50)
	0	**(1,700)**	**(700)**
Allocated Growth		(2,233)	
Cfwd Balance	**3,582**	**647**	**(53)**

(£2m for Demographic and £233k for likely inflationary pressures on third party contracts) will be allocated, once materialised, to the service in 17/18 and this will further contribute to realigning budgets to expenditure requirements by 2018/19. This action plan is based on the forecasted outturn and projected variance as of period seven. Further to the outturn in period 8, we anticipate the projected overspend at the end of 2016/17 is likely to be higher due to additional underlying demographic pressures. The mitigating action takes into account the additional budget pressure across 2017/18 and 2019/20 to deliver a total mitigation of £2.4m. The demographic growth of £2m will contribute to a total of £4.4m reduction in forecasted overspend.	
TOTAL OF MITIGATING ACTIONS BY YEAR (PLUS ADDITIONAL FUNDING)	

	16/17	17/18	18/19
Directorate o/s (incl bfw)	3,582	4,580	647
Growth		(2,233)	
Total Actions	**0**	(1,700)	(700)

Submitted by

SLT Member	Signature	Print Name	Date
Director of Children's Services		Tim Aldridge	25/1/2017

Reviewed by

	Signature	Print Name	Date
Strategic Business Partner		Falil Onikoyi	25/01/2017

APPENDIX B

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 Council's new Corporate Vision – 'Havering - Making a Greater London', is presented for approval within this report. Subject to its approval, the MTFS will be reviewed and developed to integrate and support the delivery of its four cross cutting priorities **-** Communities, Places, Opportunities and Connections.

The Council recognises the pressures on its financial resources, 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 streams and explore new and more cost effective ways of working. The Council will continue to develop partnership working, consider alternative service delivery models and methods and strive for continuous improvement in the provision of services to the public.

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 minimise the adverse impact upon the delivery of key services to local people. Its focus will be on identifying ways to reduce the cost to tax payers of providing good quality services.

The Council will ensure that, given the continued forecast for financial austerity, that resources will be prioritised to invest in and support the delivery and improvement of its priority services whilst meeting its statutory responsibilities. However, the Council will expect the Government to address anomalies in its central resource allocation and to ensure that adequate funding is made available to meet the needs of the Havering population and to meet the cost of new burdens placed on Havering, or from services transferred to it. Regular and robust lobbying of Government will continue to ensure the best deal possible for the residents of Havering in the future.

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 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 £11.75m.

The Council will not utilise General Fund Balances to subsidise its budget or suppress council tax increases. Further it will not use any specified or earmarked reserves to subsidise its budget or to suppress council tax increases on an on-going basis as this is neither financially sustainable nor prudent.

It may, in exceptional circumstances, utilise appropriate specified or earmarked reserves to bridge short term forecast budget shortfalls to facilitate delivery and implementation of projects and service initiatives that will generate additional income or reduce on-going expenditure to achieve a balanced budget. Approval of decisions to utilise reserves in this manner will require the approval of a robust business case including implementation plan.

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 investment programme designed to maintain and where possible enhance its assets and supporting the future growth and development of the borough, in line with its Corporate Vision and priorities whilst ensuring a prudent and affordable impact upon its Revenue Budget.

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.

APPENDIX B (CONTINUED)

CAPITAL INVESTMENT STRATEGY

The Council will ensure that there is an effective Capital Investment Strategy in place to drive forward the financial planning process and make best use of capital resources.
The Council's new Corporate Vision – 'Havering - Making a Greater London', is presented for approval within this report. Subject to its approval, the Capital Investment Strategy will be reviewed and developed to integrate and support the delivery of its four cross cutting priorities **-** Communities, Places, Opportunities and Connections.

The strategy will drive the development of the future Capital Programme over the medium term and will be further developed during 2017 to ensure that it integrates with and supports the delivery of the Council's Corporate Vision. There are three core elements to the Council's future Capital Investment Plans that will inform the development of the future capital programme:

Efficiency Programme

The 2017/18 Programme will, subject to approval of the recommendations within this report, include a budget of £5m which will be made available to fund an 'Efficiency Programme' to enable capital investment projects that will deliver:

- On-going reductions in revenue expenditure (i.e. cashable savings)
- On-going cost avoidance measures to avoid future increases in expenditure (i.e. non-cashable savings)

The Efficiency Programme is being developed through 2017 to align with the development of the new Corporate Plan. It will be subject to an evaluation process that will consider submissions from services that are supported by robust business cases. Implementation of projects will be subject to benefits realisation management to ensure that investment delivers the stated benefits including financial benefits in terms of savings and/or income generation.

It is recommended that individual schemes be considered by the officer Capital Asset Management Group (CAMG) with the final scheme approval being delegated to the Chief Financial Officer in consultation with the Leader of the Council and Lead Member for Financial Management. All schemes would require a robust business case demonstrating the link between investment and delivery of revenue savings

Regeneration and Development

In 2016, £100m was included in the capital programme for Regeneration and Development schemes to be funded by prudential borrowing subject to approval of robust business cases. It is proposed that the investment strategy be developed during 2017/18 to ensure that the investment of capital resources is prioritised and planned effectively in line with the Council's vision, priorities and corporate plan, to ensure effective outcomes for the Council over the medium to long term supporting the development of the borough.

Asset Management

The delivery of Council services is dependent upon the effective utilisation of resources including its asset base to provide services to the community. Investment in core assets such as highways, buildings and IT is essential to the delivery of effective services over the medium to long term. Capital investment in assets is informed by effective asset management and planning.

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 retain 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 on-going basis. These are reflected as appropriate and include the consideration of the challenging financial climate which the Council faces.

Overall Approach
The Council will continue to adopt a prudent capital programme taking into account the views of the local community and wider stakeholders as far as possible in line with its corporate priorities and will seek 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 realise 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;
    - developing invest to save initiatives
    - 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.

Financing

The Council will finance capital expenditure through a combination of:

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

Each funding stream will be considered in terms of risk and affordability in the short and long term.

The current and future economic climate has 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 robust 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 Corporate Vision. 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 will be committed to fund projects 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 continue to 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.

APPENDIX C

CONSULTATION RESPONSE

Debbie Middleton
Interim Chief Financial Officer (s151)
London Borough of Havering
Town Hall
Main Road Romford, RM1 3BB

Telephone: 01708 431243
Fax: 01708 432162
Email: Debbie.Middleton@havering.gov.uk
Textphone: 01708 433175

Date: 13/01/2017

Mr Charles Coleman
Local Government Finance
Department for Communities and Local Government
2nd floor, Fry Building
2 Marsham Street
London
SW1P 4DF

Local Government Financial Settlement

Dear Mr Coleman

Thank you for giving the London Borough of Havering the opportunity to respond to the provisional 2017-18 Local Government Financial Settlement.

Havering supports the consultation response submitted by London Councils on behalf of all London local authorities. However, there are specific issues which Havering wishes to bring to your attention through this consultation response. These relate to:

- The impact of freezing the funding formula in 2013, which has embedded too great an emphasis on deprivation indicators and insufficient weighting on actual population in calculating the levels of funding thereby failing to recognise associated need
- The impact of the scaling methodology applied since the 2016/17 settlement which has driven funding reductions in a perverse manner given that it takes no account of the starting level of council tax position
- The lack of any new funding to address the crisis that exists in adult social care and the associated health system impacts is also extremely disappointing. The increasing demand pressures clearly impact more acutely on those authorities, like Havering, which have a high proportion of older residents within their population. These pressures are further exacerbated by the allocation formula that fails to recognise the associated needs.

Havering has an average population for London. However, historically it has been one of the lowest funded London local authorities despite having the highest proportion of older people (18.4% over 65s) in London. The older population continues to increase as the life expectancy of the population rises. Over the recent years, Havering has also experienced the fastest growth in respect of children population across all London boroughs. It has also experienced increases in demand for children's social care. Given that the formula has been frozen since 2013, there has been limited account taken of the increasing demand for services and funding need that this population growth creates. These pressures are compounded by other policy changes which have created significant additional burdens for authorities like Havering, while other authorities appear to receive far more generous settlements in relation to their needs.

As a result of receiving below average grant allocations, there has ultimately been an adverse impact upon both the level of services delivered to Havering residents and the levels of council tax paid by Havering households. The table below compares the population and funding per head of Havering to its East London neighbours. Most other authorities receive more than double the amount of funding per head of population than Havering, as can be seen in the table below.

Local Authority	**Population 000s** mid-year ONS 2016 estimates	**2017 SFA £m**	**SFA Per Head £**
Havering	254.50	44.56	175.07
Redbridge	308.60	73.13	236.97
Waltham Forest	278.80	98.98	355.02
Barking and Dagenham	211.00	82.64	391.67
Newham	347.10	160.47	462.33
East London	1,400.00	459.78	328.41
Outer London	5,713.20	1,516.72	265.48

Council Tax Level

Over the last 15-20 years Havering residents have had to deal with below average grant allocations which have ultimately impacted on services and the level of Council Tax residents have had to pay. To make matters worse, last year an authority's ability to raise Council Tax was taken into account in the settlement which disadvantaged Havering even more. This approach took no account of the ability of residents to pay, merely the levels of Council Tax previously levied by those local authorities with historically low levels of Council Tax. This effectively further penalised Havering residents due to the fact that because they paid a higher Council Tax historically, Central Government funding was cut harder and faster than previously envisaged.

The table below demonstrates the reduction in grant for East London councils. As can be seen, by 2019/20 Havering loses 96% of its core funding compared to other neighbouring authorities, which is the 4th highest percentage reduction in London.

Local Authority	**Provisional RSG 2019/20 £m**	**% Reduction in RSG by 2019/20**
Newham	36.20	59
Barking and Dagenham	17.73	62
Waltham Forest	18.5	68
Redbridge	10.23	77
Havering	1.38	96

It is neither equitable nor acceptable that Havering residents are penalised for historically contributing more to the cost of local service provision than other London Boroughs. There are councils who, in recent years have been able to afford not to increase their Council Tax, having received substantially more government funding than Havering.

Arguably, the Settlement should redirect the funding from those authorities with comparatively low Council Tax levels that have not needed to increase their Council Tax and redistribute it to those who have needed to increase it.

The table below shows the highest and lowest Council Tax Band D level for London and their respective Settlement Funding Allocation (SFA) which again clearly identifies the perverse financial implications of the flawed funding methodology upon inner and outer London authorities.

Local Authority	**Inner/Outer London**	**Council Tax (Band D) £**	**SFA 2017/18 £m**
Highest Council Tax			
Kingston Upon Thames	Outer	1,407.24	26.13
Richmond Upon Thames	Outer	1,306.39	24.53
Harrow	Outer	1,283.61	50.07
Havering	Outer	1,267.64	44.56
Lowest Council Tax			
Kensington & Chelsea	Inner	782.58	71.55
Hammersmith and Fulham	Inner	727.81	87.26
Wandsworth	Inner	403.91	106.04
Westminster	Inner	392.81	130.57

As can be seen, there are significant variances between London authorities, but in particular between inner and outer London councils. There is clearly a direct correlation between the SFA and Council Tax, the higher the Council Tax - the lower the SFA.

New Better Care Funding

By way of example, the table below provides some core data about Havering and Westminster. Despite overall populations and total household numbers being reasonably similar, there is a significant difference in the age profile of the population and the number of care homes in each borough.

Theme	**Source**	**Description**	**Havering**	**Westminster**
Population	Mid-year population estimates 2015 (published June 2016 ONS)	All Ages	249,085	242,299
		65 and Over	45,859	28,385
		65 and over as % of pop	18.4%	11.7%
		85 and Over	7,004	3,662
		85 and over as % of pop	2.8%	1.5%
Housing	Annual Population Survey 2015	No. of Homes	99,300	105,000
		Owned out Right	29%	15%
		Owned with Mortgage	44%	13%
		Social Rented	14%	33%
		Privately rented	12%	39%
		Cost of 3 bed home	£315,000	£3,500,000
Care Homes	Care Homes	No of Care Homes	65	15

The other significant imbalance within the settlement is the allocation of the Improved Better Care Funding, which in London again seems to benefit inner London authorities potentially at the expense of outer London, with little evidence of targeting adult social care pressures. In fact, despite the comparative population data between Westminster and Havering above, Westminster is due to receive significantly more of the Improved Better Care Fund than Havering, as shown in the table below:

Funding Source	**Westminster £m**	**Havering £m**	**Havering as a % of Westminster**
Original Better Care Fund	19.999	17.778	89%
Improved Better Care Fund Year 1	2.100	0.000	
Improved Better Care Fund to 2019/20	13.900	4.200	30%

Westminster is due to receive £2.1m of the additional funding, while Havering has been allocated nothing. Over the period to 2019/20 Westminster will benefit by £13.9m compared to Havering's £4.2m which is 30% of the amount awarded to Westminster despite having approximately twice the level of elderly population. Under the Original Better Care Fund allocations Havering considers it was underfunded. The method adopted for 2017/18 perversely puts Havering in a worse comparative position to Westminster, during a period when it is forecasting significant further pressures associated with its ageing population.

It appears that Havering residents are being asked to pay more for their services, whilst Central Government pays for inner London directly, taking no account of existing Council Tax Levels, the relative wealth and ability to pay of those residents, nor the need of individual local authorities to raise their council tax in order to maintain statutory service provision.

Attached is the Havering response to the questions set out in the consultation.

Yours sincerely

Debbie Middleton

<u>LB Havering Response to Consultation Questions</u>

Question 1: Do you agree with the methodology of Revenue Support Grant in 2017-18?

As the London Councils' response sets out there seems to be an anomaly in the methodology and we have demonstrated the impact of this for Havering in the covering letter.

Question 2: Do you think the Government should consider transitional measures to limit the impact of reforms to the New Homes Bonus?

We do not agree with the revised new homes bonus scheme. It reduces incentive to local government and is being top sliced again to fund Adult Social care. Adult Social care is a growing burden that needs new funding not recycled funding from areas already under financial pressure. The impact of the changes to Havering is outlined in the table below.

	2017/18 £m	**2018/19 £m**	**2019/20 £m**	**Total over 3 years**
Old scheme	7.379	9.030	9.524	25.933
Revised Scheme	(6.939)	(5.178)	(4.566)	(16.683)
One-Off Adult social Care Grant	(1.010)			(1.010)
Improved Better Care Fund	-	(1.978)	(4.202)	(6.180)
Loss in funding	**(0.570)**	**1.874**	**0.756**	**2.060**

We agree with the London Councils' view that if government continue with these proposals that there need to be transitional arrangements in place to manage the adverse financial effect in boroughs like Havering.

Question 3: Do you agree with the Government's proposal to fund the New Homes Bonus in 2017-18 with £1.16 billion of funding held back from the settlement, on the basis of the methodology described in paragraph 2.5.8?

In line with the London Councils' response, we do not agree with the hold back of New Homes Bonus. The initial design of the scheme transferred £210m of funding directly from central government with the remainder coming from a top-slice in Revenue Support Grant. Now of the £1.16bn, under £100m is being funded directly from central government with the rest from being funded through additional cuts to local government funding.

However, with regard to the return of any funding as part of the "top-slice" or the "holdback", this funding should be returned to local authorities' pro-rata to the New Homes Bonus Allocation or as a minimum the core spending powers.

Question 4: Do you agree with the proposal to provide £240 million in 2017-18 from additional savings resulting from New Homes Bonus reforms to authorities with adult social care responsibilities allocated using the Relative Needs Formula?

We support the London Councils' view as expressed in their response.

Question 5: Do you agree with the Government's proposal to hold back £25 million to fund the business rates safety net in 2017-18, on the basis of the methodology described in paragraph 2.8.2?

We support the London Councils' view as expressed in their response.

Question 6: Do you agree with the methodology for allocating Transition Grant payments in 2017-18?

There is still insufficient information available at this time to be able to comment.

Question 7: Do you agree with the Government's proposed approach in paragraph 2.10.1of paying £65 million in 2017-18 to the upper quartile of local authorities based on the super-sparsity indicator?

We support the London Councils' view as expressed in their response.

Question 8: Do you have any comments on the impact of the 2017-18 local government finance settlement on those who share a protected characteristic, and on the draft equality statement published alongside this consultation document? Please provide supporting evidence.

We support the London Councils' view as expressed in their response.

APPENDIX D

LEVIES

The levies are as follows:

	2016/17 £m	2017/18 £m	% Increase (Decrease)	Estimated/ Provisional/ Final
East London Waste Authority	13.670	15.101	10.47%	Provisional
Environmental Agency (Thames)	0.180	0.184	1.99%	Provisional
Environment Agency (Anglian)	0.020	0.020	5.00%	Estimated
Lee Valley Regional Park	0.244	0.239	(2.00%)	Provisional
London Pension Fund Authority	0.313	0.313	0.00%	Provisional
	14.428	**15.858**	**9.92%**	

Note 1 : the ELWA levy is subject to approval by board at its meeting on 6 February 2017. 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.

APPENDIX F

PROVISIONAL SCHOOLS BUDGETS 2017/18

(Net of estimated academy recoupment)

		2017/18			
2016/17 £m		Early Years Block £m	Schools Block £m	High Needs Block £m	Total £m
10.352	Early Years	13.943	0.000	0.000	13.943
75.633	Primary Schools	0.000	72.794	3.396	76.190
14.433	Secondary Schools	0.000	13.805	0.725	14.531
4.321	Special Schools	0.000	0.000	2.775	2.775
2.620	Pupil Referral Service	0.000	0.000	0.000	0.000
2.126	Academy SEN funded by LA	0.000	0.000	3.984	3.984
109.484	**Estimated Total DSG to Education Providers**	**13.943**	**86.599**	**6.897**	**111.422**
11.935	Centrally Retained	0.730	4.784	7.828	13.342
11.935	**Estimated Total DSG to be Retained Centrally**	**0.730**	**4.784**	**7.828**	**13.342**
121.420	**Total DSG Allocation**	**14.673**	**91.383**	**18.708**	**124.764**

Note 1: The Dedicated Schools Grant is allocated in sub blocks.
Note 2: The above figures are net of £78,531,000 which is recouped by the DFE for academies and Free Schools. This is based on the number of academies as at 31st December 2016.
Note 3: Allocations to special schools and the pupil referral service are estimated.
Note 4: Final figures will be published in the section 251 statement by 31st March 2017
Note 5: Schools Block Centrally Retained includes the Transfer from ESG to DSG of Statutory Retained Duties

APPENDIX G

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 Chief Financial Officer.
The cumulative value of virements for the year should be considered when deciding whether the various thresholds have been reached. The Chief Financial Officer 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 Chief Financial Officer may set up a central contingency fund. There will only be one such fund for the entire Council.

The Chief Financial Officer is authorised to release sums from the contingency if:

(a) the amounts fall within the normal delegation arrangements, 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 Chief Financial Officer 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 Chief Financial Officer.

The Chief Executive has power to incur expenditure from the Contingency Budget 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 Chief Financial Officer 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.

APPENDIX H

LOCAL GOVERNMENT ACT 2003
ROBUSTNESS OF ESTIMATES, ADEQUACY OF RESERVES AND THE MANAGEMENT OF RISK

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1. BACKGROUND

1.1 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their budget and level of council tax. Authorities are required to consider their Chief Financial Officer's report when setting the level of council tax.

1.2 Section 26 of the Local Government Act 2003 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.

1.3 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 fall back 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.

1.4 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 external auditor. The authority would be consulted on the level to be set.

1.5 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 THE CHIEF FINANCIAL OFFICER

2.1 The Chief Financial Officer for the London Borough of Havering has provided the following assurance:

The London Borough of Havering prides itself on its record of creating balanced budgets, delivering challenging savings programmes and carefully managing its finances within each financial year. It is this track record which has helped to build the foundations for the 2017/18 budget and will need to continue via the MTFS through to 2019/20.

The confirmation of the four year financial settlement, whilst anticipated, is disappointing. It will result in substantial reductions to Havering's allocation of Government funding. The failure of the funding formula to acknowledge the significant financial pressures associated with rapid population growth particularly in relation to its impact on social care services for children and adults results in significant financial pressures for the Council to manage the delivery of services in the forthcoming years. This is exacerbated by the effects of the 2016/17 settlement introduction of the 'core spending power' calculation, which removes government funding from those authorities which are considered able to raise proportionately more council tax, without regard for the need to spend to meet escalating demand for services As a consequence, Havering continues to receive lower than the average level of funding for London despite having the highest proportion of older people within its population, which is a key driver of adult social care expenditure.

In light of the substantial savings made in recent years (£38.2m over the period 2014/15 to 2016/17), the challenge in preparing the budget for 2017/18 and the MTFS has been to identify proposals which minimise the impact of budget reductions upon delivering the Council's priority services

However, the future financial position for Havering is very challenging. Whilst the proposal contained within this report will achieve a balanced budget in 2017/18, a gap of £2.895m is forecast in 2018/19 and a further £6.325m in 2019/20. This estimate currently makes no assumption at this stage for Council Tax increases beyond 2017/18, and provides the opportunity for the Council to identify and develop further savings and income generation plans during 2017/18. These will be considered as part of the 2018/19 financial strategy together with the Council's council tax plans within the context of further pressures and funding opportunities that may arise during 2017/18.

Consequently, while I have assessed the proposals contained in this report for 2017/18 as robust, with a sufficient safety net for any savings that are ultimately non-deliverable, it is clear that further proposals for the MTFS will need to be developed to enable the s151 officer to sign off the budget as robust in future years.

All of the above comments are made in the context of a planning assumption that the Council will agree to a Council Tax increase of 3.95% including an Adult Social Care precept of 2% in 2017/18.

The budget reinforces the need for on-going robust financial management, strict budgetary control and the on-going monitoring of savings delivery plans with effective processes in place to promote these.

In assessing the robustness of estimates, I have drawn on the advice of service chief officers that the proposals presented for 2017/18 can be delivered within the available resources envelope.

In January, Cabinet approved my recommendation to establish a Business Risk Reserve with effect from 1 April 2017, into which the estimated underspend of £5.4m on the corporate risk budgets will be transferred as part of accounts closure. The Business Risk Reserve will provide a safety net against the risk of non-delivery of savings and/or over optimism with funding assumptions within 2017/18.

The projected levels of earmarked reserves as referred to in section 3 below have been established to meet planned projects or budgetary pressures and are considered adequate at this time. The sums earmarked for these purposes were agreed as part of the annual approval of accounts process and the use and application of those reserves are reviewed quarterly as part of the budget monitoring process. The General Fund Balance stood at £11.75m at 31 March 2016 and it is recommended that it be retained at this level.

In addition, the inclusion of a Corporate Risk Budget of £8.9m within the base budget for 2017/18 will further support the management of budgetary pressures through 2017/18. It should be noted that prior commitments of £5m have been made against this budget thereby protecting services from further budgetary reductions. The Corporate Risk Budget is forecast to reduce to approximately £3m by 2018/19 and therefore it will become more difficult for the Council to respond in a similar manner to future adverse financial pressures.

The Corporate Contingency budget remains at £2m which is adequate for the risks that it is expected to cover. Whilst it is currently planned to reduce to £1m in 2018/19, this will be kept under review during 2017/18 and in preparing the 2018/19 Strategy.

The budget does not provide specific funding for any unforeseeable, extraordinary items of major expenditure, for example, the implications of flooding. If such an event were to occur, it would need to be funding from the existing general reserves and balances, if the general contingency were exhausted.

Against such a challenging financial background, it will therefore be crucial that reserves, both general and earmarked, continue to be managed in the medium term in a way that gives due regard to the need to set a legally balanced budget.

Debbie Middleton BA(Hons), CPFA
Section 151 Officer

3 ROBUSTNESS OF ESTIMATES, RESERVES AND BALANCES

3.1 The budget has been prepared using the three year Financial Strategy agreed by Cabinet in September 2016 as its starting point. This Strategy has been developed 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 2017 and February 2017 and the 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 2017;
- A variety of announcements concerning the new funding system;
- The Autumn Budget Statement 2016.

3.2 As the development of the budget for 2017/18 has progressed, the position has been the subject to review and challenge with Heads of Service, SLT, the Leader of the Council, Cabinet Members and the Lead Member for Financial Management. Due consideration has 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.

Budget proposals have been developed within the context of current and future service plans. Furthermore:

a) 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 periodic review and refinement, especially in light of the Autumn Budget Statement and the Provisional Local Government Financial Settlement announcements.

3.3 At a more detailed level, budgets have been built having due regard to:

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

3.4 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.

3.5 A review of the 2016/17 significant budget variances has taken place to assess any impact on the 2017/18 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.

3.6 The proposed budget provides a foundation from which to develop the financial strategy over the period to 2019/20 and work will continue during 2017.

4. THE ADEQUACY OF ESTIMATES, RESERVES AND BALANCES

4.1 As set out in section 1, local authorities are required to maintain adequate balances to deal with unforeseen demands upon financial resources. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although a view can be sought from the external auditors it is not their responsibility to prescribe or recommend 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.

4.2 The Strategy agreed by Council in July 2009 set out that the minimum level for of the General Fund Balance will be £10m. This Strategy has been maintained since that time. The General Fund Balance stood at £11.750m at 31 March 2016. An annual review of the balance 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. Given the increasingly uncertain financial climate and financial pressures, it is recommended that the minimum General Fund Balance requirement should remain at its current level of £11.75m which represents 7.2% of the Council's net 2017/18 budget including levies.

4.3 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 remain at £11.75m as at 31 March 2017.

4.4 Members will be aware that the working balances provide protection against unforeseen events that could impact on the authority. Reserves must be used carefully and can be used only once. As reflected in the revenue budget strategy, the Council will not utilise General Fund Balances to subsidise its budget or suppress council tax increases. Further it will not use any specified or earmarked reserves to subsidise its budget or to suppress council tax increases on an on-going basis as this is neither financially sustainable nor prudent. It may, in exceptional circumstances, utilise appropriate specified or earmarked reserves to bridge short term forecast budget shortfalls to facilitate delivery and implementation of projects and service initiatives that will generate additional income or reduce on-going expenditure to achieve a balanced budget. Approval of decisions to utilise reserves in this manner will require the approval of a robust business case including implementation plan.

4.5 The Council maintains a number of earmarked funds for specific purposes and their use is planned and approved for these purposes. Often they are used to comply with accounting policies, manage arrangements across financial years, or to fund known future commitments. The most significant are for the following:

(a) Insurance Reserve (6.9m), which is part of the Insurance Self-Funding Arrangement to meet future liabilities incurred but not yet claimed.
(b) Strategic Reserve to support corporate transformation (£27.6m) – these funds are earmarked 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.

The sums established within earmarked reserves were agreed by SLT as at 1st April 2016 and were fully allocated to projects or liabilities. The balances will be reviewed again as at 31 March 2017.

4.6 Other reserves continue to be expended/planned in accordance with their specific approved purpose. A review has taken place of these as part of the budget finalisation.

4.7 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 2017/18.

5. OPPORTUNITY COST OF RESERVES

5.1 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 due to low interest rates, these are in fact broadly neutral. However, a cost of around 4% will be incurred in respect of a requirement make revenue provision to repay debt.

5.2 On this basis, for every £1m of cash held, the purely financial benefit could be deemed to be £0.040m per annum or approximately £0.400m 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 level of Band D Council Tax.

5.3 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 and would be assessed via a business case. 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.

5.4 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 potentially foregone by holding general reserves. However this is only relevant to the extent that such proposals align to Council's priorities and Medium Term Financial Strategy.

5.5 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 to address ongoing expenditure requirements.

5.6 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 given that the Council's ability to generate funds to replenish reserves through Council Tax is severely restricted by the Council Tax capping regime. Hence the level of reserves held overall requires a balance to be struck between the opportunity cost of holding balances against the unknown risks facing the Council and the need to safeguard the provision of local services if such risk were to crystalise.

6. REVIEW OF RESERVES AND CONTINGENCY

6.1 The assessment of the sums required for reserves and contingency purposes is reviewed regularly, taking 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 include 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.

6.2 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.

6.3 The Corporate Risk Register is kept under review by the Senior Leadership Team, so any changes are then reflected when the reserves and contingency assessment is updated.

ANNEX 1

RISK ASSESSMENT FOR GENERAL BALANCE / CONTINGENCY 2017/18
REVIEWED AT 20 JANUARY 2017

Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assess-ment of Risk (counter measures in place)	Contingency: Value of Assess-ment £000	Contingency: Value Having Regard to Risk £000	General Balance: Value of Assess-ment £000	General Balance: Value Having Regard to Risk £000
1. Failure to Balance the MTFS over the period to 2019/20 CR4Failure to deliver a balanced budget	S151 SLT	4 year financial settlement includes a significant reduction in grant funding over the four year cycle to 2019/20. The impact has not yet addressed as part of MTFS development. A gap of £9.2m exists in the MTFS over 2018/19 and 2019/20 and represents a financial risk to the Council.	Medium to High			9,200	9,200
2. Failure to achieve in year budget balance in year overspending CR4Failure to deliver a balanced budget	S151 SLT	Mitigating action plans have been presented which to cover £7m overspend in 2016/17 (as reported to January Cabinet). If these are not brought into line it will place further risk on budget strategy. The Business Risk Reserve will provide a buffer of £5.5m approx. Latest forecast projections suggest that pressures may be closer to £7.5 m leaving a risk exposure of £2m	Medium	7,500	2,000		
3. Impact of changes in homelessness legislation CR4Failure to deliver a balanced budget	Director of Housing	The amount of Housing Benefit we claim for a unit of temporary accommodation has a £40 per week element called a management fee. This pays for managing the property, and the cost of managing the individual. That is ceasing from April 2017. In its place there will be a transitional lump sum payment and we are due to be notified in a letter by DCLG in January £0.5m provided for within Corporate Risk Budget although overall costs could be £1m to £2m	High			1,500	1,500
4. Reduction in ESG CR4Failure to deliver a balanced budget	Director of Children's Services	Reduction in ESG funding will require savings in 2016/17 and beyond. There is a gap of £0.7m to be found. There is a long term pressure of £0.2m which could potentially increase if short term measures are not converted into longer term savings.				700	700

Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assess-ment of Risk (counter measures in place)	Contingency		General Balance	
				Value of Assess-ment £000	Value Having Regard to Risk £000	Value of Assess-ment £000	Value Having Regard to Risk £000
5. Apprenticeship levy implementation CR4Failure to deliver a balanced budget	SLT	Cost of apprenticeship levy is factored into the MTFS although current estimates suggest that there is an under-provision of £0.250m.					250
ASSESSMENT HAVING REGARD TO RISK LIKELIHOOD – MINIMUM LEVEL REQUIRED			**Overall Medium Risk**	7,500	2,000	11,650	11,650

2017/18 Core Capital Programme

Description	Original Allocation 2016/17 £'000	Adjustments	Final Allocation 2016/17
Internally Funded Capital Programme (funded from receipts)			
Cemeteries	160		160
Parks	560		560
Libraries	145	-45	100
Leisure	135	45	180
Street Environment	2,000		2,000
Education	0		0
Protection of Assets and Health and Safety	500		500
IT Infrastructure	1,000		1,000
Regeneration	100		100
Disabled Facilities Grant (Council element only) (subject to confirmation of final grant figure and requirement for match funding)	300		300
Total Internally Funded Capital Programme	**4,900**	**0**	**4,900**
Capital Contingency (assessed by Chief Finance Officer)	2,000		2,000
Efficiency Programme (Bids assessed by CAMG)	5,000		5,000
Total Internally Funded Capital Programme	**11,900**	**0**	**11,900**

Summary	Amount	Profiled Spend				Funding Sources		
	£m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 and beyond £m	Capital Receipts £m	Grants & S106 £m	Other External £m
Additional Capital Programme for 2017/18								
Cemeteries	0.160	0.000	0.120	0.040	0.000	0.160	0.000	0.000
Parks	0.560	0.000	0.560	0.000	0.000	0.560	0.000	0.000
Libraries	0.100	0.000	0.100	0.000	0.000	0.100	0.000	0.000
Leisure	0.180	0.000	0.180	0.000	0.000	0.180	0.000	0.000
Street Environment	2.000	0.000	2.000	0.000	0.000	2.000	0.000	0.000
Asset Management	0.500	0.000	0.500	0.000	0.000	0.500	0.000	0.000
IT Infrastructure	1.000	0.000	1.000	0.000	0.000	1.000	0.000	0.000
Regeneration	0.100	0.000	0.100	0.000	0.000	0.100	0.000	0.000
Housing General Fund	1.726	0.000	1.726	0.000	0.000	0.300	1.426	0.000
Core Capital Programme	**6.326**	**0.000**	**6.286**	**0.040**	**0.000**	**4.900**	**1.426**	**0.000**
Efficency Programme & Contingency	7.000	0.000	7.000	0.000	0.000	7.000	0.000	0.000
Schools Maintenance	4.062	0.000	4.062	0.000	0.000	0.000	4.062	0.000
TFL 2017/18 LIP Programme	3.381	0.000	3.381	0.000	0.000	0.000	3.381	0.000
School's Expansions and Bulge Classes - Phases 3 & 4	68.685	6.227	21.327	23.833	17.299	4.400	62.153	2.132
Total Capital Programme	**89.454**	**6.227**	**42.056**	**23.873**	**17.299**	**16.300**	**71.022**	**2.132**

*Other external funding includes S106 interest and external contributions via revenue

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Cemeteries - Capital Allocation £160k										
Enhancement of Plumbing in Cemeteries and Crematorium Sites	Replacement of taps and standpipes in all four cemeteries and the crematorium site	Louise Edmonds	Lee Macey	20,000	20,000			20,000		
New Tarmac - Hornchurch Cemetery War Memorial	Replacement of tarmac by War Memorial in Hornchurch cemetery.	Louise Edmonds	Lee Macey	10,000	10,000			10,000		
New Boundary Fence in Rainham Cemetery	Replacement of boundary fence in Rainham cemetery	Louise Edmonds	Lee Macey	10,000	10,000			10,000		
Cremator Brickwork Enhancements	Cremator brickwork repair - full hot face relines of two cremators over two years.	Louise Edmonds	Lee Macey	80,000	40,000	40,000		80,000		
Refurbishment and Improvements to Crematory	Crematory reinstatement - Refurbishment of crematory after fan upgrade and cremator removal.	Louise Edmonds	Lee Macey	30,000	30,000			30,000		
History Hall and Book of Remembrance Upgrade	Newly installed Romford book of remembrance and history hall upgrade.	Louise Edmonds	Lee Macey	10,000	10,000			10,000		
				160,000	**120,000**	**40,000**	**0**	**160,000**	**0**	**0**

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Parks - Capital Allocation £560k										
Raphael Park fountain replacement	Raphael Park fountain replacement	James Rose	James Rose	10,000	10,000			10,000		
Central Park drainage improvements	Central Park drainage improvements	Tom Fradd	James Rose	25,000	25,000			25,000		
Hylands Park drainage improvements	Hylands Park drainage improvements	Richard Cottam	James Rose	8,000	8,000			8,000		
Thomas England Walk (Various Parks)	Thomas England Walk (Various Parks)	Tom Fradd	James Rose	16,000	16,000			16,000		
Jutsums landscape and play area improvements	Jutsums landscape and play area improvements	Tom Fradd	James Rose	50,000	50,000			50,000		
War Memorial improvements	War Memorial improvements	Nigel Oxley	James Rose	25,000	25,000			25,000		
Upminster Hall Playing Field teen area improvement	Upminster Hall Playing Field teen area improvement	Richard Cottam	James Rose	4,000	4,000			4,000		
Harold Wood Park footpath improvements	Harold Wood Park footpath improvements	Tom Fradd	James Rose	18,000	18,000			18,000		
Rainham Churchyard wall improvements	Rainham Churchyard wall improvements	Nigel Oxley	James Rose	20,000	20,000			20,000		
Coronation Gardens improvements	Coronation Gardens improvements	Nigel Oxley	James Rose	100,000	100,000			100,000		
Upminster Tithe Barn roof improvements	Upminster Tithe Barn roof improvements	Nigel Oxley	James Rose	15,000	15,000			15,000		
Play and recreation facilties improvements	Play and recreation facilties improvements	James Rose	James Rose	95,000	95,000			95,000		
Green Flag Improvements	Green Flag Improvements	James Rose	James Rose	50,000	50,000			50,000		
Historic Building Improvements	Historic Building Improvements	Nigel Oxley	James Rose	50,000	50,000			50,000		
Tree Management System	Tree Management System	Tim Goldrick	James Rose	20,000	20,000			20,000		
Parks Infrastructure Improvements	Parks Infrastructure Improvements	James Rose	James Rose	30,000	30,000			30,000		
Allotment Improvements	Allotment Improvements	James Rose	James Rose	20,000	20,000			20,000		
Public Rights of Way Improvements	Public Rights of Way Improvements	James Rose	James Rose	4,000	4,000			4,000		
				560,000	**560,000**	**0**	**0**	**560,000**	**0**	**0**

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Libraries - Capital Allocation £145k (reduced to £100k with balance transferred to Leisure)										
Library Application	Development of Library App for use on library iPads. This will allow additional access for residents to make online payments via the LBH website. It will also give volunteers access to the library catalogue and virtual library to support & promote to customers which they don't have at present.	Nicky Dunne		6,000	6,000			6,000		
Library Wi-Fi	WiFi print facility to enable customer to print directly from their own devices and library iPads	Nicky Dunne		16,000	16,000			16,000		
Library Building Works	Decoration of libraries. Most branches are in need of at least paintwork being refreshed; Upminster refurb 2005 / Gidea Park refurb 2006 / Collier Row 2006 / Hornchurch refurb 2007 / Harold Wood refurb 2007 / South Hornchurch refurb 2008 / Elm Park new build 2009 / Central refurb 2010	Nicky Dunne		23,000	23,000			23,000		
Libraries banner	Rainham library banners to be mounted on wal	Nicky Dunne		10,000	10,000			10,000		
Libraries Book Fund	Purchase of new books and auido books	Nicky Dunne		45,000	45,000			45,000		
				100,000	**100,000**	**0**	**0**	**100,000**	**0**	**0**

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Leisure - Capital Allocation £135k (increased to £180k from Libraries)										
Queens Theatre Building Works	Essential Works following condition survey to ensure	Guy Selfe	Guy Selfe	100,000	100,000			100,000		
Fairkytes Arts Centre Building Works	Essential maintenance works to ensure building remains operational and fit for purpose	Guy Selfe	Guy Selfe	50,000	50,000			50,000		
Hornchurch Stadium Building Works	Essential maintenance works to ensure building remains operational and fit for purpose	Guy Selfe	Guy Selfe	30,000	30,000			30,000		
				180,000	**180,000**	**0**	**0**	**180,000**	**0**	**0**

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Street Environment - Capital Allocation £2,000k										
Street Furniture - Purchase of Big Belly Bins South Street	Big Belly Bins South Street	Maria Smart	Paul Ellis/Maria Smart/Mark Jones	50,000	50,000			50,000		
Environmental Improvements - Creation of Shrub Beds	Shrub Beds - New plantings	Mark Jones	Paul Ellis/Maria Smart/Mark Jones	50,000	50,000			50,000		
Tree reinstatements/ removal of dangerous trees	Tree reinstatements/ removal of dangerous trees	Mark Jones	Paul Ellis/Maria Smart/Mark Jones	50,000	50,000			50,000		
Improvements to waste storage facility in flats	Improvements to waste storage areas	Lisa Foster	Lisa Foster/Paul Ellis	25,000	25,000			25,000		
Highways Capital Programme - Street Lighting Improvements	Street lighting improvements	Ollie Miller	Ollie Miller / Dipti Patel	1,400,000	1,400,000			1,400,000		
Highways Capital Programme - Highways Resurfacing Works	Highway resurfacing works	Ollie Miller	Ollie Miller / Dipti Patel	425,000	425,000			425,000		
				2,000,000	**2,000,000**	**0**	**0**	**2,000,000**	**0**	**0**

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Asset Management - Capital Allocation £500k										
Corporate Buildings - Removal of safety film to glass	Works to renew existing safety film applied to glass in corporate buildings to address results of recent survey following accident to a minor	Terry Yallop	Andy Skeggs	50,000	50,000			50,000		
Corporate Buildings - Water Hygiene Works 2017/18	Ongoing programme of works to water installations to address legionella risk	David Stimson	Andy Skeggs	75,000	75,000			75,000		
Gaysfield Site Works	Demolition and securing of Gaysfield site	Andy Skeggs	Andy Skeggs	25,000	25,000			25,000		
Corporate builings - Building Works	Capital works to identify priority items identifed from building consition surveys	Andy Skeggs	Andy Skeggs	200,000	200,000			200,000		
Health & Safety Capital Works 2017/18	Central bidding pot for all services to submit funding requests for exceptional items, usually equipment for which there is no funding within their service.	Sue Wilks		100,000	100,000			100,000		
Fire Risk Works 2017/18	Addressing in-year works identifed from ongoing Fire Risk Assessments	Sue Wilks		50,000	50,000			50,000		
				500,000	**500,000**	**0**	**0**	**500,000**	**0**	**0**

Appendix I

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
IT Infrastructure - Capital Allocation £1,000										
Upgrade of Core IT Infrastructure	Upgrading of core IT Infrastructure components	Julia Blow	John Friend, Priya Javeri. Danile Pluck, karen Harris	1,000,000	1,000,000			1,000,000		
				1,000,000	**1,000,000**	**0**	**0**	**1,000,000**	**0**	**0**

Appendix I

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Regeneration - Capital Allocation £100k										
Romford and London Riverside Project 2017/18	Various regeneration projects and programmes	Tom Dobrashian	Bob Flindall	100,000	100,000			100,000		
				100,000	**100,000**	**0**	**0**	**100,000**	**0**	**0**

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Disabled Facilities Grant (indicative figure)										
Disbaled facilities Grant 2017/18	various expenditure relating to grants paid to home owners that meet the grant conditions			1,726,010	1,726,010			300,000	1,426,010	
				1,726,010	**1,726,010**	**0**	**0**	**300,000**	**1,426,010**	**0**

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Finance										
Contingency	Various Schemes	Mark White		2,000,000	2,000,000			2,000,000		
Efficiency Programme	Various Schemes	Mark White		5,000,000	5,000,000			5,000,000		
				7,000,000	**7,000,000**	**0**	**0**	**7,000,000**	**0**	**0**

Appendix I

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Schools Maintenance Grant										
Priority 1										
Emergengency Works to PRU's 2017/18	Emergency works to PRU's	Gary Moreland		200,000	200,000				200,000	
Hygiene Water Works Programme 2017/18	Hygiene water works	Gary Moreland		175,000	175,000				175,000	
Asbestos Removal 2017/18	Asbestos removal to various schools	Gary Moreland		400,000	400,000				400,000	
DDA Works 2017/18	DDA works to various schools	Gary Moreland		75,000	75,000				75,000	
Kitchen Improvement Works	Kitchen improvement works to various schools	Gary Moreland		200,000	200,000				200,000	
Ardleigh Green Infants - Replace Gas Boiler	Replacement of Gas Boiler	Gary Moreland		130,000	130,000				130,000	
Ardleigh Green Juniors - Replace Gas Boiler	Replacement of Gas Boiler	Gary Moreland		150,000	150,000				150,000	
Dame Tipping - Replacement Demountables	Purchase of demountable buildings	Gary Moreland		100,000	100,000				100,000	
Towers - Kitchen Servery	Installation fo Kitcjhen ervery	Gary Moreland		20,000	20,000				20,000	
Towers - Upgrade of Electircs	Installation of Electric Main	Gary Moreland		35,000	35,000				35,000	
Marshalls Lake - De Silting and Improvements	De silting of Marshalls Lake and improvemnts	Gary Moreland		50,000	50,000				50,000	
Sanders - Boiler Upgrade	replace and upgarde boiler	Gary Moreland		300,000	300,000				300,000	
Parklands Junior School - Drianage	Upgrade drainage system	Gary Moreland		100,000	100,000				100,000	
Parklands Infants School - Drianage	Upgrade drainage system	Gary Moreland		100,000	100,000				100,000	
Branfil - Electrical Distribution	Upgrade to Electrical distribution	Gary Moreland		100,000	100,000				100,000	
Branfil - Fire Alarm upgrade	Upgrade to Fire Alarm	Gary Moreland		50,000	50,000				50,000	
Wykeham - Re-build of Infants Toilets	rebuild and enhancement to toilet block	Gary Moreland		250,000	250,000				250,000	
Rainham Village - Enhancements to Utilities and Drainage	Enhancement to Utilities and Drainage	Gary Moreland		100,000	100,000				100,000	
Crownfield Junior - Upgrades to Distribution Boards	Fit RCBO Devices to distribution boards	Gary Moreland		20,000	20,000				20,000	
Scotts - Upgrade to Electrics	upgrade to electrical distribution	Gary Moreland		50,000	50,000				50,000	
Wykeham - Modernise Main Distribution Boards	Modernisation of electrical distribution boards	Gary Moreland		100,000	100,000				100,000	
Parklands Junior - Upgrade to Electrical Distribution	Upgrade of electrical distribution boards	Gary Moreland		50,000	50,000				50,000	
Parklands Infants - Upgrade to Electrical Distribution	Upgrade of electrical distribution boards	Gary Moreland		50,000	50,000				50,000	
Brady - Upgrade to Roofing	Replace and upgrade roofing	Gary Moreland		100,000	100,000				100,000	
Rainham Village - Modernisation of pumping station	Pumping Stattion modernisation	Gary Moreland		100,000	100,000				100,000	
Priority 2										
Crowlands - Upgrade to Electricals	Upgrade to Electrical distribution	Gary Moreland		50,000	50,000				50,000	
Crownfield Infants - Upgrade to Electricals	Upgrade to Electrical distribution	Gary Moreland		50,000	50,000				50,000	
Wykeham - Upgrade to Flat Roof	Replace and upgrade roofing	Gary Moreland		50,000	50,000				50,000	
Crowlands - Upgarde to electricals	Upgrade to Electrical distribution	Gary Moreland		50,000	50,000				50,000	
Squirrels Heath Infants - Upgarde to electricals	Upgrade to Electrical distribution	Gary Moreland		50,000	50,000				50,000	
Squirrels Heath Junior - Upgarde to electricals	Upgrade to Electrical distribution	Gary Moreland		50,000	50,000				50,000	
Towers Junior School - Upgarde to Pipework and Emitters	Replacement and upgrade of pipework and emitters	Gary Moreland		150,000	150,000				150,000	
Wykeham - Upgarde to Pipework and Emitters	Replacement and upgrade of pipework and emitters	Gary Moreland		200,000	200,000				200,000	
Squirrels Heath Junior School - Subsidence	Cracked Wall subsidence urgent works	Gary Moreland		10,000	10,000				10,000	
Parklands Junior School - Upgrade to hot and cold water	Upgarde to plumbing	Gary Moreland		15,000	15,000				15,000	
Crownfield Infants School - Upgrade to hot and cold water	Upgarde to plumbing	Gary Moreland		12,000	12,000				12,000	
Parsonage Farm School - Upgrade to Hot and Cold Water	Upgarde to plumbing	Gary Moreland		20,000	20,000				20,000	
RJ Mitchell - Upgrade Small Power	Electrical upgrade	Gary Moreland		25,000	25,000				25,000	
RJ Mitchell - Upgrade to Electricals	Electrical Distribution	Gary Moreland		50,000	50,000				50,000	
Mead Primary - Upgrade Lighting	Upgrade Lighting	Gary Moreland		50,000	50,000				50,000	
Mead Primary - Upgrade Small Power	Electrical upgrade	Gary Moreland		50,000	50,000				50,000	
James Oglethorpe - Upgrade Lighting	Upgrade Lighting	Gary Moreland		50,000	50,000				50,000	
James Oglethorpe - Upgrade Small Power	Electrical upgrade	Gary Moreland		50,000	50,000				50,000	
Brady - Upgrade to Electrics	Electrics	Gary Moreland		75,000	75,000				75,000	
				4,062,000	**4,062,000**	**0**	**0**	**0**	**4,062,000**	**0**

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend			Funding Sources		
				£	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
TFL Grants										
Corridors and Neighbourhoods 2017/18 LIF	Various Schemes	Daniel Douglas		2,247,000	2,247,000				2,247,000	
Local Transport Fund 2017/18 LIF	Various Schemes	Daniel Douglas		100,000	100,000				100,000	
Principal Road Maintenance	Various Schemes	Daniel Douglas		435,000	435,000				435,000	
Beam Parkway 2017/18 LIP	funding for this major scheme is indicative pending confirmation from TFL's surface transport Board	Daniel Douglas		599,000	599,000				599,000	
				3,381,000	**3,381,000**	**0**	**0**	**0**	**3,381,000**	**0**

Capital Scheme Name	Scheme Description	Project Manager	Dashboard User	Amount	Profiled Spend				Funding Sources		
Revised Phase 3 & 4 School Programme				£	2016/17	2017/18	2018/19	2019/20 and beyond	Capital Receipts £	Grants & S106 £	Other External £
Phase 3											
Crownfield Jr Expansion 3FE to 4FE - Phase 3	School Expansions (A2330)	Gary Moreland		1,350,000	70,000	280,000	1,000,000			1,350,000	
Broadford Expansion 2FE to 3FE - Phase 3	7 classrooms, small hall and nursery (A2331)	Gary Moreland		3,250,000	50,000	3,000,000	200,000			3,250,000	
Crownfield Inf Expansion 3FE to 4FE - Phase 3	4 classrooms and small hall in new building (A2332)	Gary Moreland		1,650,000	20,000	1,500,000	130,000			1,650,000	
James Oglethorpe Bulge 1.5FE to 2FE - Phase 3	Extension and internal refurbishment (A2333)	Gary Moreland		500,000	250,000	250,000				500,000	
St Peters - 1 to 2 FE - Phase 3		Gary Moreland		1,500,000	1,312,500	187,500				1,500,000	
Gidea Park Bulge - Phase 3	Double demountable classroom, kitchen and parking- providing 2 bulge classes. (A2337)	Gary Moreland		550,000	525,000	25,000				550,000	
Hylands Bulge - Single demountable - Phase 3	Demountable (A2338)	Gary Moreland		125,000	125,000					125,000	
Whybridge Infants Bulge - Demountable - Phase 3	Demountable (A2339)	Gary Moreland		200,000	190,000	10,000				200,000	
Pyrgo Expansion 2 to 3 FE Phase 3	Includes bulge of 6 classroom block installed 2016 (A2357)	Gary Moreland		1,000,000	550,000	450,000				1,000,000	
Whybridge Junior Expansion	Kitchen plus other minor refurbishments	Gary Moreland		500,000	30,000	400,000	70,000			500,000	
Whybridge Infant Expansion	Expansions	Gary Moreland		600,000	30,000	500,000	70,000			600,000	
Clockhouse ARPS - Phase 3	ARPS (A2373)	Gary Moreland		300,000	270,000	30,000				300,000	
Hylands Prim Expansion 2 to 3 FE Phase 3	Includes new attached 6 classroom block in addition to first floor classroom. (A2393)	Gary Moreland		2,500,000	30,000	2,200,000	270,000			2,500,000	
Rainham Village Expansion 2 to 3 FE Phase 3	7 additional classrooms and ancillary facilities and nursery expansion.£250k from early years budget	Gary Moreland		3,000,000	30,000	1,000,000	1,970,000			3,000,000	
Hall Mead ARPS Phase 3	ARPS (A2395)	Gary Moreland		180,000	130,000	50,000				180,000	
Frances Bardsley - Rationalising PAN Phase 3	(A2399)	Gary Moreland		250,000	20,000	220,000	10,000			250,000	
Brady Primary Expansion - 1 to 2 FE Phase 3	Expansions (A2401)	Gary Moreland		3,000,000	30,000	1,000,000	1,970,000			3,000,000	
Emerson Park - Rationalising PAN Phase 3	(A2402)	Gary Moreland		250,000	250,000					250,000	
Mead ARP	ARP	Gary Moreland		375,000		25,000	350,000			375,000	
Elm Park ARP	ARP	Gary Moreland		375,000	25,000	300,000	50,000			375,000	
2 Secondary ARP	ARP	Gary Moreland		800,000	200,000	600,000				800,000	
Redden Court ARP	ARP	Gary Moreland		415,000	415,000					415,000	
Bulge Classrooms	(can we get a breakdown of schools) ????	Gary Moreland		500,000		500,000				500,000	
Marshalls Park - Rationalising PAN		Gary Moreland		250,000		250,000				250,000	
Phase 4											
Parsonage Farm - 3 to 4 FE phase 4	Expansions	Gary Moreland		2,500,000		312,500	2,187,500			650,000	1,850,000
Mead 1FE expansion phase 4	Expansions	Gary Moreland		3,000,000		1,000,000	2,000,000			3,000,000	
Sanders Drapers - 7 to 8 FE phase 4	Expansions	Gary Moreland		4,000,000		500,000	3,000,000	500,000		4,000,000	
Redden Court - 5 to 7 FE Phase 4	Expansions	Gary Moreland		4,000,000		500,000	3,000,000	500,000		4,000,000	
Royal Liberty - 4 to 5 FE Phase 4	Expansions	Gary Moreland		4,000,000		500,000	3,000,000	500,000		4,000,000	
Bower Park - 6 to 7 FE Phase 4	Expansions	Gary Moreland		4,000,000			500,000	3,500,000		4,000,000	
Emerson Park 7 to 8 FE Phase 4	Expansions	Gary Moreland		3,750,000			500,000	3,250,000		3,750,000	
Hall Mead PAN 192 to 210 Phase 4	Expansions	Gary Moreland		600,000			50,000	550,000		600,000	
Marshalls Park 6 to 8 Phase 4	Expansions	Gary Moreland		5,500,000			1,000,000	4,500,000		5,500,000	
Gidea Park - 2 to 3 Phase 4	Expansions	Gary Moreland		2,500,000			400,000	2,100,000		2,500,000	
Newtons - 2 to 3 Phase 4	Expansions	Gary Moreland		2,200,000			400,000	1,800,000		2,200,000	
Early Years											
Towers Infants Nursery Phase 3	A2396	Gary Moreland		640,000	54,000	500,000	86,000			640,000	
Crownfield Infants Nursery Phase 3	A2397	Gary Moreland		420,000	40,000	340,000	40,000			420,000	
James Oglethorpe Nursery expansion	Expansions	Gary Moreland		560,000	30,000	517,000	13,000			560,000	
Old School House Nursery Expansion	Expansions	Gary Moreland		296,000	20,000	260,000	16,000			296,000	
Rainham Village Primary Nursery	Included in A2394	Gary Moreland		250,000		250,000				250,000	
Mead Nursery		Gary Moreland		250,000	10,000	20,000	220,000			250,000	
Mawney Early Years		Gary Moreland		450,000	450,000					450,000	
Parklands Early Years		Gary Moreland		150,000	150,000					150,000	
Wykeham Early Years		Gary Moreland		300,000	300,000					300,000	
Other											
Avelon (Corbets Tey) Post 16 SEN provision Phase 3	(A2336)	Gary Moreland		1,400,000	450,000	850,000	100,000			1,118,000	282,000
Havering Pupil Referral Services Initiative	(A2382)	Gary Moreland		4,400,000	170,000	3,000,000	1,230,000		4,400,000		
Unallocated Phase 4 Monies		Gary Moreland		98,861				98,861		98,861	
				68,684,861	**6,226,500**	**21,327,000**	**23,832,500**	**17,298,861**	**4,400,000**	**62,152,861**	**2,132,000**

Funding			
Old Basic Needs		6,700,000	
Unallocated Phase 1 funding		294,000	
unallocated Phase 2 funding		1,750,000	
2016/17 Basic Needs Grant		15,355,000	
2017/18 Basic Needs Grant		16,756,000	
Secondary S106 Funds earmarked for Post 16 SEN		1,000,000	
Interest on S106 funds not yet earmarked			282,000
Early Years Funding - Capital Grant		422,000	
Early Years Funding - Topslice of DSG			1,850,000
2018/19 Basic Needs Grant		10,941,000	
Additional Early Years Grant (subject to bid)		1,434,861	
2019/20 Basic Needs Grant (estimated)		5,000,000	
Education S106 contributions		2,500,000	
Contribution from Education Maintenance Programme			
Contingency and Receipts for PRU	1,160,000		3,240,000
Total Funding	**1,160,000**	**62,152,861**	**5,372,000**
Shortfall in funding	3,240,000	0	-3,240,000

APPENDIX J

THE LEGAL FRAMEWORK GOVERNING BUDGET DECISIONS

1. The Council is required to set a Council Tax for 2017/18 before 6 March 2017. 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 2015 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 s151 Officer 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 Chief Financial Officer 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/she 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.

APPENDIX K

Over the past four months, Havering's Senior Leadership Team and Cabinet have been working on a new vision for the borough. This new vision incorporates the key values of 'Clean, Safe and Proud' but seeks to position Havering to take full advantage of new and emerging opportunities for our residents and businesses. The vision and branding seeks to better position Havering as a forward looking, exciting place to work, live and invest.

We want our residents to feel proud and safe in a clean environment, but we want to go beyond this and take a more outward-facing approach. Our new vision: 'Havering – Making a Greater London', is about both embracing the best of what Havering has to offer, but also how we as a borough can play an active role in the success of the whole of London. **Our vision is focused around four cross-cutting priorities: Communities, Places, Opportunities and Connections.** Underpinning these themes will be outcomes that the Council will seek to deliver and success will be measured and reported through performance processes. These key themes and outcomes will provide the basis for the new Corporate Plan, service plans and future financial strategies.

In the last month, we have shared this vision with business leaders, residents, education stakeholders, public and voluntary sectors and Cabinet at a series of engagement sessions. We are pleased to note that feedback has been widely positive; our partners are on board and excited to be part of delivering this vision for the borough.

The current set of outcomes are detailed below:

<u>Communities making Havering</u>

Healthy and Active Lives

- We will help residents to make good lifestyle choices so that they are less likely to experience poor health and need help from public services.
- We will work with health and community partners to tackle health inequalities including obesity and smoking; and the harm caused by drug and alcohol abuse.

A good start for every child to reach their full potential

- We will ensure that every child has access to a great education. We will support our primary and secondary schools to develop a strong strategy to achieve the best outcomes for Havering's children.
- We will help families that need support to provide children with a consistent and stable family environment, giving them the best start in life and a happy childhood.

Families and communities look after themselves and each other

- We will work with communities to develop resilient and inclusive neighbourhoods. This will be achieved through engaging with communities about issues that matter to them.

Supporting vulnerable residents in our communities

- We will continue to work with partners to provide the most vulnerable people in our communities with the most efficient and effective social care services.
- We will ensure that children and young people in and leaving our care enjoy stability and are supported to succeed in all areas of their lives.
- We will offer adults in care the choice and control they need to work towards more independent and stable lives.

Places making Havering

A clean, safe environment for all

- We will work with enforcement agencies and local residents to make sure people feel safe and are safe.
- We will work with partners to provide a high-quality environment for residents, businesses and visitors. The borough will have streets, neighbourhoods and public spaces that are clean and well-maintained.

High-quality homes

- High-quality, suitable and affordable homes will be delivered to meet the needs of the growing population and support economic growth.
- We will continue to invest in our housing stock, ensuring decent, safe and high standard properties are provided for our residents.

Award-winning parks and open spaces

- We will continue to work with residents to improve our award-winning parks and open spaces.
- Our parks and open spaces will provide opportunities for sport, entertainment and healthy recreation, encouraging our residents to be fit and active.

A vibrant cultural and leisure destination

- Our residents will have access to vibrant culture and leisure facilities wherever they live.
- Working with our partners we will continue to invest in our town centres to provide a distinct offer that will attract businesses, residents and visitors.

Opportunities making Havering

First-class business opportunities

- We will provide first-class business opportunities by supporting commercial development opportunities.
- We will facilitate the expansion of CEME and capitalise on the London Riverside Opportunity Area.
- We will continue to attract inward investment and actively support the government's target to spend a third of its budget on small businesses by 2020.

High-quality skills and careers

- We will continue to set an example for businesses by developing the skills of our workforce by supporting traineeships, apprenticeships and graduate programmes.
- We will work with businesses to secure investment in high-quality skills and careers including through the new Apprenticeship Levy.

Dynamic development and infrastructure

- We will deliver a number of development projects, such as the Romford Leisure Development, to attract more investment, businesses and visitors to the borough.

A thriving local economy

- We will work with employers, investors and partners to ensure sustainable economic growth that generates local wealth and opportunities.

Connections making Havering

A digitally-enabled borough

- We will work with businesses and partners to improve Broadband and Wifi connectivity across the borough, benefiting those who live, work and visit Havering.
- We will be more connected to our residents and businesses through an accessible and easy-to-use new website and will support residents to become more confident to access council services online.

Capitalising on our location and connectivity

- We will promote Havering's key connections to central London, as well as its national and international links.
- We will enable residents to capitalise on Havering's location with the opening of the borough's three Crossrail stations by 2019 and Beam Park station by 2020.

Fast and accessible transport links

- We will enhance our transport network to ease congestion within the borough.
- We will continue to lobby for improved transport infrastructure to support regeneration and place shaping.

Access to jobs and opportunities

- We will ensure that residents are able to access employment and training opportunities locally.
- Through investment in business development and the improving transport network, we will ensure that the borough maximises employment, high quality skills and career opportunities.

These outcomes will inform the priorities in the budget and medium term financial plan. Council will receive a further report expanding on this high level vision linked to Service Planning and future performance measures in April.

SCHEDULE OF FEES AND CHARGES

(as detailed below)