

<p style="text-align: center;">COUNCIL SUPPLEMENTARY AGENDA</p>
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22 February 2012

- 6 THE COUNCIL'S BUDGET 2012/15 (Pages 1 - 14)**
- (i) **Annex B – Draft Cabinet Minutes** attached
 - (ii) **Residents’ Group amendments – advice of Chief Financial Officer** attached

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DRAFT MINUTES OF THE CABINET MEETING 8 FEBRUARY 2012

54 THE COUNCIL'S BUDGET 2012/2015

Councillor Roger Ramsey, Cabinet Member for Value, introduced the report.

The report before Cabinet members outlined the context within which the 2012/13 budget had been set and identified the Council's overall policy direction, statutory duties and financial strategy.

The Council's budget reflected the level of funding allocated to it by the Government. Since the General Election, the Coalition Government had made a series of announcements, recently culminating with the announcement of the provisional Local Government Settlement. This was expected to be the last such announcement under the existing funding regime.

In anticipation of the changes that the various announcements had brought about, and in response to the Emergency Budget announced in 2010, Cabinet previously agreed a range of savings proposals in July 2010, and again in July 2011, designed to deliver savings approaching £36m. These proposals were in the process of being implemented, subject to consultation where appropriate.

The provisional settlement had been announced on 8 December, details of which were included in the previous report to Cabinet. In the light of the ongoing financial climate, information on a small number of budget pressures and savings proposals had been released for formal consultation in January and as part of this process, was submitted to the joint Overview and Scrutiny Committee. The results of the consultation were set out in the report. Subject to any further changes made by Cabinet arising from the consultation and scrutiny, the report set out the factors being recommended for inclusion within the 2012/13 budget.

The report explained that the anticipated position was that there would be no increase to the Havering element of the Council Tax, based on the assumptions regarding the East London Waste Authority (ELWA) levy as set out in the report. In a supplementary information report circulated in advance of the meeting, Cabinet members were informed that the final ELWA budget had changed from that previously indicated. It was noted that the final budget showed no overall increase in the levy, whereas it had previously been expected that there would be an increase in the region of 4-5%. Set against the Cabinet report, this meant a reduction £438k in the forecast ELWA levy.

In addition, final confirmation of the proposed Greater London Authority (GLA) precept had been received subsequent to the issuing of the Cabinet report. The Mayor had announced that he intended to reduce the GLA Band D figure by

1%. This would produce a GLA precept for residents of the 32 London Boroughs in 2012/13 as £306.72 per Band D property, a reduction of £3.10.

A revised version of the levies summary, Appendix D and Council Tax statement were included in the supplementary information report to Cabinet members.

With the revisions as detailed above, there would be a 0.21% decrease in Council Tax. The revised band D figure would remain at £1,501.90.

The report also provided details of the various components of the budget with associated appendices.

Reasons for the Decision:

The Council is required to set a budget for 2012/13 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.

Cabinet:

A – In view of the need to balance the Council's policies, statutory requirements, government initiatives, inspection regimes and Council Tax levels:

1. Considered the advice of the Chief Finance Officer as set out in Appendix H when recommending the Council budget.
2. Considered the comments received during the consultation exercise with the Joint Overview and Scrutiny Committee the details of which were set out in Appendix J of the report.
3. Approved the Council's General Fund draft budget as set out in Appendix E of the report and in the Supplementary Information report, formulated on the basis of:
 - the budget adjustment items shown at Appendix F
 - the other assumptions set out in the report.
4. Approved the delegated schools' draft budget as set out in Appendix E.
5. Approved the establishment of the Special Corporate Budget Provision as set out in paragraph 3.15.8 of the report

6. Agreed to delegate to the Chief Executive and Group Directors to make any necessary changes to service and the associated budgets relating to any subsequent specific grant funding announcements, where delays might otherwise adversely impact on service delivery and/or budgetary control, subject to consultation as appropriate.
7. Agreed to delegate authority to Group Directors for the approval of any spending plans for new sources of funding where these exceed £250,000, in consultation with the relevant Cabinet Member.
8. Approved the schedule of Fees and Charges set out in Appendix K, with any recommended changes in year being implemented under Cabinet Member delegation.
9. Approved the Capital Programme for 2012/13 as set out in the report and Appendix I.
10. Agreed to delegate authority to the Chief Executive and Group Directors to implement the 2012/13 capital and revenue proposals once approved by Council unless further reports or Cabinet Member authorities were required as detailed.
11. Agreed that information be made available to members of the public, staff, trade unions, etc, explaining the decisions made by Cabinet, and the final decision on the Council Tax setting.
12. Agreed to delegate to the Cabinet Member Value and the relevant service area Cabinet Members authority to commence tender processes and accept tenders where these relate to Capital schemes within the Capital Programme.
13. Agreed to delegate to the Chief Executive authority to consider the comments of the trade unions and to reflect any changes and/or comments in the recommendations to Council.

B - Agreed:

1. To recommend to Council the General Fund budget, and the Council Tax for Band D properties, and for other Bands of properties, as set out in the Appendices to the Cabinet report and the Supplementary Information report, as revised and circulated for the Greater London Authority (GLA) Council Tax.
2. To recommend to Council the delegated schools' budget, also as set out in Appendix E.
3. To recommend to Council for adoption the budget strategy statements set out in Appendix B.

4. To recommend to Council that a resolution be passed based on the proposals as set out in this report in order to set the Council Tax as set out in the Supplementary Information to the Cabinet report.
5. To recommend to Council to pass a resolution as set out in section 8.4 of the Cabinet report to enable Council Tax discounts to be given at the existing level.
6. To recommend to Council the Capital Programme for 2012/13 as set out in Appendix I.
7. Recommend to Council to agree that the Capital Programme be expanded for schemes during the year which are funded via external funding under the authority of the Cabinet Member Value and the relevant service area Cabinet Members.

C - Noted:

1. The monitoring arrangements for 2012/13.
2. That further reports on the proposed new funding system, based on the localisation of business rates, will be brought to Cabinet as further information becomes available.
3. The prospects for 2013/14 and beyond, which indicate a very challenging financial environment still lies ahead, with little indication of any significant change, and that the need for continued financial prudence is especially important.
4. That supplementary information will be provided to Cabinet where information is awaited, such as from external bodies such as the GLA and the other levying bodies.
5. That any further reductions in grant funding introduced by the Government subsequent to the setting of the budget will be reported back to Cabinet, together with any consequent recommendations on maintaining financial stability.
6. That a further report will be brought to Cabinet setting out detailed plans for investment in primary school places.
7. That the Government has provisionally set the multiplier for National Non Domestic Rate at 45.8p in the pound standard and 45.0p in the pound for small businesses.
8. The effect of Council Procedures with regard to the moving of any amendment to the Council Tax Setting report.
9. That consultation with the Trades Unions will continue in respect of any proposals within the Budget that have an impact on staff.

10. That service budgets would be adjusted to reflect latest inflation estimates.
11. The virement and contingency rules set out in Appendix G.
12. That the expected one-off New Homes Bonus grant funds will be used to finance further Streetcare works and Business Investment activity.
13. That any reductions in the expected level of the levies would be applied in a similar manner.
14. The indicative Capital Programme for 2013/14 to 2014/15 as set out in the report and Appendix I.
15. That the Treasury Management Strategy was presented to Cabinet concurrently with this report as a separate agenda item.
16. That **Midnight on Monday 13th February 2012** is the deadline for amendments to the Council Tax Setting and Budget Report.

55 **HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN 2012 - 2042, HRA BUDGET FOR 2012/13 AND HRA CAPITAL PROGRAMME 2012/13 - 2014/15**

Councillor Lesley Kelly, Cabinet Member for Housing and Public Protection, introduced the report

The report set a budget for the Council's Housing Revenue Account (HRA). It was noted that the position for 2012 onwards was different from previous years because the Government had enacted changes to the way in which Housing Revenue Accounts were set and managed, known as "Self Financing". The report therefore introduced the Council's first Self Financing Business Plan, as well as setting a budget for the first year of the Plan.

The HRA remained a ring-fenced account that was used to manage the Council's own housing stock. The proposed budget would enable the Council's Arm's Length Management Organisation, Homes in Havering, to manage the stock to a reasonable standard for the time being, and to deliver the next phase of the Council's Decent Homes Programme.

The HRA also enabled the Council's retained housing services to be delivered to a reasonable standard. It further set rents, service charges and other charges for Council tenants for the year 2012/13. The Council's main source of income to manage its housing stock was tenants' rents. The Government controls rents by applying a formula called "rent restructuring". It was reported that since the introduction of the restructuring system in 2002/03, the date at which council and housing association rents were expected to converge had been amended by the government to 2015/16.

It was noted that the Council had to meet the target rent by or as soon as possible after 2015/16. Until meeting the target rent, there was no avoiding the fact that the national rent formula requires tenants' rents to increase by an amount above the basic annual increase amount of RPI (in September of the preceding year) + 0.5%. The government had, however, capped the steepness of the annual increase to no more than £2 a week above the RPI + 0.5% increase.

In 2011/12, the average rent in Havering was £74.44. Applying the formula of RPI (at September 2011) + 0.5% + £2, gave an increase of £6.86 a week, that is, 9.22%. The average rent in 12/13 would therefore be £81.30.

In response to concerns raised in respect of the 9.22% rent increase, the Cabinet member advised that Council tenants who received housing benefit would not be affected by the increase as it remained under the Housing benefit cap. For those Council tenants who did not receive housing benefit, a benefit assessment would be offered should tenants be significantly affected by the rent increase.

Reasons for the decision:

A decision was required to set rents and service charge for tenants of the Council in order to ensure that there was sufficient income to be able to manage and maintain the housing stock. The Council must also adopt a Business Plan to demonstrate how it will meet its obligation to pay its share of the national housing debt."

Options considered.

Option 1: not to increase rents and service charges. This was rejected as rising staff and building costs mean that it is important to maintain a healthy balance on the Housing Revenue Account.

Option 2: to set rents at lower than the guideline rent increase. This was rejected because Havering's Council rents are the lowest in London, and rents are considerably lower than Government target rents.

Cabinet Agreed:

1. The Housing Revenue Account Budget as detailed in Appendix 1 to the report.
2. The Retained Housing Service budget as set out in paragraph 5.8 of the report, including the addition of a Housing Occupational Therapist on a fixed term basis for two years, representing growth of £40,000 in 2012/13, to work exclusively on assessing the suitability of HRA properties identified for tenants and/or prospective tenants with a disability, and specifying the necessary works, thus better matching properties and minimising delays and void periods.
3. The base Management fee for Homes in Havering of £20.639m, as set out in paragraph 3.2 of the report.

4. To delegate approval of the Homes in Havering Budget and Delivery Plan to the Cabinet Members – Value and Housing & Public Protection, acting on advice from the Group Directors for Finance & Commerce and Culture & Community.
5. The detailed expenditure items in the 2012 – 2013 HRA Capital Programme, based on total resources of £34.338m, as presented in Appendix 2 of the report, and agreed to refer the Programme to Council for final approval for expenditure.
6. The proposed HRA Capital Programmes for 2013/4 and 2014/15, as set out in Appendix 3 of the report, and agreed to refer the programmes to Council for final approval for expenditure **subject to** release of Decent Homes grant by central government in those two years.
7. The detailed expenditure items in the funded HRA Capital Programme for 2013/14 to a limit of £15.78m based on the resources in the HRA Business Plan excluding the Decent Homes grant yet to be confirmed, as set out in Appendix 4 of the report, and agreed to refer the programme to Council for final approval for expenditure.
8. That the Council retain Abercrombie House for use as temporary hostel accommodation and allocate £490,000 from the 2012/13 HRA Capital Programme to carry out internal remodelling of the building beyond the Decent Homes obligations and to reconfigure the outside space.
9. That the average rent for Council properties owned by the London Borough of Havering be increased by £6.86, from £74.44 to £81.30 (9.22%) with effect from 2nd April 2012, in line with the Government's policy to restructure rents. This would mean in effect that rents were increased as set out in the table below:

	Rent 2011/12 – 52 weeks	Rent 2012/13 – 52 weeks	Increase (£)	% increase
Bedsit	£57.51	£63.01	£5.50	9.56%
1 Bed	£60.96	£67.56	£6.60	10.83%
2 Bed	£73.59	£80.33	£6.74	9.16%
3 Bed	£89.91	£97.31	£7.40	8.23%
4 Bed	£102.51	£110.68	£8.17	7.97%
5 Bed	£113.59	£122.20	£8.61	7.58%
Average Rent	£74.44	£81.30	£6.86	9.22%

10. That the rent free weeks for 2012/13 be w/c 27 August 2012, the two weeks commencing 17 December 2012, and the week commencing 25 March 2013.
11. That tenants' service charges and heating and hot water charges for 2012/13 be increased or decreased as follows:

Service Charges reviewed and recommended	2011/12 Weekly Charge – 52 weeks	2012/13 Weekly Charge – 52 weeks	Increase (decrease)	% increase (decrease)
Caretaking	£3.35	£3.41	£0.06	1.65%
Internal Block Cleaning	£0.42	£0.71	£0.29	70%
Bulk Refuse Collection	£0.46	£0.49	£0.03	6.1%
CCTV - Mobile Service	£0.55	£0.55	0	0%
CCTV - Static Service	£1.30	£1.30	0	0%
Neighbourhood Wardens	£0.98	£0.85	(£0.13)	(13.65%)
Door Entry	£1.97	£1.38	(£0.58)	(29.6%)
Ground Maintenance	£2.57	£2.57	0	0%
Sheltered Cleaning	£2.52	£2.67	£0.15	6.1%
TV access	£1.25	£1.25	0	0%
Heating	£10.85	£10.85	0	0%
Hot Water	£8.22	£8.22	0	0%

12. That the service charge for homeless households accommodated in the Council's hostels be increased by 6.1% to £23.33 a week.
13. That charges for high and medium demand garages be increased by 2.5% and that rents for low demand garages be frozen.
14. That support charges for mobile support for older people be increased by 6.1% as follows:

Service	Weekly support charge in 2011/12 – 52 weeks	Weekly support charge in 2012/13 – 52 weeks
Support – low level	£4.83	£5.12
Support – medium level	£9.65	£10.24
Support – high level	£12.07	£12.81
Community support (previously called 'Itinerant round')	£1.04	£1.10

15. That the Careline support charge for sheltered tenants be increased by 6.1% as follows:

Service	Weekly support charge in 2011/12 – 52 weeks	Weekly support charge in 2012/13 – 52 weeks
Careline – sheltered tenants	£3.86	£4.10

16. To leave the Careline support charge for community users unchanged to avoid two increases within 12 months as the charge was last increased in September 2011.

17. That Telecare support charges be increased by 6.1% as set out below:

Service	Weekly support charge in 2011/12 – 52 weeks	Weekly support charge in 2012/13 – 52 weeks
Telecare – base unit plus two sensors	£6.00	£6.37
Additional telecare sensor	£1.00	£1.06

18. To put in place transitional arrangements to correct the undercharging, by £4.18 a week, of tenants in the former Hornchurch mobile support pilot scheme, whereby the full charge would be gradually increased over the five year period 2012/13 to 2016/17 inclusive for the 13 tenants paying for this service; for 2012/13 this amounts to a weekly charge (52 weeks) of £0.84.

19. To approve the Council's Self Financing Business Plan as set out in Appendix 5 of the report.

56 **TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2012/13**

Councillor Roger Ramsey, Cabinet Member for Value, introduced the report.

The report explained that the Council was required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports were required to be adequately scrutinised by committee before being recommended to the Council; a role which was undertaken by the Council's Audit Committee.

The subject of the report before Cabinet members was the 'Prudential and Treasury Indicators and Treasury Strategy'. The report covered the following areas:

- the capital plans (including prudential indicators);

- a Minimum Revenue Provision Policy (how residual capital expenditure was charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings were organised) including treasury indicators; and
- an investment strategy (the parameters on how investments were managed).

The Treasury Management Strategy Statement, which incorporates the Minimum Revenue Provision Policy Statement and the Annual Investment Strategy, were attached as an appendix to the report.

Reasons for the decision:

The statutory Codes set out that the Council ought to approve a Treasury Management Strategy Statement, the Minimum Revenue Policy Strategy and the Annual Investment Strategy for 2012/13.

Other options considered:

There were no good reasons to depart from the provisions of the relevant Codes.

Cabinet:

Recommended to Council that the Treasury Management Strategy Statement (TMSS) which incorporates the Minimum Revenue Policy Strategy and the Annual Investment Strategy 2012/13, be approved.

DRAFT

Report of the Chief Executive on the Proposed Amendments to the Budget

ADVICE IN RESPECT OF RESIDENTS GROUP BUDGET AMENDMENTS

The Council Procedure Rules state (Constitution, Part 4 Rules of Procedure, rule 11):

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".

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)."

These amendments are acceptable for consideration in accordance with the Procedure Rules as stated above subject to Council having regard to the comments set out below.

The impact of the proposal would have no net overall effect on the proposed Council Tax level, as there is no net overall addition to the proposed Budget Requirement. This would therefore mean that Council Tax at Band D would remain as follows:

	£	%
Havering	1,195.18	0.00%
GLA	306.72	0.00%
Total	1,501.90	0.00%

If the budget amendment was agreed, the Council resolution would remain as stated in the Council papers.

On specific matters:

- (i) Special Responsibility Allowances; should the amendment be approved, Council will need to consider an amendment to the Members' Allowance Scheme that appears elsewhere on this agenda. This is to ensure that the Scheme reflects the proposals and delivers the proposed reduction.

It is important to also note the following:

- (a) The budget for the Members' Allowance Scheme is set at a level that assumes a certain level of dual roles. Where this is not the case and additional provision is required, it is met from contingency. Recent years have resulted in this being the case, although not to any material extent. The proposals therefore would probably reduce overall spend and therefore the budget, but the exact savings achieved would then depend on how each role is then filled. There would thus be some risk that a call would be needed on the contingency fund, therefore reducing the level of contingency available for other issues
- (b) In October 2001, the Council accepted the principle of aligning Havering's Members' Allowance Scheme with the recommendations of the Independent Remuneration Panel. There followed a further review in December 2006 which the Council used to inform the current Members' Allowance Scheme. This included due regard, when setting Special Responsibility Allowances, to the bandings suggested for remuneration of positions. Any changes to the Scheme would therefore need to reflect this principle.
- (ii) Car Parking Charges in Parks ; this proposes the reversal of one savings item included within the report to Cabinet of July 2011. The savings proposal is intended to generate additional income of £40k a year – offset in the first year by costs of £20k – from the introduction of charging for parking for commuters using the Council's parks. The proposal would reverse this saving and see its removal from the budget. There will be some abortive costs, as some preparation has already been undertaken in anticipation of

the implementation of the charges, but as they are broadly independent of other parking charges, there would be no other impact.

- (iii) Christmas/New Year Parking Arrangements; under this proposal, the existing scheme of charging would be changed, with a period of free parking being allowed for the first two hours in all Council managed car parks across the borough, during the Christmas period. This would apply to the period between Christmas and New Year, as well as the two weekends immediately preceding the Christmas period. There will be some costs associated with this change, such as adaptations to ticket machines, and a provisional estimate has been made, which is reflected in the proposal, but this has yet to be verified by officers. However, this would need to be reviewed in more detail to verify the exact costs that would be incurred. There are possible implications for other car park facilities, especially in central Romford, as these are expected to be in line with those of the Council in accordance with an original S106 agreement. Otherwise, subject to verification of the costs, this proposal would increase the net overall cost of the parking function.
- (iv) Investment in roads and pavements; there are already proposals within the budget report to make a further, one-off investment, in roads and pavements, resulting from one-off gains from the New Homes Bonus and the ELWA levy. This would increase the scale of investment for 2012/13, with a small residual sum for the following year. These figures would need to be reviewed once the Christmas/New Year parking costs have been verified, and adjusted accordingly if the costs increase beyond those so far estimated.

These proposals do not affect the Council Tax level, and although the proposed amendments have degrees of risk associated with them, and further work is needed by officers on the Christmas/New Year parking proposal, the sums involved are not of great financial significance. This does mean that, should the amendment be accepted, the overall budget is unlikely to carry a higher risk than currently. The amendments themselves represent no overall net adjustment to the Council's overall budget. Members are, however, reminded of the risks, and the advice of the Chief Finance Officer on budget robustness, which are set out in the budget report.

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