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Havering
LONDON BOROUGH

CABINET

7.30 pm	Wednesday 23 January 2013	Council Chamber - Town Hall

Members 10: Quorum 5

Councillor Michael White (Leader of the Council), Chairman

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

Ian Buckmaster
Committee Administration & Member Support Manager

For information about the meeting please contact:
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Webcast

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

AGENDA

1 ANNOUNCEMENTS

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

2 APOLOGIES FOR ABSENCE

(if any) - receive

3 DECLARATIONS OF INTEREST

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

4 MINUTES (Pages 1 - 6)

To approve as a correct record the minutes of the meeting held on 12 December 2012, and to authorise the Chairman to sign them.

5 REPORT OF THE VALUE OVERVIEW & SCRUTINY COMMITTEE - REQUISITION OF EXECUTIVE DECISION CONCERNING THE DISPOSAL OF THE FREEHOLD INTEREST IN THE OLD WINDMILL AND CAR PARK, ST MARY'S LANE, UPMINSTER

Report to follow if requisition is upheld at the meeting of the Committee on 17 January 2013.

6 LOCAL GOVERNMENT ASSOCIATION CORPORATE PEER CHALLENGE OUTCOME AND ACTION PLAN (Pages 7 - 34)

7 THE COUNCIL'S FINANCIAL STRATEGY (Pages 35 - 108)

8 DELIVERY STRATEGY - DELIVERY OF HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME 2013-15 (Pages 109 - 126)

9 CORPORATE PERFORMANCE REPORT 2012/13 - QUARTER 2 (Pages 127 - 148)

MINUTES OF A CABINET MEETING
Council Chamber - Town Hall
Wednesday, 12 December 2012
(7.30 - 8.15 pm)

Present:
Councillor Michael White (Leader of the Council), Chairman

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

An apology was received for the absence of Councillor Andrew Curtin.

Councillors Clarence Barrett, Keith Darvill, David Durant and Keith Wells were present for the duration of the meeting.

1 members of the public attended the meeting.

The decisions were agreed with no vote against.

There were no disclosures of pecuniary interest.

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

34 **MINUTES**

The minutes of the meeting of Cabinet held on 21 November 2012 were agreed as a correct record and signed by the Chairman.

35 THE COUNCIL'S FINANCIAL STRATEGY

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

Over the course of the previous two years, the Council had agreed a package of savings to mitigate the impact of very significant cuts in central government funding to local authorities.

Government plans for radical changes to a number of areas were announced over this period, with more detail gradually emerging. These changes would fundamentally alter the way in which local authorities were funded, the details of which had been reported to Cabinet previously.

The report updated Cabinet on recent developments since the report was last considered in November 2012. Updates on the following areas were detailed in the report:

- Localisation of business rates
- Localisation of Council Tax support
- School Funding & Pupil Referral Units
- Capital funding.

This report also sets out the position in the current financial year, and other relevant issues, as these need to be taken into account in developing the detailed budget for 2013/14.

Reasons for the decision:
It was essential that the Council's financial strategy took due account of Government plans, and any other material factors where these were likely to have an impact on the Council's financial position. The report provided an update to Cabinet on issues relevant to the budget setting process.

Other options considered:
None. The Constitution required this as a step towards setting the Council's budget.

Cabinet AGREED:

1. To note the current position with developments relating to the funding of local authorities and other related changes.

2. To approve the revenue and capital strategy statements, as set out in Appendix A of the report, and recommend their adoption to Council.

3. To note that the general economic climate remains gloomy and this raises the prospect of a lengthy period of austerity with a consequent impact on public sector funding.

36 LOCALISATION OF COUNCIL TAX SUPPORT: CONSULTATION RESPONSE

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

Previous reports to Cabinet had raised awareness of the Government's intention to abolish the national Council Tax Benefit Scheme and enable Local Authorities to replace it with new local schemes from April 2013.

It was explained that Local Authorities had been challenged to devise and implement a local council tax support scheme within a limited period that would also meet a 10% reduction in Government expenditure. For Havering, this was a financial pressure of £1.9 million which had been found primarily from the proposed council tax reforms and the new parameters for the local council tax support scheme.

The report and appendices summarised the proposed changes to discounts and exemptions arising from the council tax reforms and Havering's draft local council tax support scheme. Details of the formal consultation with residents, persons affected and the Greater London Authority (GLA) were contained within the report. The Cabinet Member expressed his thanks to those members of the public who submitted responses to the consultation.

It was announced that Government Ministers had offered Councils a share of £100 million to assist the transition from council tax benefit to local council tax support, the details of which were also explained in the report.

In addition, the position with regard to funding the implementation and administration of the draft local scheme and the implications for council tax collection were addressed in the report.

Reasons for the decision:
The report was prepared as a result of the Local Government Finance Act 2012 which requires the Council to design a Local Council Tax Support Scheme to support people who are liable to pay Council Tax and who are in financial need.

Other options considered:
The options available were summarised in the detail of the report, with and a more detailed explanation provided in Appendix A of the report. The related equality impact assessments for each option could be found in the 11 July 2012 Cabinet Report papers.

Option	Projected Saving £	Impacts
1. Absorb 10% reduction into council financial reserves.	1.9 mil	No impact on Council Tax Benefit claimants or wider Council Tax
2. Restrict Council Tax liability to 80% for benefit purposes.	1.9 mil	All working age Council Tax Benefit claimants
3. Reduce Council Tax Benefit by 18%	1.8 mil	All working age Council Tax Benefit claimants
4. Restrict benefit to average band D award, increase taper & non dependant deductions	1.8 mil	All working age Council Tax Benefit claimants, particularly those with non-dependants in household.

5. Restrict benefit to average band D award, increase taper & non dependant deductions, reduce premiums	1.8 mil	All working age Council Tax Benefit claimants
6. Increase Council Tax in line with technical reforms.	1.8 mil	Direct impact on the wider Council Tax collection for residents with certain discounts and exemptions
7. Increase Council Tax for all tax payers by £22 per year.	1.85 mil	All residents in borough not claiming maximum CTS (approx 87,000)
8. Restrict benefit to band D, increase non dependant deductions, increase council tax for second homes in line with technical reforms.	1.8mil	Working age claimants who have non dependants or who reside in properties banded E to H. Also affects people who have second homes or homes that are not inhabited

Cabinet AGREED:

1. To approve and recommend to Council the adoption of the proposed local council tax support scheme as set out in Appendices A & E of the report.

2. To approve and recommend to Council the proposals to vary the discounts in respect of certain classes of empty dwellings as summarised in Appendix A of the report.

3. To note the responses to consultation on council tax support and the council tax technical reforms

4. To note the financial pressure of a £1.9 million reduction in government grant for council tax support in 2013/14.

5. To note the content of the transitional grant scheme and recommend to full Council the deferral of the band D restriction to local council tax support to April 2014.

6. To recommend to Council the delegation of responsibility to make any minor and consequential changes necessary to the detailed provision as a result of any changes to the draft regulations upon which the scheme is based to the Director of Finance & Commerce and the Portfolio Lead Member.

37 **HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME 2013/14 AND 2014/15**

Councillor Lesley Kelly, Cabinet Member for Housing, introduced the report

The report before Cabinet sought approval of certain key elements of the 2013/14 Housing Revenue Account (HRA) capital programme in advance of recommendations on the full programme which would be brought to Cabinet later in the financial year together with the proposed HRA revenue budget for 2013/14.

Early approval of resources for particular elements of the Decent Homes programme, such as window replacements and new kitchens and bathrooms, was sought. A beneficial result of the introduction of HRA self-financing this year and confirmation of future years' Decent Homes Grant, was that the Council is in the position for the first time ever of having a clear view on future housing capital availability without having to rely on the Annual Subsidy Determination. This would typically not be available until late December.

It was explained that the ability to forward plan means that the Council can commit capital resources earlier than previously, thus allowing commencement of consultation and negotiation with tenants, leaseholders and contractors before year end, ready for expenditure in the first quarter of next year. Previously, approval of the capital programme in February and March, at the earliest, had resulted in a lull in capital programme delivery in the first quarter of the financial year while the necessary pre-contract consultation and negotiations were completed. This could place in-year delivery at risk.

Reasons for the decision:
The reasons for seeking approval of certain elements of the 2013/14 HRA Capital Programme now, rather than waiting for full HRA Budget report due in February 2013 are:

1. Section 20 consultation with leaseholders affected, that is, the statutory right leaseholders have to be consulted about works for which they will be charged, could not commence until budgets have been approved. As it is governed by legislation and can have a direct impact on the choice of contractors and/or specification of works, the section 20 process must be completed prior to the letting of a contract, and can take from one to three months to complete. The contracts to replace windows in flatted blocks and carry out more substantial works to tower blocks require section 20 consultation. Approval of these elements of the HRA Capital Programme at this stage will allow the section 20 consultation to be completed before the beginning of 2013/14, thus allowing work to commence in quarter 1. This overcomes the lull in works otherwise typical in quarter 1

2. Programmes that run across years, for example, kitchen and bathroom replacements, have to date had to halt at year end/year start because resource approval is only given in February / March. It is more cost-effective to let contracts for the following year before year start, although of course, expenditure would not be incurred before year start. This enables contractors to gear up for delivery in quarter 1 and/or keep operatives on-site, and can enable more cost-effective quotes as the risk of stopping the programme in the subsequent year in removed.

Other options considered:

1. To wait until February 2013 to seek Cabinet and Council approval of the 2013/14 HRA Capital Programme – this was rejected because capital resources in the HRA are known now and so to delay *all* elements of the Programme until February would mean that the Council would be continuing to needlessly delay expenditure within the Capital Programme until the second quarter of the next financial year as it has had to do until now

2. To seek approval now of the *entire* 2013/14 HRA Capital Programme – this was rejected because although there is greater certainty about capital resources for next year, the exact allocation across all the competing priorities within the HRA would be best achieved by aligning the final full programme with the HRA budget-setting process. Put simply, the time and financial efficiencies of earlier than usual approval of the programme only applies to those elements considered in this report.

Following considered, **Cabinet approved** the following allocation of capital resources within the HRA Capital Programme for 2013/14, with onward transmission to Council for approval:

	£'000s in 2013/14
Kitchens	7,900
Windows	1,600
Bathrooms	1,365
Non-traditional houses	1,467
Tower block refurbishment *(for New Plymouth and Napier Houses)*	600
Tower block works beyond Decent Homes *(for New Plymouth and Napier Houses)*	900
Planned preventative maintenance	1,500
Total	15,332

Chairman

Havering
LONDON BOROUGH

CABINET

23 January 2013

Subject Heading:	Local Government Association Corporate Peer Challenge Outcome and Action Plan
Cabinet Member:	Councillor Michael White
CMT Lead:	Cheryl Coppell
Report Author and contact details:	Cheryl Coppell, Chief Executive Cheryl.coppell@havering.gov.uk
Policy context:	Review of Corporate Performance in light of the Transformation Agenda and the Council's Budget position
Financial summary:	N/A
Is this a Key Decision?	No
Is this a Strategic Decision?	No
When should this matter be reviewed?	1 year
Reviewing OSC:	Value

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

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

SUMMARY

The Council invited the Local Government Association (LGA) to undertake a corporate peer challenge, offered free to all Member authorities, which took place in November 2012. Their final report was received in late December and this report informs Cabinet of the content of the review and the actions being taken to address comments contained within it. It is pleasing to note that the review provided very positive feedback to the Council as well as highlighting useful areas for further development.

RECOMMENDATIONS

Cabinet is asked to note the LGA's corporate peer review and agree the following recommendations:

1. Ensure that the budget process continues to invest in change in order to continue to deliver budget reductions through transformation rather than service cuts

2. Delegate to the Cabinet Member for Transformation the task of ensuring the Head of Human Resources and Organisational Development puts in place plans to support the Council's staff through the changes ahead

3. Supports the Member Development Group and its continuing work programme, in particular in developing a wider programme of development events, and urges all Groups to engage more actively in future Member development opportunities.

4. Supports the Chief Executive to ensure that organisational changes continue to provide sufficient resources to deliver transformation, run the Council's services and invest in new areas such as the need to expand the Councils local taxation base and to retain businesses and promote growth.

5. Delegate to the Lead Member for Culture, Town and Communities the consultation and partnership discussions on a revised Community Engagement Strategy

6. Delegate to the Deputy Leader of the Council – Individuals responsibility for continuing to plan effective work between the Council and the local health economy.

REPORT DETAIL

1. BACKGROUND

1.1 As part of the new approach to sector led improvement, the LGA has designed a programme of corporate peer challenges to its Member authorities, which it offers once every three years, free of charge. This new approach encourages high performing local authorities to undertake a peer challenge, where a panel of local government peers (made up of both Members and officers) assess the Council's performance against a range of criteria. In the past LGA peer challenges have been more focused on authorities who were thought to be in need of improvement, although now the challenges are tailored towards individual authorities as a 'critical friend' in order to facilitate continual improvement. and achieve even more for their communities. The challenges are

1.2 In late October 2012, the Council invited the LGA to undertake a Corporate Peer Challenge of Havering Council, to fully test whether the strategies being adopted to transform the Council and deliver savings were thorough and robust, and to test whether a group of peers could identify any new or additional actions the Council could take to continue to improve services to local residents during a time of falling public sector funding.

1.3 Being a relatively new offer to councils, Havering's peer challenge was only the second such challenge to be delivered in London. The peers who delivered the peer challenge in Havering are listed in the attached report.

2. SCOPE OF THE REVIEW

2.1 The LGA's standard offer to councils through the Corporate Peer Challenge looks for evidence that sound and robust governance is in place in the Authority, as well as good financial management and managerial and political leadership. The reviews also look at a theme selected by the authority for further review and challenge. In Havering's case the review team were asked to look in more detail at the way the Council had approached the current budget challenges and how it had handled its transformation programme. The specific terms of reference for the review were:

- Does the Council understand its local context and has it established a clear set of priorities?
- Does the Council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
- Does the Council have effective political and managerial leadership and is it a constructive partnership?
- Are effective governance and decision-making arrangements in place to respond to key challenges and manage change, transformation and disinvestment?
- Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

Within this, there were two strands specific to Havering that the peer team were asked to explore:

- How the cuts through the Havering 2014 transformation programme have been managed
- How well prepared the Council is for the new local government funding regime

3. FINDINGS OF THE REVIEW

3.1 The overall report was very positive in its conclusions about how the Council had delivered savings through the Havering 2014 transformation programme. Though the prime purpose of the review was to learn where the Council could do more or be more effective, it was pleasing that the review team acknowledged the good work that the Council was undertaking already. The report is attached in full as Appendix A and some extracts below highlight the areas of good practice recognised by the review team:

- "The London Borough of Havering has made significant progress in recent years and the Council is rightly proud of what has been achieved."
- "What has been delivered has resulted in a modernised and forward looking authority moving towards streamlined customer services."
- "The implementation of the transformation initiatives is seen to have been very well managed."
- "As part of its investment the Council has been willing to bring in programme and change management expertise and this has had a very positive impact."
- "The progress that has been made has not come about by chance. In addition to sheer hard work on the part of elected members, officers and partner organisations, there are a range of success factors that we see as having been integral.
    - There are strong and trusting relationships between the Council and public sector partners, with this being the result of a concerted effort over recent times.
    - The Council has demonstrated it is ambitious to improve and succeed and there is strong, clear and consistent political and managerial leadership.
    - The existence of clear guiding principles set out by the Administration means everybody has clarity about what is important and how the Council should go about achieving things. This is helped further by elected members giving the necessary space to officers to enable them to get on and deliver.
    - The Administration places major importance on 'what works' - with value being attached to the outcomes achieved rather than how something is delivered. This is reflected in the mixed economy of service provision and the Authority's willingness to partner with other councils either to work together or to have services provided by them on behalf of the Council.
    - The authority has robust financial and resource planning arrangements in place. This has been integral to the Council both anticipating and delivering in line with the financial challenge in the form of a gap of £40m that needs to be closed across the four-years to 2014. However, at the same time as needing to close this gap, the Administration has also shown a willingness to invest, as shown with the transformation programme.
    - The Council has a solid performance management framework in place which provides a clear link from the goals and strategic

outcomes of the long-term vision for the Borough down to individual performance development reviews."

- "The level of Council expenditure per head of population across the vast majority of services is amongst the lowest when compared with councils of a similar nature and the performance of services is generally good, especially when considered in the light of the comparative cost of them."
- "Havering is an Authority that demonstrates a strategic and calm approach to the challenges it faces."
- "There is seen to be sound governance of the Council and there are mature and pragmatic politics within the borough."
- "The senior leadership of the Council has demonstrated a commitment to communicating, engaging and supporting staff around change along with a willingness to acknowledge where things haven't gone according to plan and to draw out the learning from it."
- "The Council has also made significant investment in its managers in order to equip them with the skills necessary to get the best out of the Organisation going forward."

4. AREAS FOR FURTHER ACTION

4.1 The main purpose of the review was to be challenged by a team of peers to see what further improvements the Council could make to its governance and planning and delivery of transformation and change. In several of the points the review team made under this heading, they acknowledged that the Council had already considered these matters and were already putting together plans to address them. The paragraphs below therefore identify the areas where the team challenged the Council to consider further action and also address what plans the Council already has in place in these areas.

4.2 Further Opportunities to Exploit Technology

4.2.1 The review team pointed out that with the technological investment that the Council has made it is important to ensure the Authority is fully capitalising on what has been put in place. As an example, they pointed out that housing and children' services have not yet benefitted from the customer services technology. There are also opportunities to extend the internal shared services arrangements to the housing management function now that it has returned to the Council. The review team were clear to point out that these opportunities had already been recognised by the Council and so were merely highlighting them to reflect the scale of the opportunities that still exist.

4.2.2 This is an important point to note as the Council prepares its future budget plans. There are plans being prepared by officers to both deepen customer services transformation and extend it and Shared Services to Homes and Housing. Despite the tight financial settlement it is recommended that sufficient investment is kept in place in order to capitalise on the technological opportunities as proposed by the review team. This is being factored into the budget papers being brought before Cabinet at this meeting.

4.2.3 The review team also felt there was room to further clarify the flexibilities that the new technologies and new office environments give to staff. The Head of Human Resources and Organisational Development has been asked to review this as part of her plans for organisational development over the next year.

4.3 Organisational Development

4.3.1 The review team acknowledged that significant investment had been made in equipping managers to manage the change being undertaken. They recommended this was developed further to prepare all staff for the increased pace of change likely in future years.

4.3.2 This point has already been acknowledged by the Council in its decision to appoint a new head of Human Resources and Organisational Development last year. However, it is worth noting that very substantial development of staff has taken place over the last few years, particularly in relation to training about the use of new technology and new systems. Significant work has also been put into communicating changes to staff so that they understand their roles and what the Council is seeking to achieve. This point was clearly acknowledged within the Council's Investors in People review (2012) which said:

> *"People feel that the Council is delivering on its promise to protect 'frontline' services through improved efficiencies. Employees acknowledge that painful decisions were necessary and feel that the Council has been well led throughout the recession and the resulting budget cuts. The leadership team is credited with acting early and decisively once it became apparent that a spending review and cuts would be inevitable."*

4.3.3 Nevertheless, it is accepted that staff development will always be a priority, particularly in times of change. The new Head of Human Resources and Organisational Development is currently putting together plans to build on the development work undertaken to date and will roll out programmes aimed at equipping our staff to face the future challenges effectively. It is an important point to acknowledge and again reflects the need to ensure our budgets are sufficient to enable the organisation to deliver the significant changes at hand.

4.3.4 The review team commented that they felt that with such substantial change happening across the local government world, and with more change inevitable, the Council might do more to equip all its Members to better understand the challenges and the new ways or working being adopted across the country. They suggested consideration of a more wide ranging Member development programme.

4.3.5 This is something that could be achieved with minimal cost and it is proposed that the Leader of the Council engages with the Member Development group to review the current programme and propose a series of guest speakers and events to deliver this recommendation.

4.4 Organisational Capacity and rolling the budget plans forward

4.4.1 The peer challenge team noted the significant changes in personnel and management within the organisation. They also noted that the '2014' change programme would need to be extended and all options kept open to identify possible future changes given the likely scale of funding reductions in the years ahead. Specifically the team made reference to the Council needing to be ready for the changes in funding and the resulting future reliance on business rate collection. They commented that continued investment in change would be required to deliver the good outcomes that had thus far been achieved and that the Council needed to consider mainstreaming its transformation resources as well as considering the use of a specific set of transformation tools to deliver further change.

4.4.2 They made reference to the desirability of reviewing commissioning opportunities, both within the Council, and in partnership with other organisations, as the next range of savings options were considered. They also commented on the need to review options for finding new ways of identifying capital funding as asset sales would inevitably diminish over time.

4.4.3 The review team also highlighted the significant risks inherent in local government funding changes coupled with increasing service pressures - particularly within the children's and adult social care areas - increasing risks over the coming years.

4.5 Community engagement and co-production

4.5.1 With the role of the Council needing to evolve over the coming years and the Organisation being faced with the need to do 'more for less', the peer challenge team recognised the Authority's desire for citizens having a strong role to play going forward. The team also recognised that many good examples of this already exist - such as the development of the Briar Road Neighbourhood Agreement, behavioural change campaigns, the prospective setting up of the 'Havering Circle', the work of Friends Groups, voluntary clean ups involving local residents and the management by local communities of some community halls.

4.5.2 The team felt it was a helpful time to put all of this together in a strategy and see whether the strategy could be shared and developed with partners and the local voluntary and community sector.

4.5.3 The Council had already prepared a draft Community Engagement Strategy prior to the team arriving. Notwithstanding the comments on possible joint production of a strategy, it is considered more expedient to widely consult on the draft that has already been prepared and involve partners in sessions to re-shape and finalise the document. It is therefore proposed that the draft should be published and the Cabinet member for Culture, Towns and Communities asked to lead a series of meetings with partners to finalise this strategy, prior to bringing it to Cabinet for approval. It is considered essential that the Council retains its ability to work with its partners and the community and become a truly connected council as it seeks to continue to do the very best for the local community while public resourcing levels reduce.

4.6 Integrating social care and health

4.6.1 In looking forward to new opportunities and threats, the peer challenge team recognised the importance of joint planning with the health economy. The team recognised the existing financial risks in the local health economy and also the need to work jointly with our neighbouring boroughs of Redbridge and Barking and Dagenham to jointly address the pressures in the health system. The team also recognised that the Council has taken a leading role in the Integrated Care Coalition which is co-ordinating work across the three local authorities within the BHRUT area and the providers and Clinical Commissioning Groups to improve health outcomes as well as the work the Council is doing to identify where it would be better to jointly provide across health and social care. The team recognised the importance of this work.

4.6.2 The Council's Health and Wellbeing Board is already working to achieve this, and the budget strategy continues to reflect the need to invest in change and integration where necessary to deliver good health outcomes.

5. LOOKING AHEAD

5.1 These are all serious and important points that need to be factored into the Council's financial strategies and into our organisational plans.

5.2 The budget report to this meeting sets out the Council's financial position over the next two years, following the announcement of the provisional local government financial settlement. As part of that report there are plans to continue to invest in change and further "back office" transformations in order to prepare the Council for the years beyond 2014. Examples include the potential of sharing back office services with another borough and rolling the customer services and process engineering tools used to date across housing, children's services and some parts of adult services. These plans are not firmly costed yet and will be proceeded upon on the basis of a business case. However sufficient capacity to deliver such programmes, subject to defining their details, is recommended as part of the budget setting process for 2013/14. This will deliver the recommendations of the review team that the Council continues to invest in successful change programmes in order to meet its budget targets.

5.3 Alongside this, the Council's budget will have a growing reliance on the generation of income from local taxation, whether from its domestic property base (via Council tax) or from the commercial property base (via localised business rates). The Council needs to ensure that has the appropriate resources in place, and is currently developing a Business Growth Strategy, which will be presented to Cabinet shortly.

5.4 The Council's management team are in the process of reviewing the resources required to deliver the existing savings and the new challenges listed above. Organisational plans will be put forward during the first half of 2013 to enhance the Council's capacity in respect of business growth and to consider how best to organise our commissioning resources across the Council. This review will also seek to mainstream the Council's transformation capacity, and as part of that some further consideration will be given to what methodologies are required to deliver out further change. In addition, the Council already has plans in place to roll out an online business portal in order to offer a better and more co-ordinated customer response to Havering's many small businesses as part of a revised business retention strategy.

5.5 The activities described above go some way towards mitigating the risks of budget pressures highlighted by the review team. It will also be essential to ensure sufficient contingencies and flexibility is built into the budget, particularly over the next year as the Council faces a new and somewhat unknown set of pressures through the new local government funding regime. This approach is reflected within the budget proposals that are also to be considered on this agenda.

5.6 The point made by the team about capital resources is well made and it is proposed that the Group Director Finance and Commerce continues to review other possible funding options. Again this is reflected in the budget report also on this agenda.

REASONS AND OPTIONS

Reasons for the decision:

This report is brought before the Cabinet because it is an opportunity for the Cabinet to consider the views of external peers and take any decisions necessary to modify or adjust its plans of the basis of their views.

Other options considered:

The Council is not under an obligation to publish a peer review, however, it is considered that in the spirit of openness and transparency it should publish the report in full and provide an opportunity for the Cabinet to consider it. The option of not publishing or bringing it to Cabinet has therefore been rejected.

IMPLICATIONS AND RISKS

Financial implications and risks:
This report has provided an opportunity for the Council to test its budget and governance strategies and as such it is important that the review's findings are factored into the Council's forward budget strategy. This has been done in the budget report also presented on this Agenda. The particular reference to ensuring that appropriate resources – financial and capacity – are available for a sustained period of change has been explicitly identified as part of the future budget strategy. This is intended to not only provide base funds for a more permanent resource within the organisation, but also to ensure that any one-off funds that become available are specifically earmarked to finance a range of investments. This in turn reduces the risk of needing to draw on service budgets.

The financial climate remains highly challenging and there are various, and growing risks, associated with it. Ensuring that the Council has a sustainable funding source to continue its investment in the change programme helps to mitigate against those risks.

Legal implications and risks:
The report does not raise any legal issues that require further consideration.

Human Resources implications and risks:
The report makes some comments and recommendations about preparing all levels of the Council's workforce further for the challenges it is likely to face over the next few years in order to sustain the change required. This will be factored in to the work programme of the Head of Human Resources and Organisational Development.

Equalities implications and risks:
This report does not make specific proposals about matters that relate to equalities. There are no specific matters in relation to equalities that are raised in the recommendations. The actions and activities that will follow from the Council's budget and transformation and people strategies will all be subject to the normal checks to ensure the Council acts within equalities legislation.

BACKGROUND PAPERS

Appendix A – LGA Peer Challenge Final Report

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Corporate Peer Challenge

London Borough of Havering

29th October to 1st November 2012

Report

1. Background and scope of the peer challenge

On behalf of the team, I would just like to say what a pleasure and privilege it was to be invited in to the London Borough of Havering to deliver the recent corporate peer challenge. The team very much appreciated the efforts that went into preparing for the visit and looking after us whilst we were on site and the participation of elected members, staff and partners in the process.

This was one of the early tranche of corporate peer challenges delivered by the Local Government Association as part of the new approach to sector led improvement. It was only the second such challenge to be delivered in London. Peer challenges are managed and delivered by experienced elected member and officer peers. The peers who delivered the peer challenge were:

Mark Rogers, Chief Executive, Solihull Metropolitan Borough Council
Councillor Paul Bettison, Leader, Bracknell Forest Borough Council (Conservative)
Sarah Maynard, Transformation Programme Manager, Trafford Council
Howard Davis, Principal Adviser, Local Government Association
Christina Moore, National Graduate Development Programme Trainee, London Borough of Sutton
Chris Bowron, Peer Challenge Manager, Local Government Association

It is important to stress that this was not an inspection. Peer challenges are improvement-orientated and tailored to meet individual councils' needs. Indeed they are designed to complement and add value to a council's own performance and improvement focus. The peers used their experience and knowledge to reflect on the evidence presented to them by people they met, things they saw and material that they read.

The guiding questions for all corporate peer challenges are:

- Does the council understand its local context and has it established a clear set of priorities?
- Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
- Does the council have effective political and managerial leadership and is it a constructive partnership?
- Are effective governance and decision-making arrangements in place to respond to key challenges and manage change, transformation and disinvestment?
- Are organisational capacity and resources focused in the right areas in order to deliver the agreed priorities?

Within this, there were two strands specific to the council that you were keen for the peer challenge to consider:

- ❖ How the cuts through the Havering 2014 transformation programme have been managed
- ❖ How well prepared the council is for the new local government funding regime

As you will recall, we undertook to write to you to confirm the team's findings, building on the feedback provided to you on the final day of the peer challenge and, in particular, expanding upon those areas that we highlighted as likely to benefit from some further attention. This report sets out those findings.

2. Executive summary

The London Borough of Havering has made significant progress in recent years and the council is rightly proud of what has been achieved. People spoke to us about a very traditional council existing four or five years ago but the last two or three years have seen significant change and transformation which has led to the authority operating very differently and has played a crucial role in ensuring it is on track in delivering against the financial challenges it faces. The transformation programme put in place to deliver the changes has been wide ranging but there are two strands that have had the widest impact across the organisation – internal shared services and customer services. What has been delivered has resulted in a modernised and forward looking authority moving towards streamlined customer services. The implementation of the transformation initiatives is seen to have been very well managed. As part of its investment the council has been willing to bring in programme and change management expertise and this has had a very positive impact. With the investment that the council has made it is important now to ensure the smooth implementation is followed by the authority fully capitalising on what has been put in place.

The progress that has been made has not come about by chance. In addition to sheer hard work on the part of elected members, officers and partner organisations, there are a range of success factors that we see as having been integral. There are strong and trusting relationships between the council and public sector partners, with this being the result of a concerted effort over recent times. The council has demonstrated it is ambitious to improve and succeed and there is strong, clear and consistent political and managerial leadership. The existence of clear guiding principles set out by the Administration means everybody has clarity about what is important and how the council should go about achieving things. This is helped further by elected members giving the necessary space to officers to enable them to get on and deliver. The Administration places major importance on 'what works' - with value being attached to the outcomes achieved rather than how something is delivered. This is reflected in the mixed economy of service provision and the authority's willingness to partner with other councils either to work together or to have services provided by them on behalf of the council. The council champions shared services and what it is engaged in around that and wider aspects of its transformation activity are proving to be of interest to other boroughs.

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Chief Executive: Carolyn Downs

The authority has robust financial and resource planning arrangements in place. This has been integral in the council both anticipating and delivering in line with the financial challenge in the form of a gap of £40m that needs to be closed across the four years to 2014. However, at the same time as needing to close this gap, the Administration has also shown a willingness to invest, as shown with the transformation programme. The council has a solid performance management framework in place which provides a clear link from the goals and strategic outcomes of the long-term vision for the borough down to individual performance development reviews. The level of council expenditure per head of population across the vast majority of services is amongst the lowest when compared with councils of a similar nature and the performance of services is generally good, especially when considered in the light of the comparative cost of them.

Havering is an authority that demonstrates a strategic and calm approach to the challenges it faces and people we met came across as purposeful yet relaxed. There is seen to be sound governance of the council and there are mature and pragmatic politics within the borough. We do see, however, potential to extend elected member development and scope for improvement around overview and scrutiny.

The implementation of the council's transformation initiatives is seen to have been well managed. The council has been willing to bring in programme and change management expertise and this has had a very positive impact. The senior leadership of the council has demonstrated a commitment to communicating, engaging and supporting staff around change along with a willingness to acknowledge where things haven't gone according to plan and to draw out the learning from it. The council has also made significant investment in its managers in order to equip them with the skills necessary to get the best out of the organisation going forward. This is widely seen as having been the right place to put the organisational development emphasis during this time but there is a clear view at all levels of the organisation that such investment now needs to be extended to cover the full range of staff.

The financial projections of the authority suggest a budget gap of between £25m and £35m that will need to be closed in the period from 2014 to 2018. It is important for the council's good financial planning to continue in a way that covers all of the possible eventualities of the 2014 local elections and impending financial settlements and ensure a sense of direction, under a range of different scenarios, is maintained for the period through to at least 2016. Transformation to date has delivered significant efficiencies and there are plans for more but the delivery of these is unlikely to be sufficient to address the projected financial gap. Tough decisions have already been made by the council and future decisions are likely to be even tougher and it is important that the council and all of the political groups who will be contesting the 2014 elections keep all their options open.

With the financial situation facing the council there is widespread understanding that things will continue to be hard and that change will remain a constant factor. Staff came across as philosophical, calm and resilient and having an appetite to understand more about the council's thinking on the future and it seems now to be timely for the authority to articulate the key characteristics of the next stage of change. There is also the need for a revised organisational development strategy to prepare for and enable the changes and it will be important for the authority to consider the need for a council-wide change methodology, underpinned by a set of tools and techniques to deliver the next stage of transformation.

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Clearly the council cannot continue to deliver what it has traditionally done and will become smaller and the consequential shift that is required has already commenced. This shift sees citizens being required to rely more on themselves as individuals, families and communities. Central to this is the concept of 'co-production' which is widely talked about within the council and there are good examples of it in action. The council recognises it is now timely to develop a strategic approach to co-production so that it can be more widely embraced within the council and the borough. There is an important role for the voluntary and community sector to play in 'co-production' and service delivery generally. The council values what the sector can contribute but maximising it would be helpfully enabled through the development of a better shared understanding between the council and the sector of the opportunities that exist and what more the sector can contribute.

With the likes of the police, health sector and the council all wanting and being expected to maximise engagement with local people, there is felt to be benefit in jointly developing a community engagement strategy across public sector partners. Voluntary and community sector partners could very usefully be involved in this too. The council is embarking on this process now and, being mindful that it can sometimes be perceived as making its own mind up on issues and how to approach them and then consulting on the proposed way forward, it is committed to ensuring this is a participative process with partners and the community.

There is a clear view at the senior levels across the council and health that the reform of the health sector represents a key opportunity for the borough, both in terms of improving outcomes and addressing the financial challenges being faced. The nature and extent of the opportunities that exist around the integration are currently being assessed and, in addition to issues of finance, include greater alignment of services with the needs of local people, better quality care and improved health outcomes. However, the scale of the challenge involved in delivering the integration is huge and there are significant risks that need to be carefully managed but which the council is fully aware of.

3. Detailed findings

3.1 The Havering 'journey' of recent years

- The London Borough of Havering has made significant progress on a range of fronts in recent years and the council is rightly proud of what has been achieved. People spoke to us about a very traditional council existing in Havering four or five years ago. However, during the last two or three years there has been significant change and transformation in the authority, focused principally on technological innovation, re-structures and new ways of working. The delivery of these has led to the council operating very differently to before. Customer service and the financial imperatives brought about as a result of the changes to public sector funding are clearly understood as the primary drivers of these changes.

- The transformation programme put in place to deliver the changes has been wide ranging across the likes of adults, children and families and learning and achievement, but there are two strands that have had the widest impact across the organisation – internal shared services and customer services. The internal shared services strand has seen the radical overhaul of the council's back office functions

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such as finance, HR and procurement. Key work processes are now fully automated through the Oracle Business Suite, including the likes of submitting leave requests and expenses claims, changing personal details, undertaking purchasing and recording performance information. The system gives managers ready access to all of the key information necessary for the effective management of their services through a 'dashboard' on their computer. The council indicates these changes have delivered £2m savings in the first year of operation.

- The customer services element of the transformation programme has sought to modernise the council's approach to first contact and front office processes, as well as reduce costs. The changes include the creation of a customer contact centre for telephone and e-mail enquiries and a one-stop-shop for customers needing or preferring to visit the council. A new customer relationship management (CRM) system has been put in place along with a new website. The council is attaching a lot of importance to, and is progressing, opportunities around 'channel shift' as part of streamlining customer service, changing the nature of customer/citizen interaction with the council, and reducing costs.

- The transformation activity that has been delivered has resulted in a modernised and forward looking authority moving towards streamlined customer services. It has also played a crucial role in ensuring the authority is on track in delivering against the financial challenges it faces.

3.2 Success factors

- The progress that has been made within Havering over recent years has not come about by chance. In addition to sheer hard work on the part of elected members, officers and partner organisations, there are a range of success factors that we see as having been integral and this section of the report seeks to outline them.

- The council has demonstrated it is ambitious to improve and succeed and this is reflected in the growing positive profile of Havering within London local authorities and the local government sector generally. The council has strong, clear and consistent political and managerial leadership, with the Leader and Chief Executive in particular being held in high regard both internally and externally and widely recognised as having been vital to the progress that has been achieved.

- Havering is an authority that demonstrates a strategic and calm approach to the challenges it faces. We were struck by the strong sense of a council with a clear strategic direction, that is in control of issues and is not being diverted by, or making 'knee-jerk' reactions to, issues that suddenly emerge. People we met came across as purposeful yet relaxed. The existence of clear guiding principles set out by the Administration is likely to be a key contributory factor within this, with everybody being clear about what is important and how the council should go about achieving things. These principles include 'modernising', 'investment in frontline services that matter to local people', 'targeting resources on need' and 'prevention'. This provides officers with a very clear framework and scope within which to operate and this is helped further by elected members giving the necessary space to officers to enable them to get on and deliver. This clear understanding of, and adherence to,

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respective roles and responsibilities has contributed to the good relationships that are seen to exist between officers and elected members.

- In addition to the clarity that exists around respective roles and responsibilities, there is seen to be sound governance of the council generally and people are very clear about the way it operates. Beyond the potential that exists to extend elected member development, which is outlined in more detail later in this report, the only area that was highlighted to us, and around which we see scope for improvement, is overview and scrutiny. A range of people highlighted to us what they see as the need to do something differently given what seems to be a fairly un-fulfilling experience for overview and scrutiny members cross-party and lost opportunities to maximize the benefit that could be gleaned from the capacity across the breadth of the elected membership.

- Although some difficulties and tensions exist around overview and scrutiny, we saw mature and pragmatic politics existing within the borough. Whilst we were only afforded the opportunity to meet with the main opposition group, the strong sense we developed was that councillors are focused on the interests of local people rather than political point-scoring, with a combination of realism and pragmatism perhaps being a legacy of the periods the council has spent under no overall control. The Administration places major importance on 'what works', which represents another of its guiding principles, with value being attached to the outcomes achieved rather than how something is delivered. This is reflected in the mixed economy of service provision and the authority's willingness to partner with other councils either to work together or to have services provided by them on behalf of the council. One example of this is the recent decision to have the youth offending service delivered by Barking and Dagenham. Another was the exploration of the possibility, which didn't ultimately come to fruition, of establishing a joint arms length management organisation (ALMO) with Redbridge for housing. The council also has good links with a range of local authorities, particularly in London, and indeed in areas such as children's services and ICT, Havering officers are leading regional networks. The council's desire to work with and learn from others is reflected in the relationship it has with Newham, including a joint head of business systems, and the move it has made to invest in the technologies already proven to work there. The council champions shared services and what it is engaged in around that and wider aspects of its transformation activity are proving to be of interest to other boroughs.

- There are strong and trusting relationships between the council and public sector partners. Whilst this has not always been the case, specifically with difficulties in the relationship between the council and the primary care trust, the situation that now exists is very positive and is the result of a concerted effort on the part of those operating at senior levels in the organisations concerned. The attendance at the council's Corporate Management Team meetings by the Borough Commander and the Accountable Officer for the Havering Clinical Commissioning Group (CCG) is just one example of the positive approach that has been adopted.

- The authority has robust financial and resource planning arrangements in place. This has been integral in the council both anticipating and delivering in line with the financial challenge in the form of a gap of £40m that needs to be closed across the

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four years to 2014. However, at the same time as needing to close this gap, the Administration has also shown a willingness to invest. Examples include expenditure from the strategic reserve of around £7m in 2010/11 to fund the technological innovations and new ways of working relating to customer services and internal shared services. Such investment decisions were taken on the basis of sound business cases which will see the investment repaid over time. The authority has also delivered a libraries refurbishment programme, retained weekly bin collections and made capital investment in roads and pavements.

- There is a good understanding of the local context within the authority and this is used to inform policy and decision-making. In addition to the use of information from the likes of the Census and the Joint Strategic Needs Assessment, the council also regularly undertakes insight surveys with residents. The 'Your Council, Your Say' survey in 2011 saw nearly 12,000 responses being received. Another survey this year, seeking views from residents on how to improve their local area, was responded to by almost 8,000 people and led to the council establishing a £250,000 'Cleaner Havering' fund to enable it to better address issues such as littering, dog fouling and faulty streetlights and also increase the amount of trees and public seating. The authority is using a bespoke version of the Mosaic tool to enable it to better understand customers and residents and, through this, enhance the targeting of services and communications.

- The council has a solid performance management framework in place which provides a clear link from the goals and strategic outcomes of the long-term vision for the borough ('Living Ambition'), via the corporate plan and plans for services and teams/units down to individual performance development reviews. The level of council expenditure per head of population across the vast majority of services, including libraries, parks and street cleansing, is amongst the lowest when compared with councils of a similar nature. The performance of services is generally good, especially when considered in the light of the comparative cost of them.

- The implementation of the transformation initiatives is seen to have been very well managed. As part of its investment the council has been willing to bring in programme and change management expertise and this has had a very positive impact. The senior leadership of the council has also demonstrated a commitment to communicating, engaging and supporting staff around change. One example is the 'Way Forward' roadmap which sought to outline the transformation programme and how it fits with overall corporate objectives. Other examples include the meetings with staff undertaken by the Chief Executive and other senior officers. However, the senior leadership has also been open and honest enough to acknowledge where things haven't gone according to plan in terms of implementing new initiatives or communicating with people about changes and has sought to draw out the learning where things could have been improved.

- Significant investment has also been made in managers in order to equip them with the skills necessary to get the best out of the organisation going forward. At the heart of this sits the behaviour-oriented competency framework developed for the council and a culture change programme, with these having been supplemented with the likes of 360 degree appraisals, action learning sets and mentoring.

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3.3 Moving ahead to 2014

- The council is confident that it will successfully conclude its work to close the £40m financial gap that it identified across the four years to 2014. To put this amount into context, the authority's net revenue budget in 2010/11, which was the first of the four years, was just under £162m. In each of the first two years the authority has achieved its first targeted £10m savings and the council reports that things are on track for delivering the current year's £9.7m savings.

- With the technological investment that the council has made it is important to ensure the smooth implementation is followed by the authority fully capitalising on what has been put in place. As an example, the first two of the three phases to transform customer services have been delivered and the third phase is taking shape. However, with significant services such as children's and housing management not having come into the programme yet there are significant opportunities to be pursued. There are also opportunities to extend the internal shared services arrangements to the housing management function now that it has returned to the council. All of this is recognised and being planned by the authority so we are merely highlighting it to reflect the scale of the opportunities that still exist. Another example would be to ensure that the council capitalises on the new technologies and more flexible ways of working that they have enabled by ensuring staff and their managers fully understand and use those flexibilities. By way of example, some staff are seeking greater clarity about how often they can work at home or whether they need to come into the office at the start of each day even though they are perfectly able to work remotely. Clarification on such issues will help the council capitalise on the investment it has made.

- As we outlined above, the last year or two has seen a wide range of management development activities delivered within the authority. This is widely seen as having been the right place to put the organisational development emphasis during this time. However, there is also a clear view at all levels of the organisation that such investment now needs to be extended to cover the full range of staff. A similar situation exists in relation to elected member development. Cabinet members have benefited from participating in the Leadership Academy delivered through the Local Government Association and have also undertaken 'top team' development activities. For the wider elected membership, what is available has been more limited and focused on skills development around the likes of ICT and briefings and awareness raising sessions on key issues such as children's safeguarding. The elected member development programme is overseen by a cross-party group of councillors and we would encourage them to work with political group leaders and officers to extend the elected member development offer both in terms of what is available and who can take all of the aspects of it up. In particular there would be benefit in an emphasis being placed upon equipping councillors for the future challenges facing the council, such as 'co-production' and the council acting as more of an enabler and facilitator.

- The organisation has experienced significant people change recently, including the departure of a number of people through the likes of early retirement and voluntary and compulsory redundancy. This process is likely to continue as the council seeks

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to address the financial challenge it faces and the council is also preparing for changes at the senior-most levels in the social care and learning directorate. As senior and experienced people move on from the organisation there are key risks around capacity, including the loss of 'corporate memory', 'know-how' and, within the social care and learning directorate, fewer senior officers at a time when its focus is broadening as a result of the health agenda. The major policy changes coming from the national level and which will impact in Havering, including council tax benefit changes, wider welfare reform and the localisation of business rates, will also impact on the organisation's capacity by absorbing effort and attention. There is no easy solution to any of this as the council seeks to deliver whatever is required with diminishing resources. It simply needs to be mindful of the risks and ensure it takes appropriate steps at each stage to try and mitigate them.

- We learned of the council's plans to develop a 'portal' through which local businesses can more easily access support from the council and other organisations. The approach will reflect the customer service model put in place for residents and will be founded upon the principle of making it easier through a single point of access for people running businesses, or looking to set one up, to access the services and support they need to help them flourish. With the economic growth agenda in Havering shaping up to have a significant emphasis on enabling the growth of small and medium sized enterprises (of which there are a large and increasing number in the borough), the logic of establishing such a facility is clear. We understand the portal is under development in conjunction with the City of London and that, although a specific date is yet to be determined, it should go live in Spring 2013.

- The council is very aware of the fact that it is facing major constraints in relation to its capital funding in the future. The position is being reached where the only avenue open to it, from within its own resources, to generate future capital funding will be the sale of land and other assets and obviously there is a finite amount that can be sold. This situation therefore requires the authority to bring forward alternative infrastructure financing models, including prudential borrowing, and further explore the opportunities presented by the likes of the Community Infrastructure Levy and Tax Increment Financing.

3.4 Beyond 2014

- The council talks in language of 'now to 2014' and '2014 to 2018' when it comes to planning ahead. With the £40m financial challenge across the four years to 2014 and local elections also taking place that year, there is an obvious logic as to why the time that lies ahead is being chunked up in this way. However, from our discussions with the senior leadership, the reality is that things are, and now need to be, less clearly demarcated than this and 'from now to 2016' appears actually to be the key timeframe.

- Whilst there are many factors that are uncertain and can change, making the situation very volatile, the financial projections of the authority suggest a budget gap of between £25m and £35m that will need to be closed in the period from 2014 to 2018. The council's financial planning to date has been extremely good. It is important for such planning to continue in spite of both the lack of certainty and the

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challenges likely to emerge for all political groups as a consequence of needing to consider, in the lead up to the elections, how they will approach dealing with the financial gap should they form the Administration after May 2014. Thus the financial planning needs to continue in a way that covers all of the possible eventualities of the 2014 local elections and impending financial settlements and ensure a sense of direction, under a range of different scenarios, is maintained for the period through to at least 2016.

- With the financial situation facing the council and the following through necessary to fully capitalise on the council's transformation investment, there is widespread understanding amongst staff and managers we spoke to that things will continue to be hard and that change will remain a constant factor. They came across as philosophical and calm about this and there seems to be a resilience that will stand them in good stead. However, they also demonstrated an appetite to understand more about the council's thinking on the future, even though much remains uncertain. Certainly it seems to us now to be timely for the council to articulate the key characteristics of the next stage of change. The changes of recent years have seen people get to grips with key concepts such as 'collaboration', 'investment in frontline services that matter to local people', 'targeting resources on need', 'self-serve' and 'prevention'. Some of the key concepts for the next stage of change are already emerging, including exploitation of technological innovation, partnerships, 'co-production' and integration of social care and health and there would seem to be benefit in sharing the developing picture with the wider organisation. It will also be important for the authority to consider the need for a council-wide change methodology, underpinned by a set of tools and techniques, to facilitate the future changes. Central to this is the issue of whether, having been willing to bring in programme and change management expertise to support the changes to date, the council wants, and is able, to do the same for future years or if it will need to develop its own internal capacity to deliver this.

- Whilst we have highlighted the effectiveness of the council's financial planning and the progress made in driving out savings and efficiencies, there would seem to be scope to enhance the ability of the organisation to drive more financial benefits out of commissioning, procurement and income generation. Significant commissioning successes have been realised in relation to the likes of short breaks for children with disabilities, care homes fees for adults with learning disabilities and special educational needs transport for both adults and children. However, there are felt to be more opportunities that can be realised, including around re-ablement, which is currently being worked on. With regard to procurement, we understand that the implementation of the new Oracle system provides the opportunity for the council to better understand patterns of council spend on goods and services and, through this and the use of 'category managers', undertake its procurement more effectively. This is an area of work that we believe could usefully be expedited. Finally, in relation to income generation, we understand that the successes in such areas as traded services to schools, including school meals, could be built on but that this requires something of a culture change within the organisation whereby individuals and teams come to recognise better the importance of engaging in creative thinking and identifying commercial opportunity.

3.5 Transformation

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- 'Transformation' is clearly a key agenda for the council and is integral to addressing the financial challenge facing the authority by fundamentally revising the way people in the organisation operate and how residents engage with it. Whilst aspects of the transformation agenda are outlined throughout this report, we wanted to draw together in one place key aspects that we think it is important for the council to be mindful of. The first is to take pride and confidence from what has been the well managed implementation of major change initiatives to date. These have been significant in scale and difficult in nature, given they have focused principally on technological innovation, re-structures and new ways of working. Whilst there are things that could have been improved, which are acknowledged and recognised by the council, there have been no significant issues.

- As part of gearing up for the next phase of change, it is important now to develop a shared understanding within the council of what 'transformation' means in the future. This will involve outlining the broad quantum of the financial challenge facing the council beyond 2014, the national policy changes that are starting to take effect and the key concepts for the next stage of change that are already emerging within the authority, including 'co-production' and 'integration of social care and health'. Through this, the future role of the council needs to be explored along with the skills sets and behaviours required of officers, elected members and borough residents. All of this could usefully be outlined in a refreshed narrative, as the follow-on to the 'Way Forward' document, to share the developing picture with the wider organisation.

- Given the role of the council will inevitably change and the skills sets and behaviours required of people within the organisation will need to adapt accordingly, the next stage of transformation requires a revised organisational development strategy to prepare for and enable the changes. Whilst this is not an easy task at this stage, with so much yet to become clear, it should be feasible to draw up core elements of a strategy to sit alongside or form part of the 'refreshed narrative' and which can be evolved and become more detailed over time.

- We would also reiterate here the importance of the authority giving early consideration, because of the potential financial and other resource implications, to the need for a council-wide change methodology, underpinned by a set of tools and techniques, to facilitate the future changes. This relates to the issue of whether, having been willing to bring in programme and change management expertise to support the changes to date, the council wants, and is able, to do the same for future years or if it will need to develop its own internal capacity to deliver this.

- Transformation to date has delivered significant efficiencies and there are plans for more, through the likes of the third phase of the customer service programme, internal shared services opportunities around the housing management function and further links with Newham around internal shared services. However, even the delivery of these, supplemented by what can be gained from improved commissioning, procurement and income generation, is unlikely to be sufficient to address the projected financial gap through to 2018. Tough decisions have already been made by the council, such as reducing the number of children's centres, but future decisions are likely to be even tougher and it is important that the council and

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all of the political groups who will be contesting the 2014 elections keep all options open.

3.6 Community engagement and co-production

- With the role of the council needing to evolve over the coming years and the organisation being faced with needing to do ‘more for less’ and ‘different for less’ in the light of the financial constraints being placed upon it, the authority clearly sees citizens having a strong role to play going forward. Clearly the council cannot continue to deliver what it has traditionally done and will become smaller and the consequential shift that is required has already commenced, being reflected in some of the Administration’s guiding principles including ‘targeting resources on need’, ‘self-serve’ and ‘prevention’. This shift sees citizens being required to rely more on themselves as individuals, families and communities.

- ‘Co-production’ is a natural extension of the likes of ‘self-serve’ and ‘prevention’ and is widely talked about within the council and there are good examples of it in action such as the development of the Briar Road Neighbourhood Agreement, behavioural change campaigns, the prospective setting up of the ‘Havering Circle’ (a social membership scheme primarily for older residents to enable them to get more involved in their local community), the work of Friends Groups, voluntary clean ups involving local residents and the management by local communities of some community halls. However, it is now timely to develop a strategic approach to ‘co-production’ so that it can be more widely embraced within the council and the borough. This would usefully outline the notion of ‘co-production’, the context in which the requirement for it has emerged, examples of what is already being delivered, the opportunities going forward and the skills sets and organising framework necessary to turn the concept in to a widespread reality.

- There is an important role for the voluntary and community sector to play in ‘co-production’ and service delivery generally. The fact that the council has recently been increasing the level of money channelled into the sector, at a time when many councils are doing the opposite, reflects the value the authority places on what it can contribute. However, maximising the potential of the voluntary and community sector would be helpfully enabled through the development of a better shared understanding between the council and the sector of the opportunities that exist and what more the sector can contribute. As part of this, any lingering sense of paternalism that remains within the council or the sector will need to be moved away from. An example of what can be achieved lies with Care Point, a newly established facility in central Romford which sees a range of voluntary and community sector organisations, such as the Citizen’s Advice Bureau, providing advice and information to those purchasing adult social care support either through personalised budgets or as self-payers.

- With the likes of the police, health sector and the council all wanting and being expected to maximise engagement with local people, there is felt to be benefit in jointly developing a community engagement strategy across public sector partners. Voluntary and community sector partners could very usefully be involved in this too. The council is embarking on this process now and, being mindful that it can

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sometimes be perceived as making its own mind up on issues and how to approach them and then consulting on the proposed way forward, it is committed to ensuring this is a participative process with partners and the community. The council recognises that devising a community engagement strategy across partner organisations will need to be done in a way that draws everybody in at the outset and places an emphasis on all partners having a key contribution to make. The council is currently formulating a draft framework for the strategy before consulting with partners on what collectively they want to achieve and we recognise this is an important first step.

3.7 Integrating social care and health

- Within Havering there is a clear view at the senior levels across the council and health that the reform of the health sector represents a key opportunity for the borough, both in terms of improving outcomes and addressing the financial challenges being faced. Relationships at the strategic level between the council and health have improved significantly over recent times as a result of a concerted effort having been made by those in senior leadership positions. This is reflected in the regular attendance at council Corporate Management Team meetings of the Accountable Officer for the local CCG and the secondment of two council officers to support CCG preparations. The Health and Wellbeing Board was set up early as a pilot within the national pathfinder programme and the health and wellbeing strategy is now in place and reflects an alignment of the ambitions between the council and health.

- There is a shared ambition to integrate social care and health, with people seeing the opportunities it presents to help to address a range of pressures. With the highest proportion of people aged over 60 in London (24 per cent of residents compared to an average of less than 16 per cent across the capital) there is an obvious demographic pressure. The financial challenges facing the council and health are significant, with the financial position of the Barking, Havering and Redbridge University Hospitals (BHRUT) NHS Trust giving particular cause for concern. There is also pressure around the quality of what is being delivered in the borough, with the quality of health service provision, especially at BHRUT, being of particular concern. Queen's, the local hospital in Romford and which forms part of the NHS Trust, is seen to require significant improvement, for example around delayed transfers of care for patients following discharge from their care to other services or back to their home. The nature and extent of the opportunities that exist around the integration of social care and health are currently being assessed and, in addition to issues of finance, include greater alignment of services with the needs of local people, better quality care and improved health outcomes.

- The scale of the challenge involved in delivering the integration of social care and health is huge and there are significant risks that need to be carefully managed. Whilst the PCT, the three Clinical Commissioning Groups, the three councils, North East London NHS Foundation Trust and BHRUT have now established an Integrated Care Coalition working across the three boroughs of Havering, Redbridge and Barking and Dagenham that they serve, in order to drive improvement, and there is progress in moving towards establishing an integrated

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care commissioning strategy across the three boroughs, securing buy-in to integration across the three health and social care economies is a remaining challenge. The council will need to ensure the necessary leadership capacity exists at all levels of the social care and learning directorate to deliver the integration. Whilst there is the impending arrival of the new Group Director for social care and learning to head up the directorate, other people will be leaving some of the most senior positions over the coming months and it is therefore vital for the council to ensure there is sufficient capacity at the levels immediately below the Group Director. The pressures that will be faced are compounded by the fact that delivering other important changes within adult social care, such as re-ablement and personalisation, and continuing to address the challenges in children's services in order to secure the progress from 'Adequate' to 'Good' will also still need to be delivered and will absorb capacity in addition to that required to deliver the integration. Also, and as the council has demonstrated with the extensive change initiatives it has delivered to date, transformation invariably requires initial investment in order to achieve benefits over the medium and long term. The council and health partners will need to commit to further investment if the ambitions around integrating social care and health are to be fulfilled.

Through the peer challenge process we have sought to highlight the many positive aspects of the council but we have also outlined some difficult and challenging messages. It has been our aim to provide some detail on them through this report in order to help the council consider them and understand them. The council's senior managerial and political leadership will therefore undoubtedly want to reflect further on the findings before determining how they wish to take things forward.

Members of the team would be happy to contribute to any further improvement activity in the future and/or to return to the authority in due course to undertake a short progress review. Rachel Litherland, as the Local Government Association's Principal Adviser for your region, will continue to act as the main contact between the council and the Local Government Association, particularly in relation to improvement. Hopefully this provides you with a convenient route of access to the organisation, its resources and packages of support going forward.

All of us connected with the peer challenge would like to wish the council and the borough every success in the future.

Yours sincerely

Chris Bowron
Programme Manager – Peer Support
Local Government Association

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Havering
LONDON BOROUGH

CABINET **23 JANUARY 2013**	

Subject Heading:	The Council's Financial Strategy
Cabinet Member:	Cllr Roger Ramsey
CMT Lead:	Andrew Blake-Herbert Group Director Finance & Commerce
Report Author and contact details:	Mike Stringer Head of Finance & Procurement 01708 432101 mike.stringer@havering.gov.uk
Policy context:	The Council is required to approve an annual budget and this report provides information to enable Cabinet to make recommendations to Council in February 2013
Financial summary:	There are no specific financial issues, this report deals with the overall budget position and associated issues
Is this a Key Decision?	No
Is this a Strategic Decision?	No
When should this matter be reviewed?	December 2013
Reviewing OSC:	Value

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

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

SUMMARY

Cabinet received a report at the last meeting in December that set out an update on national developments and information on the financial position within Havering.

This report updates Members on the progress of the corporate budget and the proposed financial strategy for responding to the financial position facing the Council.

This report sets out the additional proposals now identified for consideration by all the relevant Committees and for consultation with stakeholders.

The provisional Local Government Financial Settlement has now been announced, and relevant details are included in this report, together with a summary of the key elements of the Autumn Budget Statement.

RECOMMENDATIONS

Cabinet is asked to:

1. Note the progress made to date with the development of the Council's budget for 2013/14 and beyond.

2. Note the outcome of the Autumn Budget Statement and the likely impact on local authorities.

3. Note the outcome of the provisional local government financial settlement announcement, and that officers are continuing to work on the details as the information was produced very late, or in some cases, is still awaited.

4. Note, arising from the settlement, the reductions in mainstream Government funding for 2013/14 and 2014/15, of around £2m and £6m respectively, that equate to additional reductions of around £1.5m and £3m, or £4.5m in total.

5. Note the potential reduction in funding in early intervention services, which is still under review.

6. Note that a response to the consultation process will have been submitted by time Cabinet meets and that a meeting with the Minister has been arranged.

7. Note the expected date for the announcement of the final settlement and that, owing to timing, further supplemental information to the main Council Tax report may need to be submitted at the February Cabinet meeting.

8. Note that the proposals contained in the reports to Cabinet in July 2010 and July 2011 are now being incorporated in the Council's future budget as appropriate.

9. Note that the Administration is committed to maintaining the stability of the Council's finances whilst doing everything it can to keep Council Tax rises to a minimum and if at all possible, to freeze Havering's Council Tax at the current level.

10. Note the Council's intention to take advantage of the new Council Tax freeze grant for 2013/14.

11. Issue this report for consultation to Members, the unions and affected staff, and other stakeholder groups.

12. Agree that a consultative presentation will be made to a joint meeting of the Overview & Scrutiny Committees.

13. Note the financial position of the Council in the current year.

14. Agree that any future underspends from the Corporate Contingency Fund, from the Transformation budget, and from any service revenue underspends, are allocated to the Strategic Reserve.

15. Approve the updated version of the Corporate Plan set out in Appendix F.

16. Note the summary of the GLA's consultation budget and the expected date for the publication of the final proposals.

REPORT DETAIL

1. INTRODUCTION

1.1. Cabinet received a report on progress with the Corporate Budget at its meeting in December. This report sets out the position with developing the Council's budget for the coming financial year, the proposed future financial strategy, the financial prospects for the Council, the announcement of the Autumn Budget Statement, and the subsequent announcement of the local government financial settlement.

1.2. The Council established a broad approach to stabilising its financial position in response to the incoming Government's austerity measures during 2010. This has seen a wide range of savings introduced designed to not only deliver a stable financial position, but also to ensure that as far as possible, these savings do not impact on those services which our community regards as highly important and highly regarded. The Administration remains committed to this and the proposals contained in this report have been developed with that objective in mind.

1.3. The budget proposals set out in this report reflect the determination of the Administration to stabilise council tax - as set out in the *Living Ambition* Goal for Value. The proposals support a series of priorities that have been defined through public consultation in recent years – both through the *Your Council, Your Say* and *Spring Clean* surveys. These priorities include: keeping Havering clean and safe; supporting those most in need; maintaining roads and pavements and protecting libraries and parks. There is also a clear need to promote and encourage new local businesses – both to bring employment to the Borough and to ensure that Havering benefits from the Government's new funding model for local authorities. The measures set out in this paper will allow the Council to support these priorities.

1.4. Specific budget proposals are included as part of this report where these have been developed and Cabinet is asked to approve these for consultation with the local community, other stakeholders, and committees, to inform the final consideration of proposals at the meeting of Cabinet in February.

1.5. Previous reports to Cabinet have highlighted the extent of change to the funding of local authorities; the new funding regime includes:

- Rolled up and top-sliced grants
- New grants
- Localised business rates including tariffs/top-ups and levies/safety nets
- Localised Council Tax support (previously benefits)
- New formula and damping mechanisms
- A new Council Tax base calculation
- A new NNDR1 calculation.

1.6. All these factors – and more – are covered in this report. This has been without question the most complex budget-setting process for some time, not helped by either the lateness of the announcement or the subsequent delays in the publication of the background information. At the point of concluding this report, some of the background information had in fact still to be published. As a result of this, officers are continuing to analyse the settlement in consultation with colleagues elsewhere, and this is likely to continue up to the point when the budget report to Council is finalised. This has increased the degree of financial risk facing local authorities, aside from the impact of the specific proposals contained in the settlement. Cabinet is therefore asked to be mindful of this when considering this report.

2. THE AUTUMN BUDGET STATEMENT, THE SETTLEMENT AND GENERAL FINANCIAL PROSPECTS

Comprehensive Spending Review (CSR)

2.1. The Coalition Government published the outcome of its Comprehensive Spending Review in October 2010. Full details of the Review were reported at some length in reports to Cabinet as part of the budget-setting cycle for previous years.

2.2. To remind Cabinet of the background, the Review set out at a high level spending plans for each Government department. The major effect was, as expected, a significant reduction in funding for the public sector over the four years covered by CSR. This has subsequently been translated into the detailed financial settlement, which for Havering saw a loss of general revenue support grant of around £13m, and a further £3m in specific grants, over the previous two financial years (2011/12 and 2012/13).

2.3. In anticipation of the cuts expected to be announced by the incoming Coalition Government, plans were put in place to assess the likely budget gap, and means of bridging it. Work on this started almost immediately after the new Government was formed. This has enabled Havering to be well ahead of many of our colleagues in other boroughs, and has meant that a robust and well-thought-out financial strategy was put in place at an early stage. However, the scale of the gap – estimated at £40m – was extremely challenging, and the measures put in place were not without a heightened degree of risk. This in turn has required much greater scrutiny of both the proposals and their subsequent delivery.

2.4. Cabinet agreed reports in July 2010 and July 2011, setting out a range of savings proposals designed to largely bridge the forecast budget gap between 2011/12 and 2014/15, as refined in the light of, firstly, the CSR announcement, and secondly, the subsequent financial settlement. The remaining gap would be met by further measures, assuming no material change in funding was announced by the Government, with the aim of achieving a stable financial position and with little or no impact on frontline services. However, the announcements over prospective changes in the funding of local authorities, and in particular the localisation of both Council Tax support and business rates, added further to the element of uncertainty and the risks being faced and managed.

The Autumn Budget Statement (ABS)

2.5. The ABS has had considerable national exposure since its announcement in early December. In very broad terms, the Chancellor advised that the national position remained difficult. His statement indicated that, in effect, austerity will remain in place for a further year beyond that originally expected, though there has since been speculation that this in reality means the end of the current decade. A summary of the key elements of the ABS is set out in Appendix A.

2.6. The statement confirmed widespread speculation that the Government's austerity programme would continue for an extra year until 2017/18, deep into the life of the next Parliament. It will certainly cover the whole period of office for the next Administration of Havering following the 2014 elections. This extension to the fiscal consolidation will take state spending down to 39.5% of national income from 48% in 2009/10, the Chancellor said. The background to the Chancellor's announcement lies in confirmation from the Office for Budget Responsibility (OBR) that the weak economic performance over the past two years meant the Government was set to miss the Chancellor's target for debt to be falling by the end of the current Parliament in 2015/16.

2.7. According to OBR forecasts, debt is set to continue to rise over the next three years, peaking at 79.9% in 2015/16, before beginning to fall again. On growth, the OBR is predicting an overall contraction of 0.1% for this year, with the economy set to grow by 1.2% next year, 2% in 2014 and rising year-on-year thereafter, reaching 2.8% in 2017. The OBR also advised that the effects of the 2008/09 downturn are deeper than initially thought, and will continue to be felt for several years to come.

2.8. The key points of the ABS impacting on local government were as follows:

- Spending Review 2013; details of departmental spending plans for 2015/16 will be set at a spending review, which will be announced during the first half of 2013. This has led to speculation that there will be further reductions for that year
- Public Sector Funding; further reductions in public sector expenditure for 2013/14 (1%) and 2014/15 (2%) were announced. Local government will not be impacted by the 1% reduction in 2013/14; but will still have the 2% reduction in 2014/15. Based on a crude calculation, Havering's "share" of this could be around £1.2m
- Public sector expenditure for 2017/18; Totally Managed Expenditure is set to fall at the same rate as over the Spending Review 2010 period. This equates to a £4.6bn real terms reduction on 2016/17 levels, i.e. based on the more pessimistic forecasts from the OBR, there will need to be a further year of spending reductions in 2017/18
- Public sector pay; the level of pay in the public sector was expected to rise by an "average" of 1%
- Business Rates; the temporary doubling of the Small Business Rate Relief will be extended for a further 12 months from April 2013. It was also proposed to exempt all newly built commercial property completed between October 2013 to September 2016 from empty property rates for the first 18 months.

2.9. Based on this analysis, in broad terms, there is no evident sign of an immediate reduction in funding for next year, but a likely reduction in the following year (2014/15) of around £1.2m. In addition, it is also expected that there will be a further reduction in 2015/16 (for which no spending figures have to date been indicated), and this trend will continue for the following two years. This however was ahead of the settlement announcement, which is addressed later in this report, and specifically reflects the impact of revised Government department spending levels. Of course, if the improvement in the economic environment anticipated in the OBR, and thus the ABS, does not materialise, or some of the assumptions prove to be wrong, then further action and/or an extension beyond 2017/18 would become necessary.

2.10. Specifically on the last bullet point, this potentially gives rise to an additional cost to local authorities. This has been raised by London Councils and they have been given an assurance that the Government intends to fund any new burdens arising from tax policy changes, of which the ABS measures are the first example, via section 31 grants or Revenue Support Grant. London Councils intends to undertake a “new burdens assessment” as the basis for discussion and this will be kept under review by officers.

Local Government Financial Settlement (LGFS)

2.11. Details of the provisional settlement were announced on 19th December, which was as expected but, as Cabinet has been made aware, is very late in the context of the Council’s budget-setting process, and given the extent of changes to the funding regime. The settlement covers a two year period, for both 2013/14 and 2014/15. Cabinet is asked to note that:

- A considerable volume of the detailed papers that accompany the actual announcement were not released on settlement day
- Some that were issued then had to be withdrawn owing to errors
- A significant number of those relating to 2014/15 were not made available until 2nd January
- Some of them have in fact still to be published at all
- There has basically been only one clear day when no additional information has appeared, or existing information has been withdrawn, since the original publication on 19th December.

2.12. This has made it extremely difficult for officers to both interpret the outcome and to utilise information provided by local government associations, in particular the LGA and London Councils. Officers have analysed the information available and, based on that assessment, various conclusions have been reached and an overall position arrived at. This is reflected in the proposals now contained in this report for Cabinet to consider. The continuing uncertainty over both the content and meaning of the settlement clearly increases the degree of risk facing local authorities, but also continues to emphasise the need for careful planning and financial prudence.

2.13. A summary of the settlement is set out in Appendix B; this includes a glossary to various key terms introduced as part of the new funding system, some of which are referred to below. The main points affecting local government in general, and Havering in particular, are set out below; a fuller explanation of these key elements then follows:

- The final settlement is likely to be announced around 2 weeks after consultation closes on 15th January, even though the most recent release of information was provided on 4th January 2013
- The settlement covers the financial years 2013/14 and 2014/15 and introduces a fundamental change in the system of funding. From 2013/14 local authorities in London will be able to retain 30% of their business rate yield

- Councils will face an average reduction in spending power of 1.7%; the average London reduction is 1.2%, Havering's reduction in 2013/14 stands at 1.57%
- London has 9 tariff authorities and 24 top-up authorities with Havering being a "top-up"
- Havering's provisional 2013/14 start-up funding is £75.569m (£69.311m for 2014/15); this includes £31.2m of rolled in grants
- The equivalent 2012/13 figure, incorporating the rolled in grants, is £79.7m, £4.1m lower due to reduction in Early Invention Grant (EIG), indicators within the formula grant, and removal of the New Homes Bonus
- As part of the Start-up Funding allocation, Havering has been set a business rate baseline of £30.2m in 2013/14 (£31.1m 2014/15) which includes a £9m top-up grant (£9.3m in £2014/15). Havering's retained yield has been calculated as £21.1m thus resulting in a £100k shortfall
- Havering has continued to face the highest floor damping band with a reduction of 8.7% in the settlement as Havering is regarded as being less reliant on central government grant; only three other local authorities in London have been given this level of reduction
- If a London pool had been created, London as a whole would be a tariff paying authority with a levy rate of 10p/£.

Settlement Periods and Final Announcement

2.14. The consultation period for the LGFS runs until 15th January, a week prior to the Cabinet meeting where this report is being considered. It is anticipated that the final settlement will be announced around 2 weeks after consultation closes, in common with earlier years, though a definitive date has yet to be confirmed. This is potentially too late for inclusion in the February Cabinet report. It will therefore be necessary to update Cabinet at that meeting if there are any material changes to Havering's settlement, or simply to confirm the position as set out in the provisional settlement.

Havering's Grant Funding

2.15. The original settlement announced in 2011 gave Havering funding of £56.520m for 2011/12 and £51.357m for 2012/13. This meant that Havering's grant was cut by around £8m in 2011/12, with a further £5m in 2012/13; this equated to a grant cut of around 20% over the two years. The adjusted grant figure for 2012/13 is £51.351m, excluding the Council Tax freeze grant for that year. These sums were fully in line with the Council's financial strategy and budget models. Further grant reductions were anticipated, based on the departmental spending levels contained in the CSR, and these have been reflected in the Council's financial planning. In broad terms, assumed reductions of around £500k and £3m were built into the planning process.

2.16. The provisional settlement covers 2013/14 and 2014/15 and gives Havering a provisional 2013/14 start-up funding of £75.6m (£69.3m in 2014/15), however unlike previous year's settlement, this is a notional amount and not the amount of grant Havering will actually receive. The start-up funding is split in the ratio 60:40 in 2013/14 resulting in an RSG figure of £45.4m and a business rate baseline of £30.2m. This ratio has been calculated by the DCLG due to the spending control totals being significantly greater than the localised business rates aggregate.

2.17. Within the start-up funding allocation, £31.2m of grants have been rolled into the formula of which £13.5m is in relation to Council Tax Support. This grant as per previous consultations has already been reduced by 10% which is not included as part of the Government's spending powers calculation and thus does not reflect the true reduction in funding.

2.18. Based on the calculations set out in the LGFS on start-up funding, the estimated impact on Havering is an overall reduction in mainstream grant funding of around £2m in 2013/14 and a further £6m in 2014/15. In overall terms, this means an additional reduction in grant funding of around £4.5m across the two years, £1.5m and £3 respectively. Whilst work on the settlement is still underway, it would be prudent to factor these into the detailed budget development process.

National Position

2.19. In a similar manner to the previous two years, the Government's headlines focus on comparative figures concerning a local authority's "revenue spending power". Local authorities will face an average reduction in spending power of 1.7%; and that no authority would experience a decrease of more than 8.8%. The average London reduction is 1.2%, Havering's reduction in 2013/14 stands at 1.57%. The 2014/15 figures at this time are not available due to late adjustments being made by the DCLG.

2.20. The Local Government control total has been set at £26.1bn, down from £27.2bn in 2012/13, whilst including £7.9bn of rolled in grants into its calculation along with the transfer out of £4.1bn in relation to both LACSEG and police funding. Other adjustments have been made to include announcements from the Autumn Statement and policy changes as a result in the business rates retention.

Formula Grant Damping

2.21. Funding formula will be subject to damping or smoothing as per previous settlement. Four bands have been set up according to an authority's level of grant dependency. Due to the fact Havering receives one of the lowest settlements in London and has a relatively large council tax base / population ratio, it faces the highest level of reduction of 8.7%. Only three other authorities in London face this level of reduction – Bromley, Kingston and Richmond. Cabinet should however be aware that the DCLG has, at the time of concluding this report, yet to publish the actual damping methodology behind these calculations.

2.22. To ensure that no local authority has its "Revenue Spending Power" reduced by more than 8.9% for 2013/14 and 2014/15 only, the Government has created an Efficiency Support Grant (similar to the Transition Grant) which is in addition to any funding floor. Only 8 authorities will receive this funding, none of which are in London.

Business Rates Multipliers

2.23. The Government has set the provisional small business and main non-domestic multipliers for 2013/14 as 46.2p and 47.1p (these are currently 45.0p and 45.8p respectively). In addition, the Department of Communities and Local Government has assumed the 2014/15 multiplier to increase by 3%. Havering has no influence on the multiplier used to determine the business rate charge as this is based on September's RPI figure.

2.24. As discussed above, Havering's formula funding is notional as it is dependant on Havering's business rate yield. Based on the methodology behind the new funding regime, Havering's business rates yield will need to increase by RPI to ensure this equates to the same level of start-up funding. If Havering's business rates yield does not keep up with inflation, whether it be due to appeals on properties or bad debts, Havering would need to fund the difference. A safety net is available, however Havering's element of the business rates, which has been set at 30%, would need to drop by £2.2m in order for a safety net to be activated (£7.5m in total).

Council Tax Base

2.25. The new funding system also sees a change in the basis of calculation of the Council Tax base. This is the estimated number of equivalent band D properties. The calculation has been affected by the changes relating to Council Tax support. These payments have in the past fallen directly into revenue spending, offset by Government grant, but from next year, support payments will fall into the Collection Fund, with the grant being rolled-up into the new start-up funding assessment. To counter this, the base calculation formula has been amended.

2.26. The estimated base for next year has been set at 79401 – the current figure is 90139. The impact of this change locally is broadly neutral, as a lower base will be applied to a lower net spend sum. However, as all authority base calculations are changing, this may have an impact where precept or levy calculations are concerned, for example the ELWA levy. The impact of this is currently being assessed and an update will be provided as part of the February report.

Specific Grants

2.27. As previously reported to Cabinet, there have been major changes to the system of specific grants and Area Based Grant (which has now ceased completely). This resulted in either the merger of, or in most case, cessation of, funding streams. This has been reflected in the Council's budget for the last two years. This trend has continued with the migration to the new funding regime, examples of these were set out in the previous report to Cabinet. As a result, a number of existing specific grants will cease completely (though they may appear within the "new" Revenue Support Grant). In addition, most grants are now unringfenced; although the department allocating the funds will usually identify the intended purpose of the funding stream, the allocation of these resources is down to the local decision-making process.

2.28. All remaining specific grants – where funding details have so far been announced – have been listed, alongside their current equivalents, to quantify how the changes in the funding system impact on the various funding streams. These are set out in Appendix C. This includes information on grants where announcements have been made, as well as identifying how these grants are being treated as part of the new funding system. This list contains a number of gaps, as further announcements are awaited, and a more up-to-date version will be included in the February report.

2.29. As reported previously to Cabinet, funds were to be transferred out from the Early Intervention Grant to fund free education for two year olds, with a further sum to be retained centrally for future use in funding early intervention and children's services. More details of this funding have subsequently been announced and these are set out in Annex A to Appendix C. Also included in the same Annex is further information on the Social Fund replacement scheme, an outline of which was included in the report to Cabinet last October.

2.30. As Cabinet will be aware, details of the Council Tax freeze grant were included in last year's settlement announcement. Whilst this is a base grant, expected to last for the duration of the CSR period, a further announcement was made in late 2011 regarding an additional such grant, solely for financial year 2012/13; details were set out in the previous report to Cabinet. The new funding system will see the original base freeze grant rolled up, but the one-off funding for the current year is being removed. There is a "new" freeze grant on offer, but this only equates to a 1% equivalent sum, reduced considerably from the level for the current year.

2.31. Should Havering choose to accept this funding, it equates to around £1.08m (based on the equivalent Council Tax base). This funding would be available for both 2013/14 and the following year. At this stage, nothing has been said about a further freeze grant for 2014/15, but as there is no reference to this in the LGFS, it would be reasonable to assume this would only occur if the Government were able to identify additional funds, and then almost certainly on a one-off basis only.

2.32. The Government has made it clear that they intend to ensure that council tax payers are protected against Councils seeking to impose what they consider to be "excessive" council tax rises. Any proposed rise in Council Tax above 2% will now trigger a local referendum, as previously advised to Cabinet. The outcome is based on a simple majority of those voting, either in favour or against. This aspect is covered later in this report.

Dedicated Schools Grant & Schools Funding

2.33. The details of the Education grant funding were released at the same time as the main settlement announcement. There are a range of education services providing statutory and support functions such as home to school transport, pupil planning, special education needs and school admissions that sit within the Learning and Achievement service area. For those services falling within the definitions of eligible expenditure, funding is through the Dedicated Schools Grant (DSG). All other services are funded through DCLG formula grant as they are statutory functions of the local authority.

2.34. Since 2011/12 there has been a top slice of the DCLG formula grant to recognise statutory functions that transfer from local authorities to academies. This funding is referred to as LACSEG (Local Authority Central Spend Equivalent Grant). From 2013/14 LACSEG is to be replaced by an Education Services Grant (ESG). This will involve the transfer of grant from councils' DCLG start up funding to the Department of Education (DFE) and the allocation back to local authorities on the basis of the number of pupils in maintained schools.

2.35. The amount of the transfer for LBH is £5m and it will be allocated back on the basis of £116.46 per pupil in maintained schools and £15 for all pupils regardless of whether they attend academies. The figures for pupils attending maintained special schools and alternative provision are £494.96 and £436.73 respectively. It is currently estimated that this will provide £3.0m of ESG to Havering taking into account the number of schools likely to convert to academies by 1st April 2013 or shortly after, although the precise number will depend on exact numbers at a point in time in January. For each school that converts during the financial year a pro rata deduction will be made to the ESG. The announcement on ESG funding is expected shortly. The DFE will make quarterly adjustments based on academy conversions during the year, so the exact funding will potentially change.

2.36. In anticipation of this reduced funding a number of restructures have commenced within Learning and Achievement (L&A) which will reduce expenditure by approximately £1.85m in overall terms, of which the majority – around £1.4m – lies within the service, by 1st April. The reduced amount of funding to Education will also limit the amount of corporate costs that can be recharged, of around £300k. There is also a small reduction (of approximately £150k) that should be met from outside of L&A relating to the Asset and Capital Management Team.

2.37. One other service area is affected by the LACSEG issue. The Havering Schools Improvement Service (HSIS) "core service", covering the Council's statutory responsibilities, is funded through the 2013/14 LACSEG allocations and may be subject to further review depending on the rate of academy conversions. The HSIS "traded service" is subject to school buy in and the operating costs being fully absorbed by schools, the service will be demand led. This therefore represents an area of risk as it is dependent on schools "signing up" for the services available; negotiations with schools are ongoing, so the budget process currently underway includes the assumption that they will buy into the services. There is a risk that they may not, and if that transpires, there will be an in-year budget pressure whilst necessary consultation is carried out to reduce the level of spend accordingly.

Public Health

2.38. This function transfers to local authorities with effect from 1st April 2013, as has previously been separately reported to Cabinet. An announcement on funding was expected to have been made on the same day that the LGFS was announced; however, this was cancelled at the very last minute, and guidance was issued later that day. This indicated that the announcement would now be made “as soon as possible in January”, although no specific date was given. A more recent announcement has indicated that funding details will be released on 11th January. As this is too late for inclusion in this report, the details will be included in a supplementary paper.

2.39. Whilst this funding is ring-fenced, the delay is unhelpful, as all other activities around the transfer are proceeding without any clear idea what level of funding will be available. It will therefore be necessary to revisit this area once the announcement is made, and its content has been properly digested and analysed. Cabinet will be updated accordingly at the appropriate point.

Overall Impact on Havering

2.40. The new funding system has proved to be extremely complex, difficult to understand and interpret, and the fact that the announcement and the associated documentation have been released extremely late in the budget-setting process has made this a much more difficult budget-setting process. The lack of information on the second year, 2014/15, until very recently, has meant that it has only been possible to undertake a detailed review on the first year. There is also a degree of risk that officers’ interpretation of the settlement is, in fact, incorrect, and with this in mind, work has continued on the settlement on conjunction with colleagues elsewhere. It is however fair to say that the system is patently not transparent, nor does it suggest that Havering’s starting position is not worse than it is currently.

2.41. In broad terms, the settlement indicates a funding reduction of £2m in 2013/14 and a further £6m in 2014/15. These are higher than previous figures have indicated, and based on that information, the current budget strategy assumed equivalent reductions of around £0.5m and £3m respectively. Therefore, in overall terms, there is an additional funding reduction across the two years of around £3.5m. In addition, there is a further reduction in equivalent EIG funding – this is currently under review as part of continued work on the settlement – as well as a reduction related to LACSEG funding of around £1.8m. Whilst specific proposals are being drawn up to address both the EIG and LACSEG issues, the Council will need to update its plans to reflect this latest information. A number of proposals have been drawn up and these are considered in the remainder of this report, alongside a number of other factors.

2.42. The Council is in the process of considering its formal response to the settlement consultation and a copy of the response will be included in the February Cabinet report. A meeting with the Local Government Minister to discuss the settlement and its impact on Havering has been requested, and this has been scheduled for Monday 14th January. As this report will have been finalised by then, the outcome will be reported verbally at the Cabinet meeting, and reflected in the subsequent report to Cabinet.

Overall Revenue Forecast

2.43. Based on officers' assessment of the settlement announcement, the financial forecast has been updated to reflect the anticipated grant reduction. Due account has also been taken of a number of other factors, considered later in this report, as well as the planned savings already agreed by Cabinet. The overall position across the next two years, prior to the inclusion of any additional items, is summarised in the table below:

Element	Value £m	Comments
Growth provision	3.1	Mainly demographic growth, net of interest
Inflation	5.5	Based on parameters set out in December Cabinet report
Contribution to external bodies and Pension Fund	1.8	Concessionary fares and revenue contribution to Pension Fund
Savings	-15.6	As agreed previously by Cabinet
ELWA and other levies	2.3	Mainly ELWA levy, based on previous assumptions
Reduction in revenue support grant	8.3	Anticipated net reduction in grant based on settlement analysis
Changes in funding system	0.5	Adjustments arising from LACSEG, grant roll-ups and transfers, including Council Tax support impact and Council Tax base
Council Tax freeze grant	2.7	Removal of one-off funds for 2012/13
Current gap	**8.6**	**Excluding reduction in EIG funding**

2.44. This leaves an overall gap of approaching £9m, in addition to which there is a further funding reduction relating to EIG, which is currently being investigated further. This gap needs to be met through a number of factors:

- Review/refinement of elements within the budget forecast
- Identification of additional savings
- Assessment of existing and potential new budget pressures
- Increase in Council Tax.

2.45. The proposed approach to addressing this gap is considered in the following sections of this report. The Administration's commitment to maintaining financial stability and in minimising Council Tax rises has been the over-arching objective in this approach.

3. PROPOSALS – REVENUE BUDGET

3.1. In broad terms, the approach adopted by the Council provides for an assessment of the Council's *Living Ambition* priorities in relation to its Medium Term Financial Strategy and corporate goals, and for resources to be allocated to those areas of the highest priority. Whilst the general economic climate and financial outlook have remained highly challenging, the focus of the Council's budget will need to be on significant levels of savings and only any material unavoidable pressures, with little scope for any additional investment. The efficiency savings already identified have the prime objectives of allowing the redirection of resources to areas of higher priority, the preservation of priority services, and the minimisation of the impact of Council Tax on our local community.

Progress with Proposals Already Agreed

3.2. As stated earlier in this report, Cabinet previously agreed reports in July 2010 and July 2011, set out a series of proposals designed to bridge the forecast budget gap. These set out proposals totalling around £35m (excluding the Council Tax base effect, which is accounted for separately), spread over financial years as follows:

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Cumulative Savings	9.5	19.2	32.0	34.3	34.8

3.3. Detailed schedules of these proposals were included in the respective Cabinet reports and were subject to formal consultation, including consideration at joint meetings of all Overview & Scrutiny meetings. The more significant items, and progress generally in delivering these savings, are set out in the following paragraphs. This includes a review of progress with savings in the current year.

3.4. An analysis of savings by service area from these Cabinet reports affecting 2013/14 is shown in the table below (this differs slightly from the table shown above, as the phasing of savings has meant that £500k has effectively been shifted until later in the process, and thus does not feature as part of the 2013/14 budget):

	July 2010 £000	July 2011 £000	Total £000
Adults Services	3,100	2,015	5,115
Children's Services	1,100	2,420	3,520
Social Care & Learning		520	520
Culture & Community Services	271	657	928
Finance & Commerce	400	385	785

Legal & Democratic Services	50	150	200
Corporate Services	1,050	660	1,710
Total	5,971	6,807	12,778

3.5. There were seven significant items included within the savings proposals that impact on the 2013/14 budget; these are shown in the table below, together with their current progress:

Savings Item	Cabinet Report	Value of 2013/14 Savings £000	Progress
Review of Adults social care	July 2010	1,250	This is made up of a range of savings some of which have been delivered and some that are currently being worked through by officers to ensure delivery
Review of Adults transport	July 2010	500	Savings arising linked to the review of day service provision have been achieved. There is a £50k to £100k potential shortfall for which possible solutions have been identified but not yet initiated as the changes to transport arising from the Day Centre changes need time to settle in
Youth service	July 2010	500	New contract now let, this saving reflects the full year effect and meeting the needs of up to 20% more customers
Reablement services	July 2010	750	New contract now let, this saving reflects the full year effect. The new contract with Family Mosaic is meeting this target (full year effect) and meeting the needs of up to 20% more customers
Efficiency budget	July 2010	1,000	Although removal of this budget has been planned for some time and was expected to be achieved, more recent developments have meant a review of this position has been undertaken. This issue is addressed later in this report
Connexions	July 2011	600	Achieved through contract retendering completed in Sept 2012
Children's transformation	July 2011	500	On track to deliver £138k of this through Children's Centre review Work is on-going to identify further

			savings to fund current shortfall of £362k

3.6. Work is now well underway to deliver the planned savings for 2013/14. Progress is monitored through each of the Transformation Programme Boards and this is in turn reported to CMT. Service managers are expected to highlight any shortfalls or slippage, and to propose alternatives where these occur.

3.7. As previously reported to Cabinet, and as set out in the revenue monitoring reports, progress with the delivery of savings is kept under close scrutiny, and any shortfalls or slippage are also highlighted as part of the revenue monitoring process, and as such, will appear in the revenue monitor report. The majority of the savings are being delivered through service restructures, all of which are either well underway or have been concluded. Both the ISS and CST programmes are very complex, and in the case of the both these programmes, there has been a slippage in delivery of savings in the current year. There are also a small number of other areas where the delivery of savings will not be achieved in full this year, these are addressed later in the report.

3.8. There is clearly a risk that it will not be possible to deliver the full level of savings already approved by Cabinet. Circumstances are changing all the time and alongside this, so are demand for services and their associated costs. Whilst the budget contains a significant contingency sum, this is designed to address in-year issues, and the sheer scale of the savings proposals and the lengthy period over which they are being implemented – nearly £36m over a 4 year period – mean that some slippage or shortfall has always been a risk. Not the least because 2013/14 contains the highest level of savings – approaching £13m – across the four year plan.

3.9. A schedule of savings items that cannot now be delivered, are being delivered through other means than originally proposed, or where slippage has occurred, has been drawn up. This is included as part of Appendix D, which sets out the detailed revenue proposals for the 2013/14 budget.

Revenue Proposals

3.10. Given the financial climate, and the fact that the national economy is facing an unparalleled position, the Government has been faced with hard choices. These are reflected in both the ABS and the LGFS announcements. This factor has been at the forefront of the budget development process since 2010, and as a consequence, there is no scope for any budget growth at all. In reality provision has only been made where there is no other option and the need for the budget adjustment is unavoidable, for example where demographic changes give rise to growing service needs.

3.11. The revenue items proposed for the 2013/14 budget, and the subsequent year, are set out in Appendix D. These fall broadly into the following categories:

- Savings originally quantified that can no longer be delivered
- Proposed replacement or new savings proposals
- Funding changes from external organisations (excluding levies)
- Unavoidable growth arising from external factors.

3.12. Whilst this is a relatively short list of items, it does reflect the degree of risk over the delivery of savings proposals on such a scale, as well as the impact of factors outside the Council's control. A prudent approach has been taken in assessing the potential budget gap, and this has enabled the Council to weather the impact of the substantial cuts in grant funding it has been faced with, as some of these elements have turned in the Council's favour. In addition, due to the previous uncertainties over the New Homes Bonus, it is now possible to include the whole of this funding within the base budget.

3.13. Further information on both the New Homes Bonus and funding for social care are set out later in this report.

4. CAPITAL PROGRAMME

Background to Current Programme

4.1. The Council approved the adoption of an eight year Capital Programme as part of the planning process at its meeting in October 2008. This Programme was based on the gradual move towards the use of prudential borrowing to finance it and provision for this was reflected in the budget proposals. This Programme was subsequently approved by Council in February 2009.

4.2. Since that time, there has been a continued hold on interest rates, so borrowing remains relatively inexpensive. However, it remains the case that the Council's ability to generate receipts is rapidly reducing. It is therefore an increasing risk that receipts will not arise as had been predicted, which means the Programme needs to be kept under constant review to respond to any material change in circumstances.

4.3. For the longer term, financing any form of capital programme will almost certainly be heavily reliant on borrowing, although external financing and Section 106 receipts are expected to remain available, if unpredictable. This therefore brings an additional revenue pressure.

4.4. For the immediate short term, borrowing will only be used as a last resort. The exception to this will be where a specific business case can be made to finance investment through borrowing, for example where savings or additional income can be generated. Longer term, the Council will be faced with an increasing dependence on borrowing, with the consequent revenue impact this has. Existing forms of external funding, such as TfL grants, are expected to continue, although their longer term existence is uncertain.

4.5. The original long term programme was based on a number of assumptions around funding sources, and in particular capital receipts. Both the overall level of spend and the forecast receipts have been kept under review. As a result of that review, adjustments have previously been made to the core programme to bring this in line with the expected duration of capital receipts. However, the risk remains that receipts will not arise as planned, and where these relate to a specific site with a material value, this could adversely impact on the planned programme.

4.6. Given the ongoing need for austerity in the public sector, and the very real threat of future reductions in funding, it is not felt prudent to consider any expansion to the existing capital programme. Once the longer term position becomes clearer, then it will be possible to reassess the areas where investment is required, the priorities for that investment, their financial impact and phasing, and the sources of funding potentially. No further commitments will be entered into in that time. This will be therefore considered as part of the budget cycle for 2014/15 and beyond. This will be covered in future reports to Cabinet as part of that year's budget setting process.

Proposed Forward Programme

4.7. The Programme – and in particular that part of the Programme funded by the Council's own resources – has therefore been constructed with these factors in mind. A detailed Programme funded through Council resources has been compiled for 2013/14, and approval to this Programme will formally be sought from Cabinet in February. An outline Programme for elements funded through external resources has also been drawn together, for consideration by Cabinet but also to give some context to the Council's own funding.

4.8. This detailed Programme for the element funded through the Council's own resources is based on the provisional Programme for 2013/14 as set out in the report to Cabinet in February 2012. This is set out in the appendix as part of the consultation process on the Council's budget proposals for next year. In addition, a proposed programme of maintenance works on schools has been developed and is included in the appendix; this is based on an estimated level of grant funding. The actual programme will be refined in the light of the subsequent grant announcement.

4.9. Alongside the Council funded element of the Programme, the appendix also summarises the remainder of the Capital Programme, which includes spend which is financed through grant funding. It excludes the HRA Capital Programme as this is covered separately in the HRA budget report. At this point in time, further information on grant funding is awaited, or consideration is still being given to the potential deployment of grant funding. Pending further formal announcements by Government departments, further information on these will be included in the February report. This will appear alongside an overall summary of the whole Capital Programme.

4.10. The overall Programme is broadly balanced, although still heavily reliant on the generation of capital receipts at the appropriate level. This is therefore an area of risk as stated above, and is kept under review as disposals progress. There is a significant amount of spend towards the end of the current programme; this currently provides sufficient scope to accommodate a degree of change in the level of receipts generated. As part of the ongoing monitoring process, the opportunity is being taken of reviewing earmarked reserves, alongside the broader priorities contained within the existing programme, and in the context of the views expressed by our local community on their priority areas for investment. This will also be reflected in the February report.

4.11. At this stage, no assumptions have been made regarding prudential borrowing to fund the Programme. Consideration has been given as part of previous budget-setting cycles to the inclusion of revenue provision to support capital spend, but judicious management of the Programme and the associated disposal programme has meant that the Council has been able to avoid the need to do so. Whilst the situation is being kept under review, however, it is highly likely that an alternative to the reliance on capital receipts to finance the Council's capital spend will be needed. Officers are examining a range of options and at the appropriate time, proposals will be brought back to Cabinet for approval.

5. CURRENT FINANCIAL POSITION

5.1. As part of its standard business processes, a robust system of budget monitoring is in place to ensure the Council's financial stability. As part of this process, both variances and potential risks are identified and action plans developed to counteract any adverse variances. Reports are considered up the management chain, from cost centre managers through to Heads of Service, and then CMT, individually and collectively, as well as Cabinet Members. Monthly reports appear on the Council's intranet site. Full reviews of the financial position are undertaken quarterly, with high risk areas being reviewed monthly. Reports are on an exception basis.

5.2. The initial forecast for period 3 indicated that there was an overall underspend of around £1.4m. The most recent forecast for period 6, which is a full quarterly budget review, indicates that this has reduced slightly to just below £1.2m. The main elements of this are:

Service	Issue	Variance £000
Corporate Provisions	Underspend against the Special Corporate Budget Provision	-2,000
	Underspend against the Insurance Provision	-500
	Shortfall in Advertising Hoardings income	236
Transformation	Slippage in savings from the Customer Services and Shared Services transformation programmes	800
Learning	Surplus on the Catering trading account	-500
Adults & Health	A net underspend across social care services	-290
Children's	One off costs relating to the introduction of new IT systems, management restructures	1,000

	and continued pressures both with Child Protection assessments and placements for Looked After Children	

5.3. As Cabinet will be aware, the budget includes a Contingency Fund. This is to ensure the Council's budget is robust, and to provide financial stability to enable adverse in-year variances to be overcome. The level of the Fund is re-assessed annually as part of the budget-setting process. Allocations from the Fund are generally only made once other measures have been considered, and during the latter part of the year. This is in accordance with practice of previous years. Allocations made later in the year cover those items that cannot be contained within departmental spend, and are generally beyond their local control. The Fund is designed to enable the Council to resolve any in-year issues that cannot otherwise be contained within approved budgets. It is not however available to fund permanent, ongoing changes; these need to be resolved as part of the formal budget-setting process.

5.4. Part of the planning process ensures that any in-year variances are fully assessed and taken into account. These issues are therefore being reflected in the approach to 2013/14 and beyond. Each of the variances reported at period 6 is being analysed to determine if any of these have a longer term effect, and therefore need to be considered as a base budget issue for next year. The outcome of this assessment is currently being completed, but has been held up whilst officers have been examining the recent settlement announcement. This will therefore be included as part of the February Cabinet report.

5.5. Cabinet will be aware that the insurance provision has been a persistent feature within budget monitoring reports, as has the shortfall in advertising hoardings income. It is not felt to be unrealistic to achieve any additional income for the foreseeable future, and given the stability over the Council's insurance costs, it is now proposed to include both these items within the budget for 2013/14, as a saving and partially offsetting pressure; these have therefore been included accordingly.

6. OTHER KEY MATTERS

Impact of Inflation

6.1. As Cabinet will be aware, inflation levels have remained at their lowest point in many years. The 2009 local government pay award saw a rise of around 1%, and further restraint in pay rises, given the economic climate, has continued, with no pay rise at all for 2010, 2011 and 2012.

6.2. The Government set out its expectation that there will be minimal rises in the public sector. This has taken the form of the recent pay freeze and an announcement, as part of the Autumn Budget Statement 2011, of a further 1% cap on public sector pay for the subsequent two years. More recently, the 2012 ABS included an expectation that pay rises would be capped at an "average" rise of 1%. Whilst local government pay negotiations are dealt with differently, the Government has made it clear that they expect the sector to comply with these guidelines, and the funding they will provide will be reflective of this. With this in mind, provision has been made in line with the Government's spending plans.

6.3. Provision is being made for increases in major contracted services and for an increase in fees & charges. The broad level provided was set out in the report to Cabinet on 7th November. The proposed increases for contracted services – which mainly relate to contracts based on an RPI index – are broadly in line with that level, but subject to the specific circumstances applicable to each individual contract.

6.4. A review of fees & charges is being undertaken as part of the budget setting process and any rises being proposed will be reflected in the schedule submitted to Cabinet in February. However, it is not proposed to increase fees & charges for parking services, where these are set by the Council, in accordance with the Administration's previous commitments. There are a handful of other areas where the proposed rise cannot be delivered, of which the biggest area is Housing Needs (Private Sector Landlords), and this will be reflected in the detailed budget.

Interest Levels

6.5. Interest rates have remained at historic lows for some considerable time. The Council's budget strategy originally assumed that there would be a recovery in interest levels during 2010/11. This has not happened, and therefore the originally planned increase has been delayed until 2013/14.

6.6. There appears to be little sign of rates rising, and in fact more recent intelligence shows a considerable fall in the rates that are being achieved, so the planned rise of £300k is at risk. However, it is felt that this can be achieved through prudent financial management of the Council's cash flow position, and this is therefore being retained given the pressures elsewhere. The position will need to be monitored as a more significant rise has been anticipated in 2014/15.

Concessionary Fares and Taxicard Scheme

6.7. This has been a major factor in previous years. Havering's contribution currently stands at £7.786m, which resulted from one of the lowest rises across London. The basis for both calculating and distributing contributions has been under review and this has been reflected in the figures assumed for next year. A rise had been anticipated for planning purposes, but based on more recent announcements, this had been expected to lead to only a small rise. However, this is now actually expected to fall very marginally to £7.661m. This is a reduction of £57k, whereas previously a rise had been anticipated. This area remains a financial risk to all London boroughs as future rises could well be at a similar level to that currently allowed for, and this is covered in the Council's longer term planning.

6.8. There will also be a reduction in the Council's contribution to the London Taxicard scheme, which is also funded through London Councils. This fell from the original level of £387k to a contribution of £280k for this year, and this will now expected to fall further to £130k for 2013/14, a further reduction of £150k, although this is dependent on a final decision due on 17th January. This has been reflected in the schedules pending the decision.

6.9. Both these reductions are due in part to lobbying undertaken by the Council on both the cost and the distribution between London boroughs. The proposed figures ensure that, not only will the Havering contribution reduce, but the continuance of the schemes has been assured.

Pension Fund

6.10. The difficulties experienced nationally by pension funds in general, and the Local Government Pension Fund in particular, have been well publicised. The current position, relating to consultation on proposals to change the operation of the existing scheme, was set out in the previous report to Cabinet, and the Council is responding to this. There have been concerns that any savings delivered from changes to the scheme would effectively be taken by the Government, but this fear has recently receded.

6.11. Havering's Pension Fund has, like most if not all others in the public sector, been adversely affected by not only the level of liabilities, but also the impact of gilts on the assessment of those liabilities. So, whilst the value of investments has actually seen an increase, this has been counter-balanced by the rise in liabilities owing to historically low gilt returns. Clearly, the Council cannot influence how gilts impact on the Fund, but it does have a responsibility to deal with this as part of its prudent financial management.

6.12. A review of the investment strategy is currently underway and the 2013 actuarial review of the Pension Fund is also in train. With the general economic climate in mind, it is inevitable that increases will be needed to the level of contributions made over coming years, and this is the initial advice provided by the Council's actuary. The current budget makes provision for an incremental rise of £500k, as set out in the previous budget-setting cycle. It is now felt, to be prudent, that this needs to be increased. The budget for this has therefore been increased to £1.5m with effect from 2013/14. This will establish a bigger buffer against the potential outcome of the actuarial review.

6.13. Whilst this is a material increase, it is the Chief Finance Officer's advice that this is essential given the position on the Fund, and the likely advice from the actuary. It is also, in context, within the overall budget gap of £40m originally assessed in 2010. It can therefore be accommodated within the budget without requiring additional compensatory savings.

6.14. With the outcome of the actuarial review in mind, work has started on a review of the Pension Fund investment strategy. This will reflect proposals for further investment into the Fund. The strategy is expected to incorporate provision for the Fund to invest in infrastructure assets, such as property investments, with the proviso that any such investments need to deliver an appropriate level of return to the Fund. To enable the Fund to undertake such investments, it would be prudent to make more resources available to the Fund. Officers are currently exploring opportunities to do so as the investment strategy is being developed. Whilst this will require formal approval by the Pensions Committee, this is seen as a unique opportunity for Havering, especially given the growing impact of local taxation yield on our financial position

Levying Bodies

6.15. The levies are part of the Settlement and therefore need to be taken into account when setting the Havering element of the Council Tax. There are a number of levies, but the predominant levy relates to ELWA. The current overall levy budget is around £11.7 million, of which ELWA accounts for £10.9 million. At this stage, no account has been taken of any changes in the distribution of levies arising from the changes in Council Tax base referred to earlier in this report.

ELWA

6.16. Provision has broadly been made within the MTFS for increases in the ELWA levy of around £1m per annum over the budget window the Council now operates. The Authority considered a report on its financial prospects at its meeting in December. Whilst the final budget will reflect more recent tonnage information and updated financial information, the report indicated that the provisional levy proposals for 2013/14 would be lower than had previously been allowed for.

6.17. At this stage, whilst officers are awaiting the final budget report, which is subject to deliberations by ELWA, it would be appropriate to reflect a reduction in the levy as part of the overall budget build process. This has therefore been reflected in developing the current proposals. At the point at which ELWA approves its final budget, due account will need to be taken of this in the Council's own budget setting process.

Other Bodies

6.18. Of the remaining levying bodies, for planning purposes, a prudent approach has been taken to the level of increase that might be expected. Notification has already been received of a planned rise of 5% per annum for next year, and the following 10 years, for the Environment Agency Thames Region levy.

London Councils Subscription and London Boroughs Grants Scheme (LBGS)

6.19. The Council's current subscription to London Councils is £144k. This is expected to fall to £137k next year. The Havering contribution to the LBGS for 2012/13 stands at £347k, although the current budget for this is £418k, which reflects decisions taken last year as part of the budget-setting process. It is currently anticipated that this will reduce to £261k in 2013/14, and this reduction has been reflected in the savings schedule, given the overall financial position.

Transformation Funding and Baseline Growth

6.20. Cabinet will recall that, as part of the Council's approach to delivering its transformation programme, a reserve was established to finance a wide range of activity, for example the Internal Shared Services programme. These reserve funds supplemented a base budget sum created several years ago of £1m. It was originally planned that this sum would be removed from the budget in 2013/14. However, as pointed out in previous reports to Cabinet, given the inevitable continuation of the Government's "austerity programme", it is highly likely that local authorities will be engaged in transformation activity for a considerably extended period, possibly for the remainder of the decade. In addition, the need for local authorities to seek to retain and where possible expand their business rates base is an additional burden and will require resources to achieve.

6.21. To continue to deliver a sustained transformation programme will require additional resources to those deployed within the Council to deliver "business as usual". The level of reserves has continued to reduced and is a finite resource, and it is not considered appropriate to fund what is clearly a long-term programme – possibly as long as a further 5 to 6 years – using one-off resources. It is therefore proposed that the planned removal of the £1m base budget will not now take place, it will be retained as a base budget sum. This will be used to fund resources to oversee and deliver the long-term programme and to enable resources to be allocated to support a sustained, continuous transformation programme.

6.22. Alongside this ongoing programme, there are clear incentives for local authorities to seek to stimulate their local economies, through activities for business retention and growth, and through more engagement with local suppliers, and to expand the number of domestic properties by maximising the use of existing housing stock and seeking to increase this where possible. These will give rise to additional business rate and Council Tax income. Undertaking such activities will require the allocation of resources beyond those currently available within the Council. It is essential that the Council seeks to increase its yield from local taxation, not the least because the Government is anticipating rises as part of its overall funding plans.

6.23. At this point in time, no detailed assessment has been undertaken on exactly what resources will be required. Once this has been completed, and firm plans drawn up, an update will be given to Cabinet. With these measures in mind, the removal of the base sum as a saving is no longer recommended, and this has been included within the schedule of 2013/14 items.

6.24. Alongside this base budget sum, it is also likely that additional, one-off funds will be needed. This will enable the Council to finance any further projects and to ensure funds are available for any further redundancy costs, should these arise, beyond the current programme. With this in mind, it is proposed that any underspends from the Corporate Contingency Fund, from the retained base budget sum of £1m, and from any service revenue underspends, are allocated to the Strategic Reserve. Cabinet is asked to endorse this approach.

6.25. Alongside this, potential investment opportunities will be explored, and these may require the use of funds from the Strategic Reserve. Work is already underway on a full review of the Council's Pension Fund investment strategy, to facilitate opportunities for investment in property, and this will be brought back to the Pensions Committee in the near future. Once this has been approved, this would enable the Council to invest further in the Fund, in turn allowing the Fund to acquire property assets with an appropriate revenue stream back to the Fund. This would potentially include both domestic and commercial properties. Details of this are currently being worked up as part of the investment strategy.

New Homes Bonus (NHB)

6.26. This new funding stream was introduced with effect from 2011/12. Cabinet will recall that, at the point of setting the 2012/13 budget, there remained some uncertainty over the longevity of this funding. For that reason, this funding was not built into the base budget, and has instead been used on a one-off basis, principally for Streetcare activities.

6.27. Speculation about the treatment of NHB as part of the new funding system has continued for some time, but the approach has finally been confirmed as part of the settlement announcement. The funding will remain in place for the originally proposed 6 years, although it has been top-sliced out of the overall funding "pot". In essence, local authorities will see a rise in their NHB funding over a 6 year period, but this will be offset by a corresponding reduction in Revenue Support Grant. As the budget reflects the actual RSG sum, it now also needs to incorporate NHB as a base budget item. A sum of £1.797m is therefore now being included for 2013/14, with a higher sum of £2.397m for the following year. Cabinet should note that this latter sum is based on officers' assessment, rather than the sum included as part of the settlement details.

6.28. The stated purpose of the New Homes Bonus is to increase effective housing supply. It is unringfenced funding, providing a significant, flexible resource which can support communities in improving their places – whether supporting town centre regeneration, improving connections or supporting new or existing services. It provides an incentive or reward for councils to build new homes or bring long-term empty properties back into use. Local authorities can decide how to spend the funding in line with local community wishes.

6.29. Given the nature of the funding, its inclusion in the budget not only allows the existing "efficiency pot" to be retained for subsequent investment, it also ensures that the existing services provided by the Council, which are highly regarded by our local residents, can be maintained. Without this funding, it is likely that additional savings would need to be found.

6.30. The Council will be commissioning work from a specialist advisor with the objective of identifying additional properties to be brought back into use. This would give rise to an additional NHB sum. As this work has yet to be undertaken, it would not be prudent to factor this into the budget. It will also take time for any changes to work their way into the NHB calculation. Once the position has become clearer, an update will be given to Cabinet.

NHS Funding to Support Social Care and Benefit Health

6.31. In the 2011/12 Operating Framework for the NHS in England, the Department of Health (DoH) set out that PCTs would receive allocations totalling £648 million in 2011/12 and £622 million in 2012/13 to support adult social care. This funding was in addition to the funding for reablement services that was incorporated within recurrent PCT allocations of £150 million in 2011/12 rising to £300 million from 2012/13. For the 2013/14 financial year, the Board will transfer £859 million from its global allocation to local authorities. Payments are to be made via an agreement under Section 256 of the 2006 NHS Act.

6.32. For Havering, this has meant additional funding of £2.553m for social care and a further £1.402m for reablement. These funds have been utilised for various services and activities, including falls prevention, the COPD telecare health service and assistive technology, which are workstreams being managed as part of the transformation programme, together with a number of activities for dementia services, and finally to support the reablement programme. The funds for the current year are governed by a Section 256 agreement.

6.33. The sum for social care for 2013/14, based on the increased allocation, will be £3.560m, an increase of around £1m. There is however no equivalent sum for reablement as this funding stream appears to have come to an end. Whilst the additional funding is welcomed, it needs to be set in the context of a continuing rise in both the adults' population base in general, and in those in need of a service in particular.

6.34. Whilst there is no express purpose for the increased sum, it is assumed that these funds will be expended on a range of social care services. There are various conditions attached to the allocation of funding, in particular, that the funding must be used to support adult social care services in each local authority, which also has a health benefit. However, beyond this broad condition, the DoH wants to provide flexibility for local areas to determine how this investment in social care services is best used. From April, the Council will constitute a Health and Wellbeing Board which will be the statutory partnership board for the council's new health responsibilities. Whilst this board will, amongst other things, recommend joint plans and arrangements for social care and health co-operation and spending, with regard to social care spending, the Council's normal spending authorisations will continue to apply through Cabinet, the Council and Lead Member arrangements. A further Section 256 agreement will need to be put in place.

Early Intervention Grant (EIG)

6.35. This funding stream was originally established in 2011, with around £10m of existing specific grants and Area Based Grant (nationally over £1 billion), including for example Sure Start Children's Centres, Connexions, Early Years and Children's Fund, being rolled into the new Early Intervention Grant (EIG). As part of the funding system, this grant is being rolled up. Further information on this is contained within the Appendix on the settlement, but in broad terms, the equivalent figure being rolled into Havering's start-up funding assessment is being reduced from £8.9m currently to around £6.6m next year. In addition, there is a further reduction down to £6.2m in 2014/15.

6.36. Whilst some level of reduction in grant had been anticipated, the overall apparent scale of the reduction – around £2.3m next year – is far higher. There are elements of the basis of calculating the new funding sum that are still being explored, not the least because some councils appear to have lost even more money whilst others have lost less. In addition, insufficient time is available to quantify savings and undertake a full and proper consultation process, especially as the exact amount has yet to be confirmed. There is also no information on how other sources of funding may become available, which has been intimated in the communication of the funding level.

6.37. With this in mind, officers are currently preparing a range of options, and these will be brought back to Cabinet in due course. These are reflective of the broad principle adopted in the past by the Council, which has been to mirror reductions in Government funding levels in related Council spend.

Social Care Services

6.38. Social Care Services remain an area of pressure for the Council. The aging population demographic is expected to lead to an increase in demand for adult social care. This issue has been reflected in the Council's budget for the past two years, and due to the fluid nature and high risk will continue to be closely monitored. This provision has been based on a detailed financial model, but given the passage of time, continuing changes in demand, the increased financial pressures facing local authorities, and in the light of the additional funding referred to above, this is now being subject to a further review to ensure it is both realistic and robust. The outcome of this review will be reported back to Cabinet once the assessment has been completed.

Members Allowances

6.39. As is customary, a report on the proposed Members Allowances scheme will be considered at the same time as the budget. The Administration proposes to reduce the cost of Allowances, in line with reductions in spend within the Council, and an additional saving of £100k in 2014/15 has been included accordingly.

Corporate Plan

6.40. The Corporate Plan 2011-14 sets out the Council's Living Ambition and how this will be delivered through five goals for the Environment, Learning, Towns and Communities, Individuals and Value. These goals, along with the strategic outcomes, key activities and measures/targets, are summarised in the 'Plan on a Page'.

6.41. The 'Plan on a Page' has been refreshed, in light of the progress made on the Corporate Plan over the past year and publication of the Annual Report in September – see Appendix F. The refresh captures the Council's goals and strategic objectives as follows:

- Environment – individual responsibility and enhanced community participation
- Learning – strategic commissioning role and strengthened partnership working between learning providers
- Towns and Communities – co-production of services, business support and development of growth areas for investment
- Individuals – new partnerships in health, prevention, integrated services and access to the 'early help offer' for children and young people at risk
- Value – customer service transformation, including self-service, efficiency and value for money.

6.42. The measures/targets have been reviewed and, where required, new targets have been set for next year. The updated 'Plan on a Page' will be used to inform service planning, ensuring all activities are linked back to the goals, strategic objectives and strategic outcomes of the Corporate Plan. CMT is asked to formally approve the revised "Plan on a Page" as set out in Appendix F.

7. EXPENDITURE RESTRICTIONS AND BUDGET ROBUSTNESS

Expenditure Restriction by Government

7.1. The Government has previously stated that it will use its capping powers where necessary. As part of the settlement announcement last year, following on from previous announcements, a referendum process was introduced. The broad level at which this would be triggered is set out earlier in this report, and this has not changed since previously reported to Cabinet in November. Clearly, those Councils choosing to avail themselves of the Council Tax freeze grant on offer for 2013/14 only will not be affected by this.

7.2. However, guidance has been issued setting out the basis upon which the 2% is to be applied. This is not, as expected, the existing level of Council Tax, but an assessed sum, or Alternative Notional Amount (ANA). The guidance prescribes the basis for this calculation, which in essence removes elements not directly with a local authority's control (basically, parish precepts and levies) and also adjusts for the impact of the localisation of Council Tax support. For Havering, the ANA has been assessed by DCLG as £1,048.66, whereas the current band D figure is £1,195.18. So should consideration be given to any rise in the basic Council Tax level, further calculations would be needed to determine whether the 2% limit has been exceeded, and should that be the case, then it would be necessary to undertake a referendum.

7.3. The Government has indicated that the referendum process is likely to remain in place for future years, although they have not committed to the actual percentage levels. There does however appear little prospect for a rise beyond the current limit of 2%, and local authorities would need to be mindful of the potential cost of undertaking a referendum should they wish to consider triggering one, especially with the potential cost of a further billing process to be undertaken, should the local community reject a proposed rise.

Budget Robustness/Reserves Position

7.4. 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 reserves. The Act requires the Chief Finance Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its council tax or precept.

7.5. In line with the requirements of the Act, the formal report of the CFO on budget robustness will be included in the February Cabinet report. The authority is required to take the report into account when making the calculations.

7.6. The General Fund Balance at 31 March 2012 was £11.8m. Prior to making a final recommendation to Council, there will also be a need to further consider the current financial position for 2012/13. The revenue budget strategy statement, as agreed by Council, sets out that the minimum level of reserves held will be £10m. There is an opportunity cost of holding reserves, in particular the alternative use that these balances could be put to and the benefits that might accrue as a result. Equally, the importance of retaining sufficient reserves has been emphasised by the position within social care services during previous financial years, and particularly so now, with the Council suffering an ongoing reduction in grant funding from Government.

7.7. The Council's revenue budget strategy statement requires that:

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

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

7.8. In addition to its general reserves, the Council also holds a number of earmarked reserves. At 31 March 2012, the total value of reserves stood at £38.7m. Of this, a significant element had been earmarked for the corporate transformation programme, which is delivering much of the savings target agreed by the Council. The vast majority of these funds have now been allocated to programmes and much of this will have been expended by the end of 2012/13 in funding programme resources and IT investment, and over an extended period of time, redundancy costs. A further element relates to strategic projects, whilst the remaining reserves cover a variety of purposes, including the Insurance Fund. Any reserves utilised as part of the budget-setting process can only be applied once; thereafter equivalent reductions – or increases in Council Tax – would still need to be found.

7.9. The current advice of the Group Director Finance & Commerce is that the existing level of general reserves can be considered to be adequate, but issues in previous years over adult social care spend, and both the recent and imminent major reductions in grant funding, emphasise the need for prudence with the management of reserves.

7.10. The Council's external auditor has in the past emphasised the need for the Council to strengthen its financial health and to build in protection against unforeseen circumstances and to seek advice from the Chief Finance Officer on the adequacy of its working balance level. The advice of CIPFA also needs to be borne in mind, as they have emphasised that it is important to stress the risks which arise should councils decide to draw down reserves to help fund their budgets. This is due to the fact that most council services require recurring funding to meet staff and other running costs year after year. Reserves are however a one-off, finite source of funding; they can cover a shortfall in recurring funding for a specific period but, after reserves are exhausted, the underlying shortfall will still be there. Due account is taken of this advice in assessing the need for reserves and their potential utilisation.

8. SUMMARY OF FINANCIAL POSITION

8.1. Based on the factors that are set out in this report, the Council is in a good position to take advantage of the additional Council Tax freeze grant offered by the Government for 2013/14, although this is not without some degree of risk. Assuming that there are no changes in the final settlement, and no other material factors come to light, the budget recommendations to Cabinet and Council in February will reflect this position.

8.2. The overall financial position over the next two years, based on the factors set out above, is now as follows:

Element	Value £m	Comments
Current gap	**8.6**	**Excluding reduction in EIG funding**
Reduction in Inflation	-0.5	Rises in income not achievable (mainly parking) offset by reduction in provision for contracts
Pension Fund	2.0	Revised revenue contribution to Pension Fund
New budget items	-2.8	Additional savings proposals,

		corporate budget items, etc
Special budget provision	-2.5	Removal of the special provision created for 2012/13
ELWA levy	-1.0	Reduction in levy based on most recent ELWA report
Council Tax freeze grant	-1.1	Assuming acceptance of new grant offered
Current gap	**2.7**	**Excluding EIG reduction**

8.3. The latest position shows a remaining budget gap of around £2.7m. Should it not be possible to reduce this residual gap through other means, then additional savings would become necessary. A preliminary assessment of the impact on each year suggests that further savings would not be needed until the second year, ie 2014/15. Should this prove to be the case, once the settlement position has been finalised, this would ensure sufficient time was available to fully develop new proposals, undertake appropriate consultation, and to implement the proposals.

8.4. As indicated elsewhere within this report, the Council has maintained a Contingency Fund and also has sums held in reserves and balances that could be deployed to address specific in-year issues, should the risks highlighted in this report materialise. These risks will be carefully monitored in parallel with the consultation process, but these funds would provide a cushion for the immediate future should the need arise. The final budget proposals will be drawn up in the light of responses to the consultation process, the developing position around the settlement, and the assessment of the risks facing the Council.

8.5. At this stage, whilst the LGFS is still being examined, and some uncertainty remains over the second year, and further work is underway on a number of detailed budget elements, it is too early to determine with any reliability whether further savings will be needed. However, it would be prudent to commence the development of potential proposals, so that these may then be reviewed and consulted on as appropriate. Greater clarity should be available by the time Cabinet considers its detailed budget proposals in February, and a plan set out to address any gap, should this remain. The assumption made at this stage is that the Council will seek to take advantage of the Council Tax freeze grant on offer for 2013/14; this is factored into the table above and the final budget proposals presented to Cabinet are being developed with that objective in mind.

8.6. It is, however, recognised that this does bring a degree of risk; taking the grant does mean foregoing an increase in base Council Tax income which can only be recovered by compensating rises in subsequent years. The alternative would be to seek an additional level of savings at the appropriate time. Given the current financial climate, with the prospects for national growth shrinking, and with the Government extending its planned austerity period, holding Council Tax at the current level for a further year is felt to be the approach favoured by our residents. The Administration remains committed to maintaining the stability of the Council's finances and doing everything it can to keep Council Tax rises to a minimum, and wherever possible holding Council Tax to current levels.

8.7. Adopting this approach would see Havering's Council Tax held at the same level for a third successive year, following a reduction in 2010/11. Owing to the prudent approach adopted and the focus on reducing back-office bureaucracy in order to protect frontline services, the Council is able to recognise the priorities indicated by our residents. This means that:

- The Council can maintain weekly waste collections
- No libraries have been closed or had their opening hours reduced
- The Council will continue to invest in roads and pavement repairs
- Social care support for vulnerable residents can be maintained
- The Council can continue to prioritise clean streets and a pleasant environment for all.

8.8. Beyond the current budget window, it is evident from the ABS that the Government intends to continue its austerity programme for the foreseeable future. The ongoing reduction in funding available to local authorities is likely to be continue on a similar "trajectory". Whilst it is difficult to assess what precisely this means, within the current 4 year cycle (since the 2010 CSR announcement), Havering will have seen a reduction in overall funding of well over £20m in mainstream grant and around a further £5m in specific grant.

8.9. Using similar assumptions to those on which the original £40m gap was assessed, it would therefore not be unreasonable to envisage a further gap of between £40m and £50m between 2015/16 and 2018/19. Clearly, this cannot be bridged by Council Tax rises alone, and even with rises around the referendum "cap" of 2%, this will now only generate around £8m to £9m. It will therefore be necessary to develop a longer term budget strategy to address this new gap. The proposed approach to this will be set out in the report to Cabinet in February, as part of the budget setting process.

9. HOUSING BUDGET

9.1. The HRA budget, together with the proposed housing rent levels, and the HRA capital programme, will be presented to Cabinet in February.

10. CONSULTATION

10.1. The proposals set out in this report will be publicised through the local media, on the Council's website and through other communication channels - and responses from residents will be encouraged. A further joint meeting of all Overview & Scrutiny Committees is being held on 24th January to invite comments on the proposals now being released for consultation.

10.2. We will also write to the local Chamber of Commerce and Federation of Small Businesses to alert them to the budget report and ask for any feedback from the local business community

10.3. Beyond this statutory consultation, the Council is engaged in an ongoing effort to listen and respond to the views of residents. Two years ago, the Council undertook the highly successful *Your Council, Your Say* survey. Over 12,000 residents responded to the survey – making it one of the most productive public surveys in recent history. As part of Havering's commitment to better understand the priorities of local residents for the Borough – particularly at a time of reducing budgets - the *Your Council, Your Say* survey will be repeated in March this year.

11. GREATER LONDON AUTHORITY (GLA)

11.1. The announcement of the Mayor's draft budget proposals for his financial strategy was made in early January. This indicated an intention to make a slight reduction in the GLA's Council Tax level, from the current £306.72 to £303 – a reduction of £3.72, or around 1.2%. Consultation on the budget proposals ends on 23rd January. The final budget proposals will be issued on 8th February and the budget is due to be approved just before the Council formally considers its own budget for 2013/14, on 25th February.

11.2. The Mayor's draft budget consists of – Mayor's Office for Policing and Crime, Transport for London, London Fire and Emergency Planning Authority, the London Legacy Development Corporation and core Greater London Authority. The total budget (capital and revenue) is £16.5 billion. In light of the Provisional Local Government Finance Settlement, the Mayor has asked LFEPA to identify £3m of savings for 2013/14, which is a £13m reduction from previous requests.

11.3. The Mayor's 2013/14 draft net revenue spend is £5,531 million. Under the proposal the total GLA precept will be cut from £306.72 a year to £303.00 (for a Band D household). The Mayor's proposed council tax precept draft budget comprises of £220.50 to support the Metropolitan Police service, £50.65 for the London Fire Brigade, £20 for the 2012 Olympic and Paralympic Games and £12.10 for transport and other services.

11.4. As is the case with the Council's own budget, there are immediate examples of how the new funding system has impacted on the GLA, as their Council Tax requirement has reduced from £120m to £73m. This reflects the new system and the changes brought about by the localisation of Council Tax support. The budget consultation document also includes this statement:

Due to the fact that there remain concerns about the potential volatility and accuracy of the council tax and business rates taxbase estimates which billing authorities will be able to provide for 2013-14 the GLA has set aside a precept resilience reserve of £23.2 million to help manage these risks.

11.5. This emphasises the need for both prudence and careful monitoring of local taxation yield, given its impact on local authority funding under the new system.

12. TIMETABLE

12.1. The key dates for consideration of the budget strategy and capital programme are as follows:

Key Tasks	Date
Release of specific proposals taking account of settlement	January Cabinet
Detailed budgets and public consultation consideration	Considered by joint Overview & Scrutiny Committees January
Final Cabinet recommendation to Council taking account of any further issues	February
Council Tax Setting and Corporate Budget Agreement	February

12.2. This outline timetable is kept under review to ensure that the budget and policy are fully integrated and reflect community priorities. The timetable may also vary if meetings are changed.

REASONS AND OPTIONS

Reasons for the decision:

This enables the Council to develop its budget as set out in the constitution.

Other options considered:

None. The Constitution requires this as a step towards setting its budget.

IMPLICATIONS AND RISKS

Financial implications and risks:

The Council's budget-setting process will ensure that financial implications and risks are fully met. Any financial implications or risks are covered in this report as necessary. There are significant risks given the continuing degree of uncertainty over the outcome of the LGFS, the extensive changes to the funding system and the complexities associated with it, and the general economic environment, but the steps already taken by the Council should mitigate much of this. However, the degree of risk has risen and the Council needs to ensure it is taking a robust approach in its budget-setting process, both now and for several years to come. It will also 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, allowing for consultation as appropriate.

Legal implications and risks:

There are no direct legal implications or risks from this report. The corporate business planning process will need to take account of new and existing statutory duties and responsibilities that are imposed on the Council by central government even if there are inadequate or no commensurate increases in government funding to finance them. Failure to do so will put the Council at risk of legal challenge by affected residents or businesses.

Human Resources implications and risks:

There are no direct HR implications arising from this report, however, if proposals that require staffing reductions are to be considered, as a result of the budget position, these will be managed in accordance with Council policy and procedure

Equalities implications and risks:

Detailed proposals will need to be assessed as part of the business and service planning process. Equalities impact assessments will be produced as standard as part of the detailed budget process.

BACKGROUND PAPERS

Revenue Monitoring Report Period 6 2012/13
Capital Monitoring Report Period 6 2012/13

APPENDICES

A AUTUMN BUDGET STATEMENT

B LOCAL GOVERNMENT FINANCIAL SETTLEMENT

C SCHEDULE OF GRANTS

D SCHEDULE OF REVENUE BUDGET ITEMS 2013/14

E CAPITAL PROGRAMME 2013/14

F CORPORATE PLAN – "PLAN ON A PAGE"

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APPENDIX A

AUTUMN BUDGET STATEMENT

Headlines

- Growth forecast revised down whilst deficit forecast up, austerity to last until 2018
- Working age benefits & Child benefit increase by 1%
- Further reductions in public sector expenditure for 2013/14 and 2014/15 to fund Capital Expenditure
- Pay freeze lifted: average 1% pay rise for public sector
- Chancellor scraps 3p fuel duty rise
- Corporation tax cut to 21% from April 2014
- The tax free personal allowance has increase by £235 however the threshold at which the 40% tax rates starts has been lowered.

Detail

The Chancellor of the Exchequer presented his Autumn Statement to the House of Commons on 5th December 2012. This briefing is to highlight the key announcements from the Autumn Statement as well as how this affects Local Government.

The Office for Budget Responsibility (OBR) has lowered its forecasts for GDP growth this year and next. Britain's economy is now expected to contract by 0.1% for this year, down from 0.8% predicted in the Budget. Table 1 shows the continuing downward trend of the OBR's forecast of the UK economy.

Table 1 – GDP growth forecasts for the UK

Announcement	2011	2012	2013	2014	2015	2016
December 2012	0.9%	(0.1%)	1.2%	2%	2.3%	2.7%
March 2012	0.8%	0.8%	2.0%	2.7%	3.0%	3.0%
November 2011	0.9%	0.7%	2.1%	2.7%	3.0%	-
March 2011	1.7%	2.5%	2.9%	2.9%	2.8%	-
June 2010	2.3%	2.8%	2.9%	2.7%	2.7%	-

In addition to the reduction in growth comes an increase in the anticipate level of borrowing for the coming years as demonstrated in Table 2. Although current year figures are lower than expected, future years debt level is anticipated to be higher than announced in the March budget. Due to the more pessimistic forecasts from the OBR and the current state of the economy, there will need to be a further year of spending reductions in 2017/18 potentially announced at the next spending review or after the next general election.

Table 2 – Public Sector Net Borrowing forecast for the UK

Announcement	2012–13	2013-14	2014-15	2015-16	2016-17	2017-18
December 2012	£108bn	£99bn	£88bn	£73bn	£49bn	£31bn
March 2012	£120bn	£98bn	£75bn	£52bn	£21bn	No forecast

Other Announcements

- The Government announced that from 2014-15 lifetime pension relief allowance will fall from £1.5m to £1.25m
- The basic state pension will rise by 2.5% next year to £110.15 per week
- Child benefit will rise by 1% for two years from April 2014 and most working age benefits will rise by 1% for each of the next three years. This is a below inflation increase resulting in additional savings for the treasury
- An increase in the rate of bank levy by 0.13% from 1 January 2013
- It will reduce the main rate of corporation tax by an additional 1% in April 2014
- An increase to the personal allowance from £9,205 to £9,440 in April 2013, with a 1% increase in the higher rate threshold for 2014/15 and 2015/16
- The higher tax rate of 40% would kick in at a lower point of £41,450, resulting in more people paying a higher rate tax bracket
- The ISA contribution limit will be raised to £11,520 from next April.
- The state pension will increase by 2.5% in April 2013.

Effect on Local Government

The Chancellor announced further reductions in public sector expenditure for 2013/14 and 2014/15. Departmental resource budgets will be reduced by 1% in 2013/14 and 2% in 2014/15. Local government will not be impacted by the 1% reduction in 2013/14; but will still have the 2% reduction in 2014/15. A 2% reduction in funding is calculated as a reduction to Local Government of £445m nationally in 2014/15. This reduction is designed to boost £5bn of new capital investment for transport, skills, science and education, with an extra £1bn for new academies and free schools.

It was also confirmed that details of departmental spending plans for 2015-16 will be set at a spending review, which will be announced during the first half of 2013. With the need to potentially find further cuts beyond 2015-16 further restraints may be announced during 2013 covering the year up until 2018 or this may be delayed until the next general election.

The public sector pay freeze has been lifted with an average of 1% increase quoted within the budget report. This decision puts an end to the current three year pay freeze.

The government will extend the temporary doubling of the Small Business Rate Relief for a further 12 months from April 2013. It was also announced that it will exempt all newly built commercial property completed between 1 October 2013 and 30 September 2016 from empty property rates for the first 18 months. There are still uncertainties how this will affect the retention of business rates and will not be fully understood until details of the settlement is released.

APPENDIX B

LOCAL GOVERNMENT FINANCE SETTLEMENT

PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

1. Introduction

1.1. On 19 December 2012, the Secretary of State for Communities and Local Government (CLG), Eric Pickles MP, made his statement to Parliament concerning the provisional local government finance settlements 2013/14 and 2014/15. This briefing note highlights key issues of note and some comparative information.

1.2. The provisional settlement provides local authorities with their provisional funding allocations for the next two years (2013/14 and 2014/15) only. This settlement brings about major changes to the settlement process with the introduction of the localisation of business rates alongside the formula grant calculation.

2. Headlines

2.1. The Secretary of State announced that councils will face an average reduction in spending power of 1.7%; and that no authority would experience a decrease of more than 8.8%. In a similar manner to the previous two years, the government's headlines focus on comparative figures concerning a local authority's "revenue spending power".

2.2. The initial statement releasing the settlement was released on the afternoon of the 19th of December however the information released only included a high level summary. Further details were released over the Christmas period with the most recent release on the 4th of January 2013. With this in mind the deadline for comment on the provisional settlement is the 15th of January 2013.

2.3. From the introduction of localisation of business rates, the method of calculating RSG has also changed. Previously the RSG was calculated using the numerous deprivation / population indicators, however this now forms part of a "start-up funding allocation" which include Havering business rate baseline. This Baseline is used to provide a notional figure (or target business rate yield) which in theory would be equivalent to the amount of business rates we would collect.

2.4. As originally announced in the Autumn Budget Statement, local government was exempt from the 1% reduction in funding in 2013/14, however a 2% reduction has been reflected in the 2014/15 figures.

2.5. The estimated business rate aggregate has been calculated at £21.8bn, lower than anticipated due to the inclusion of appeals into the calculation. This figure is used to determine an authority's business rate baseline via the use of proportionate share calculation.

3. National Control Total and Spending powers

3.1. The average spending power reduction nationally has been stated as 1.7%, however Havering's reduction in 2013/14 and 2014/15 is 1.5% and 2.7% respectively. Appendix 1 shows the 2012/13, 2013/14 and 2014/15 calculations.

3.2. Appendix 1 shows a reduction is spending of £8m from the 2012/13 allocation, however this does not include the additional new burden placed on local authorities. For example the Council Tax Support grant of £13.5m which has been included in the start-up allocation has been used in arriving at the spending power reduction. This does not include the £1.5m reduction in funding being placed on Local Authorities therefore is not reflected in the headline reductions.

3.3. The table below shows the changes in spending control total since the 2010 Spending Review. The further breakdown can be found in Appendix 2.

Announcements	**2013/14 (£m)**
SR2010 Formula grant	**23,196**
2011 Autumn Statement	(260)
Business Rate Retention	
Grants being Rolled in	7,959
Transfers Out	(4,106)
Other Adjustments including NHB	(717)
Revised Spending Control Total	**26,072**

3.4. The spending control total has increased significantly due to the large amount of grants being rolled into the formula. This is not an increase in funding but a movement in funding stream or additional burdens placed on local authorities.

4. The Formula Funding – Havering

4.1. Due to the lateness of the settlement and numerous changes in funding formula so close to setting the budget, it creates a large amount of risk in risks and uncertainties in being able to set the budget.

4.2. The settlement calculation is normally a series of complex and interlinking calculations using various demographics and deprivation indicators. The 2013/14 calculation has not only had this aspect but also £31m of rolled in grants as well as the introduction of the business rate retention funding. 2013/14 has been the biggest change in funding for 20 years and the lateness of the release of information has hindered the budget setting process and the full understand of the changes affecting Havering.

4.3. Havering's provisional start-up funding allocation is used to determine both Havering's RSG and business rate baseline. This comprises the current four-block formula grant model as well as incorporating £31.2m of rolled in grants. This equate to a provisional start-up funding allocation for 2013/14 of £75.569m (£69.3m for 2014/15) compared to a 2012/13 equivalent of £79.7m. As part of the revised calculation to determine Havering's business rate baseline and RSG allocation a ratio is applied the start-up funding allocation. As the localised element of the business rates only amount to £10.096bn against the spend control totals of £26.2bn, this creates a 60.1:39.9 split. This creates an RSG figure for Havering of £45.4m and a business rate baseline or business rate target of £30.1m.

4.4. From the introduction of the new funding regime, no authority was said to be worse off under this arrangement, however due to the method of calculating the retained element of funding formula and the four block model, Havering will be facing a reduction in funding.

4.5. The four block element of this funding can be shown in more detail in Appendix 3, however on the face of the calculation, there is an overall reduction of £4.4m, of which around £2m is related to mainstream Revenue Support Grant. This is due to numerous changes including:
- Updating of indicators
- Removal of New Homes Bonus Funding (£500m nationally) and
- The impact of the floor / damping.

4.6. Havering's grant per head is still considerably lower than that the outer London average, as well its neighbouring boroughs. Figure 1 below compares Havering's grant per head against the outer London average and neighbouring boroughs.

Figure 1

	2013/14 Formula Grant	Projected 2013 Population	Grant per head	Grant per head Ranked	2014/15 Formula Grant	* Projected 2013 Population	Grant per head	Grant per head Ranked
Havering	75,569,000	243,676	310.12	5	69,311,000	243,676	284	5
Newham	243,756,000	318,369	765.63	1	220,137,000	318,369	691	1
Redbridge	116,860,000	293,541	398.10	3	105,728,000	293,541	360	3
Barking & Dagenham	126,172,000	196,094	643.42	2	114,364,000	196,094	583	2
Bromley	84,131,000	318,378	264.24	6	77,123,000	318,378	242	6
Bexley	80,148,000	237,794	337.048	4	73,050,000	237,794	307	4
Outer London	2,427,320,000	5,435,100	446.60		2,206,192,000	5,435,100	406	

** 2014/15 population uses the 2013 projected as details on project population for 14/15 have yet to be released.*

4.7. The formula grant has been updated to reflect the most recent data available including the population, council tax base, and various demographics / deprivation indicators. This also includes updating the grants rolled in 2011/12 to provide a more reflective picture of the allocation of these grants.

4.8. From initial briefings from the Department of Communities and Local Government, £2bn was to be moved from the formula in full to fund the New Homes Bonus, however it has been decided to phase this gradually and in 2013/14 £500m has been removed. This process will leave winners and losers as those who increase house building, bringing homes back into use and building affordable homes over and above the amount removed will benefit. The £500m is more than the actual amount paid out and any surplus will be returned once the final new homes bonus allocations have been confirmed.

4.9. The cost of guaranteeing the minimum increase in grant continues to be paid for by scaling back the increase in grant for authorities above the floor. As in previous years, the floor damping system is self-financing within each group of authorities i.e. authorities in one group will not cross-subsidise the floor for authorities in another group.

4.10. Funding formula will be subject to damping or smoothing as per previous settlement. Four bands have been set up according to an authority's level of grant dependency. Due to the fact Havering receives one of the lowest settlements in London and has a relatively large council tax base, it faces the highest level of reduction of 8.7%. Only four authorities in London face this level of reduction. Below is a summary of the bands and number of borough in each band as per London Councils.

Floor band	Social Services authorities	Shire district councils	Fire & rescue authorities	No. of London boroughs
Band 1 (most dependent)	-2.70%	-5.40%	-8.70%	17
Band 2	-4.70%	-7.40%	-9.20%	3
Band 3	-6.70%	-9.40%	-11.70%	9
Band 4 (least dependent)	-8.70%	-11.40%		4

4.11. As part of the funding formula £31.2m of grants have been rolled into the formula. A full list can be found in Appendix 4. Of these grants the majority was as expected from previous announcements from DCLG, however some changes have occurred in the Early Intervention Grant (EIG) and the Local Authority Central Spend Equivalent Grant (LACSEG) transfers.

4.12. The funding for the early intervention grant has now been separated between the core allocations, an apportionment for two year olds and an £150m top-slice. In addition from the national figures £150m has been held centrally and as of yet we are not aware of the use of this funding. A flooring mechanism has also been incorporated which reduces the equivalent grant figure by £600k. The full effect of this reduction is still being analysed however it is assumed to be in the region of £2m. An analysis of this is shown at Appendix 5.

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5. **Business Rate Baseline - Havering**

5.1. As stated above, Havering's business rate baseline has been set at £30.1m however this is not the actual allocation which will be received, it is a notional amount or target to obtain an equivalent funding as set out in the start-up funding allocation. In addition a separate calculation is used to determine whether the amount of business rates by a local authority which are collected is over or under this baseline this used to calculate the Top-up or tariff for local authorities. The calculation is as follows:

National Business Rate Aggregate * Local share (30%) * the proportionate Share = individual business rate Baseline

£21.797bn x 30% x 0.0032354 = £21.157m

The proportionate share calculation has been calculated by using a two year average in business rate collection against the average national amount collected.

5.2. The individual business rate baseline is used as Havering target business rates. As this is only a notional amount there will be difference once compared to the actual / estimated business rate yield.

5.3. Those authorities who collect more business rates than their business rate baseline will pay a tariff whilst those who collect less will be paid a top-up. Some authorities will collect significantly more than their start-up funding and as a result pay a tariff, however Havering collects less than this, therefore receiving a top-up of £9.03m. Appendix 6 shows the calculation of the provisional RSG, business rate baseline and top-up.

5.4. The business rate baseline will increase year on year and as part of the settlement an increase of 3.07% has been used. As a result Havering would need to increase their business rates by this percentage in order to match the equivalent funding as set out in the start-up allocations.

6. **Pooling**

6.1. Currently London boroughs have not decided to pool, however work is being undertaken by London Councils to monitor and assess the impact if London had pooled.

6.2. Assuming London had pooled, London has a whole would be a tariff paying authority which would also be required to pay a levy of 10p in the pound.

7. **Timeline for Response**

7.1. The Government is consulting on the draft settlement figures and written representative must be sent by the 15th January 2013.

8. **Definitions**

8.1. Given the amount of new terminology introduced with the new funding system, a glossary of key terms is set out in Appendix 7.

Spending Powers as per DCLG **Appendix 1**

Year	2012-13 Council Tax Requirement	Start-up Funding Assessment 2012-13 (adjusted)	CT Freeze Grant 2012-13	Lead Local Flood Authorities 2012-13 (adjusted)	Social Fund Admin Grant 2012-13 (adjusted)	Community Right to Challenge 2012-13	Community Right to Bid 2012-13	New Homes Bonus 2012-13	Local Reform & Community Voices DH revenue grant 2012-13 (adjusted)	NHS funding to support social care & benefit health 2012-13	Estimated 2012-13 Revenue Spending Power including NHS support for social care
	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)
2012-13	107.732	79.032	2.693	0.078	0.137	0.009	0.005	0.837	0.167	2.553	193.242

Year	2012-13 Council Tax Requirement	Start-up Funding Assessment 2013-14	CT Freeze 2013-14	Lead Local Flood Authorities 2013-14	Social Fund Admin Grant 2013-14	Community Right to Challenge 2013-14	Community Right to Bid 2013-14	New Homes Bonus 2013-14	Local Reform & Community Voices DH revenue grant 2013-14	NHS funding to support social care & benefit health 2013-14	Estimated 2013-14 Revenue Spending Power including NHS support for social care	Change in estimated 'revenue spending power' 2013-14	Change in estimated 'revenue spending power' 2013-14
	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)	(m's)
2013-14	107.732	75.569	1.083	0.078	0.128	0.009	0.008	1.797	0.176	3.600	190.179	-3.063	-1.59%

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Local Government Spending Control Total

Appendix 2

Element	2013-14			
	Police	Fire	Other	Total
SR	3,093	953	19,150	23,196
Autumn Statement and New Development Deals	-24	-5	-231	-260
Fire Grants		-42	-7	-50
Neighbourhood Planning			-15	-15
Ordnance Survey			-21	-21
Capitalisation and Safety Net Support for Single Service Fire Authorities				0
New Homes Bonus			-506	-506
Of which:				
Capitalisation and Safety Net Support for Other Authorities			-125	-125
"Formula Grant"	3,069	906	18,245	22,220
Central Education Services currently within LACSEG				-1,039
Council Tax Freeze Grant				593
Council Tax Support				3,295
Early Intervention Grant				1,709
GLA General Grant				46
GLA Transport Grant / London Bus Services Operators' Grant				802
Homelessness Prevention				80
Lead Local Flood Authorities				21
Learning Disability and Public Health				1,413
Police				-3,067
TOTAL				26,073

Appendix 3

Local Authority	Havering 12/13	Actual Havering 13/14	Reduction	Notes
Grants Rolled In Using Tailored Distributions	6.775	7.854		
Relative Needs Amount	48.224	47.614		
Relative Resource Amount	-29.957	-35.718		
Central Allocation	29.420	33.547		
Floor Damping	-3.111	-3.980		
Total Formula Grant before Adjustments	**51.351**	**49.318**	**-2.033**	Reasons due to the following: Removal £500m nationally of the NHB Changes to sparsity calculation Updating of Population, Demographic and Deprivation data A floor set at 8.7%
Central Education Functions within LACSEG	4.978	4.978		New calculation, now formula based. Additional grant due to be returned for non-academy schools
Formula Funding	**46.373**	**44.340**	**-2.033**	
Council Tax Freeze Compensation	2.680	2.680		
Council Tax Support Funding	13.564	13.549	-0.015	Reduction from previous DCLG estimate
Early Intervention Funding (EIG)	8.934	6.646	-2.288	Assuming 0.6m transferred to DSG for statutory place funding per DfE announcement 27 Nov. Grant reduces from 12/13 level of 8.934m to revised 12/13 of 7.276m, and then for 13/14 formula equivalent of 6.940m and finally 6.646m with floors & ceilings
Homelessness Prevention Funding	0.400	0.400		
Lead Local Flood Authority Funding	0.132	0.132		
Learning Disability and Public Health Reform Funding	7.630	7.822	+0.192	Increase in base amount for 13/14
Start-Up Funding Allocation	**79.713**	**75.569**	**-4.144**	

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Appendix 4

2013-14

		Council Tax Freeze	Council Tax Support	EIG	Homelessness	Lead Local Flood Authority funding	Learning Disability and Health Reform	Total Rolled-in Grants
Havering	**Revenue Support Grant**	1.609	8.136	3.991	0.240	0.079	4.697	**18.753**
	Business Rates	1.071	5.413	2.655	0.160	0.053	3.125	**12.476**
		2.680	**13.549**	**6.646**	**0.400**	**0.132**	**7.822**	**31.229**

	Summary - EIG		**Appendix 5**
		National	**Havering**
		£bn	**£m**
a)	12/13 Allocation (*)	2.603	8.934
b)	Removal of 2 Year olds Funding	-0.534	-1.658
c)	Removal of Top Slice	-0.15	
d)	Revised 12/13 Allocation (a+b+c)	1.919	7.276
e)	Formula Based 2013/14 allocation	1.919	6.940
f)	Reduction (d*(1-e)) (**)	11%	4.62%
	Floor from 8.7% to 13% (8.7% for Havering) based on revised 12/13 allocation	**1.708**	**6.646**
	**) based on the revised 12/13 allocations and transfers.*		
	***) as the reduction is less than 8.7% Havering will face the lower reduction of 8.7% against the revised 12/13 allocation.*		

Business Rate Retention

Appendix 6

	Business Rates Retention	2013/14	
	Local Funding Baseline	**£ms**	**£ms**
a	Funding Baseline	75.569	
b	Ratio	0.399	
c	Business Rate Baseline (a x b)	30.189	
d	RSG (a - c)	45.380	**75.569**

	Business Rate Baseline	**£ms**	**£ms**
e	Aggregate Business rates	21,797	
f	Proportionate Share	0.00324	
g	Local share	30%	
h	**Individual Business Rate baseline (e x f x g)**		**21.157**

i	**Top-Up / (Tariff) Previous Year**	9.032	
j	Inflation		
k	Top-up		**9.032**

			30.189

GLOSSARY OF KEY TERMS

Individual authority start-up funding assessment
Referred to as start-up funding allocation in the technical consultation paper. A local authority's share of the *local government spending control total* which will comprise its *Revenue Support Grant* for the year in question and its *baseline funding level*.

Individual authority business rates baseline
Derived by apportioning the *billing authority business rates baseline* between billing and major precepting authorities on the basis of *major precepting authority shares*.

Baseline funding level
The amount of a local authority's *start up funding assessment* which is provided through the *local share* of the estimated business rates aggregate at the outset of the scheme. It will form the baseline against which *tariffs* and *top-ups* will be calculated.

Spending Power
The definition of revenue spending power is spending power from council tax, Government revenue grants and National Health Service Funding for social care. The calculation of each local authority's spending power is used to calculate eligibility for Efficiency Support Grant.

Tariffs and top-ups
Calculated by comparing an *individual authority business rates baseline* against its *baseline funding level*. *Tariffs* and *top-ups* will be self-funding, fixed at the start of the scheme and index linked to the RPI in future years.
Tariff authority
An authority with a higher *individual authority business rates baseline* than its *baseline funding level*, and which therefore pays a *tariff*.
Tariff payment
The payment made from tariff authorities to central government over the course of the financial year.
Top-up authority
An authority with a lower *individual authority business rates baseline* than its *baseline funding level*, and which therefore receives a *top-up*.
Top-up payment
The payment made from central government to top-up authorities over the course of the financial year.

Safety net
Mechanism to protect any authority which sees its business rates income drop, in any year, by more than 7.5 per cent below their *baseline funding level.* The baseline funding levels are uprated each year by the September RPI for the purposes of assessing eligibility for the safety net.
Safety net threshold
This is 92.5 per cent of a local authority's baseline funding level.

Floor damping
A method by which stability in funding is maintained through limiting the effect of reductions in grant. A floor guarantees a lower limit to year–on–year reductions in

grant for each authority. The grant changes of authorities whose grants are above the floor are scaled back by a fixed proportion to help pay for the floor.

More information can be found in the document titled “A Practitioners Guide : Business Rates Retention and the Settlement”, which can be found on the DCLG website at:
http://www.local.communities.gov.uk/finance/1314/practitionersguidev2.pdf

APPENDIX C

SPECIFIC GRANTS (AS NOTIFIED 7 JANUARY 2013)

Service	Funding Body	Grant name	SPECIFIC RING-FENCED GRANT 2012/13 £000's	SPECIFIC RING-FENCED 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2012/13 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	TOTALROLL-ED INTO RSG AND BUS RATES 2013/14 £000's
CULTURE & LEISURE	Sport England	Community Sport & Physical Activity Network	5.00	0.00	0.00	0.00	0.00
CUSTOMER SERVICES		Births Deaths and Marriages	7.07	0.00	0.00	0.00	0.00
CUSTOMER SERVICES		The Contact Centre	5.22	0.00	0.00	0.00	0.00
CUSTOMER SERVICES	DCLG	Localisation Support for CT Transitional Grant Scheme	0.00	0.00	0.00	366.81	0.00
CUSTOMER SERVICES	DWP	Rent Allowances	44,444.54	0.00	0.00	0.00	0.00
CUSTOMER SERVICES	DWP	Disc Hsg Pay and App Imple	193.42	0.00	0.00	0.00	0.00
CUSTOMER SERVICES	DWP	Rent Rebates	31,192.95	0.00	0.00	0.00	0.00
CUSTOMER SERVICES	DWP	Benefits claims, overpayments and appeals	1,516.39	1,380.49	0.00	0.00	0.00
CUSTOMER SERVICES	DWP	Recession Funding	152.85	68.31	0.00	0.00	0.00
CUSTOMER SERVICES	DCLG	New Burdens Business rate relief	0.00	0.00	3.50	0.00	0.00
CUSTOMER SERVICES	MOPAC	Community Safety	0.00	0.00	110.41	0.00	0.00
CUSTOMER SERVICES	DCLG	Implementation of new CT Scheme	0.00	0.00	84.00	123.06	0.00
HOUSING & PUBLIC PROTECTION	DOH	Supported Employment Grant	2.46	0.00	0.00	0.00	0.00
HOUSING & PUBLIC	DCLG	Homelessness Grant	0.00	0.00	400.00	0.00	400.00

Service	Funding Body	Grant name	SPECIFIC RING-FENCED GRANT 2012/13 £000's	SPECIFIC RING-FENCED 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2012/13 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	TOTALROLL-ED INTO RSG AND BUS RATES 2013/14 £000's
PROTECTION							
HOUSING & PUBLIC PROTECTION	DCLG	Tenancy Fraud Funding	0.00	0.00	100.00	0.00	0.00
REGENERATION POLICY & PLANNING	DCLG	Community Rights to Bid	0.00	0.00	0.00	7.86	0.00
REGENERATION POLICY & PLANNING	DCLG	Community Rights to challenge new burdens - New	0.00	0.00	8.55	8.55	0.00
REGENERATION POLICY & PLANNING	DCLG	Flood Funding	0.00	0.00	209.50	77.53	132.00
REGENERATION POLICY & PLANNING	DCLG	Assets of Community Value - New	0.00	0.00	4.87	0.00	0.00
REGENERATION POLICY & PLANNING	DCLG	Town Team Partners	0.00	0.00	30.00	0.00	0.00
STREETCARE	DCLG	Waste Collection - Green Rewards	0.00	0.00	146.33	462.76	0.00
STREETCARE	DCLG	Waste Collection Campaign	0.00	0.00	96.58	127.04	0.00
							0.00
			77,519.90	**1,448.79**	**1,193.74**	**1,173.60**	532.00
							0.00
ADULTS & HEALTH SERVICES TRANSFORMATION	DOH	NHS Support for Social Care	15.00	0.00	0.00	0.00	0.00
COMMISSIONING	DOH	NHS Support for Social Care	0.00	0.00	2,553.10	3,599.51	0.00
COMMISSIONING	HO	DAAT Drug Interventions _DIP	56.19	0.00	0.00	0.00	0.00
COMMISSIONING	DOH	Localisation of Social Fund - Programme Funding	0.00	0.00	0.00	604.18	0.00
COMMISSIONING	DOH	Localisation of Social Fund - Admin	0.00	0.00	0.00	127.67	0.00
COMMISSIONING	DOH	Localism of Scoial Fund Start Up Funding	0.00	0.00	6.04	0.00	0.00
COMMISSIONING	DCLG	Supporting People	0.00	0.00	0.00	0.00	0.00

Service	Funding Body	Grant name	SPECIFIC RING-FENCED GRANT 2012/13 £000's	SPECIFIC RING-FENCED 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2012/13 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	TOTALROLL-ED INTO RSG AND BUS RATES 2013/14 £000's
COMMISSIONING	N/A	Homecare	0.00	0.00	0.00	0.00	0.00
COMMISSIONING	N/A	Direct Payments	0.00	0.00	0.00	0.00	0.00
ADULT SOCIAL CARE	DOH	Local Reform and Community Voices	0.00	0.00	0.00	176.14	0.00
ADULT SOCIAL CARE	DOH	DOLS additional Funding	0.00	0.00	0.00	22.16	0.00
ADULT SOCIAL CARE	DOH	Helathwatch Funding	0.00	0.00	0.00	46.98	0.00
ADULT SOCIAL CARE	DOH	Learning Disability and Health Reform Grant	0.00	0.00	7,630.65	0.00	7,821.66
			71.19	**0.00**	**10,189.79**	**4,576.63**	7,821.66
							0.00
ISB	DFE	Dedicated Schools Grant	130,589.66	189.13	0.00	0.00	0.00
ISB	DFE	Dedicated Schools Grant -New alloc for 2 year olds from 13/14	0.00	0.00	0.00	2,119.82	0.00
ISB	YPLA	YPLA Funding (Formerly LSC)	858.89	0.00	0.00	0.00	0.00
ISB	YPLA	YPLATeachers Pay Grant	115.59	0.00	0.00	0.00	0.00
ISB	YPLA	YPLA Pupil Premium Grant	3,373.25	0.00	0.00	0.00	0.00
LEARNING & ACHIEVEMENT	YPLA	LSC Havering College of Adult Education	181.77	0.00	0.00	0.00	0.00
LEARNING & ACHIEVEMENT	YPLA	LSC Havering Adult Education Central Office(FLIF/TTG funding)	1,086.50	0.00	0.00	0.00	0.00
LEARNING & ACHIEVEMENT	YPLA	YPLA 14-19 Apprentices	43.67	0.00	0.00	0.00	0.00
LEARNING & ACHIEVEMENT	DCLG	Extended Rights to Free Travel	0.00	0.00	58.00	0.00	0.00
LEARNING & ACHIEVEMENT	ARTS COUNCIL	Havering Music School	319.96	0.00	0.00	0.00	0.00
LEARNING &	DFE	HIAS Development Projects	53.31	0.00	0.00	0.00	0.00

Service	Funding Body	Grant name	SPECIFIC RING-FENCED GRANT 2012/13 £000's	SPECIFIC RING-FENCED 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2012/13 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	TOTALROLL-ED INTO RSG AND BUS RATES 2013/14 £000's
ACHIEVEMENT							
LEARNING & ACHIEVEMENT	DFE	Creation of Childcare Places	111.30	0.00	0.00	0.00	0.00
CHILDREN & YOUNG PEOPLE	DFE	Social Work Improvement Team	316.01	0.00	0.00	0.00	0.00
CHILDREN & YOUNG PEOPLE	DCLG	Troubled Families	0.00	0.00	541.60	0.00	0.00
CHILDREN & YOUNG PEOPLE	DOH	Supported Employment	5.45	0.00	0.00	0.00	0.00
CHILDREN & YOUNG PEOPLE	DFE	Early Intervention Grant	0.00	0.00	8,944.59	0.00	6,646.10
CHILDREN & YOUNG PEOPLE	YJB	YOT Prevention	33.20	0.00	0.00	0.00	0.00
CHILDREN & YOUNG PEOPLE	YJB	Youth Offending Team	336.41	0.00	0.00	0.00	0.00
CHILDREN & YOUNG PEOPLE	DFE	Adoption Improvement Grant	40.80	0.00	0.00	0.00	0.00
CHILDREN & YOUNG PEOPLE	YJB	Children on Remand - New	0.00	0.00	0.00	91.63	0.00
CHILDREN & YOUNG PEOPLE	DFE	Local Safeguarding Board	17.50	0.00	0.00	0.00	0.00
			137,483.27	**189.13**	**9,544.19**	**2,211.45**	6,646.10
							0.00
FINANCE & PROCUREMENT	DCLG	Social Housing Fraud	19.68	0.00	0.00	0.00	0.00
BUSINESS SYSTEMS	DOH	Supported Employment	0.00	0.00	0.00	0.00	0.00
HUMAN RESOURCES	DOH	Supported Employment	47.20	0.00	0.00	0.00	0.00
DEVELOPMENT & BUILDING CONTROL		Planning Control	135.00	0.00	0.00	0.00	0.00
EXTERNAL FINANCE	DCLG	Council Tax Freeze Grant Year 1	0.00	0.00	2,680.19	0.00	2,680.19

Service	Funding Body	Grant name	SPECIFIC RING-FENCED GRANT 2012/13 £000's	SPECIFIC RING-FENCED 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2012/13 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	TOTALROLL-ED INTO RSG AND BUS RATES 2013/14 £000's
EXTERNAL FINANCE	DCLG	Council Tax Freeze Grant Year 2	0.00	0.00	2,693.30	0.00	0.00
EXTERNAL FINANCE	DCLG	Council Tax Freeze Grant	0.00	0.00	0.00	1,083.19	0.00
EXTERNAL FINANCE	DCLG	New Homes Bonus	0.00	0.00	836.70	1,797.35	0.00
			201.88	**0.00**	**6,210.19**	**2,880.54**	2,680.19
							0.00
PUBLIC HEALTH	DOH	Healthy Lives for Healthy People - Public Health Funding	0.00	6,900	84.00	0.00	0.00
			0.00	**6,900.00**	**84.00**	**0.00**	**0.00**
		TOTAL EXCLUDING NHB AND RSG	**215,276.24**	**8,537.92**	**27,221.91**	**10,842.21**	**17,679.95**
CUSTOMER SERVICES	DCLG	Council Tax Benefit	19,880.38	0.00	0.00	0.00	13,549.03
	DCLG	Revenue Support Grant	0.00	0.00	51,362.91	0.00	26,626.12
COLLECTION FUND	DCLG	Business Rates	0.00	0.00	0.00	0.00	17,714.15
		TOTAL INCLUDING NHB AND RSG	**235,156.62**	**8,537.92**	**78,584.83**	**10,842.21**	**75,569.25**

EARLY EDUCATION FUNDING

The Early Education offer for qualifying 2 Year Olds has statutory effect from 1 September 2013 – source Part 1 Education Act 2011; The Local Authority (Duty to Secure Early Years Provision Free of Charge) Regulations 2012.

Under Section 3 of the Regulations, qualifying children are those whose families would qualify for free school meals or are looked after by the Local Authority under Section 22 of the Children Act 1989. Nationally this represents 20% of 2 year olds. The qualification becomes effective the school term after the child's second birthday. The Early Education Entitlement for qualifying children is 570 hours in any year and for no fewer than 38 weeks in any year.

The latest estimate from the Department for Education (DfE) of qualifying 2 Year Olds in Havering from September 2013 is 506 (this has been reduced from 700). The DfE has yet to clarify whether this would be 506 over a full year or per term.

The 2 Year Old Offer is due to be extended with effect from 1 September 2014 to 40% of 2 year olds nationally. The current estimate of qualifying 2 year olds in Havering as notified by the DfE is 1,100. However, as the DfE has reduced the estimate for 2 year olds qualifying from 1 September 2013, this figure may well reduce. The qualifications for the extended offer from September 2014 are expected to include children with special educational needs or disabilities and those who have left care but are unable to return home. This was the subject of a recent consultation exercise but the outcome of this has yet to be announced.

Prior to 2013/14 funding for local 2 year old offer schemes has been from the Early Intervention Grant (EIG). From 2013/14 funding is within the Early Years Block of the Dedicated Schools Grant (DSG). The allocation for 2 year old funding is not ring-fenced either within the Early Years Block or the DGS as a whole. The DSG itself is ring-fenced.

The 2 Year Old offer funding allocations for Havering, announced by the DfE on 27 November 2012 are:

- Statutory Place Funding - £1,522,235. This is Revenue Funding for the payments to settings delivering the free offer. Funding to settings will be through the Early Years Single Funding Formula.
- Trajectory Building - £597,588. This is Revenue Funding to be used, in the main, to create places in preparation for the expanded offer in September 2014.
- Capital - £422,197. This funding is intended to support capital investment necessary to deliver the entitlement for 2 year olds. The capital allocation is not time-bound, so there are no deadlines by which this needs to be spent. However, this capital is not ring-fenced and can be spent on any capital purpose.

SOCIAL FUND

As of the 1st April 2013, the local authority will assume responsibility for some discretionary aspects of the Social Fund, previously provided by the Department of Work and Pensions. Specifically, the local authority will have a responsibility to replace Community Care Grants and Crisis Loans. These aspects of the Social Fund are intended to support financially vulnerable residents and alleviate the impact of financial crises that cannot be budgeted for.

A significant amount of work has been done to develop a delivery model which supports Havering residents most effectively. It is essential that a local scheme ensures genuine assistance to those most in need. In order to achieve this, robust eligibility criteria has been developed in consultation with representatives across the local authority. It is also vital that a local scheme reflects the needs of the community and builds upon support that is already in place. Finally, a local scheme must endeavour to maximise the support it can provide with available funds, through minimising inappropriate demand and where possible, supporting income maximisation and positive financial decision-making. Havering has been allocated £604,178 per year for 2013/14 and 2014/15. Havering has also been allocated £127,667 in 2013/14 and £ 117,021 in 2014/15 as administrative funding to support the scheme.

The Havering scheme will be based around provision 'in kind' where a specific need is presented. The local authority intend to work in partnership with local foodbanks and furniture reuse organisations to deliver this, and are in conversation with these organisations currently. This will ensure needs are met appropriately and that provision of direct funds are minimised where possible. An interest-free loans system will be provided for other needs, up to a value of £250. Loans above £250 for more significant needs will be provided with a referral from a relevant professional, e.g. social worker, who will verify the need. In order to ensure that available funds are maximised to support as many Havering residents as possible, individuals will not be able to claim for a second loan if they have not repaid a previous loan. The loans will be delivered by an external provider, and a tender process to identify the most appropriate provider will be completed by the end of January. A high level service specification has been drafted and agreed by the local authority's Corporate Management Team. This will then be finalised in partnership with a chosen provider during the development of the service.

Havering is part of a pan-London working group which is working together to identify ways in which fraud can be prevented. This includes the development of a shared 'local connection' clause, to ensure that data regarding awards in different boroughs can be shared.

APPENDIX D

SCHEDULE OF REVENUE BUDGET ITEMS

Service Area	Description	2013/14 £000	2014/15 £000
Savings not being delivered and Substitutes			
Culture & Leisure	**Westland temporary camping site** Focus our efforts to encourage more people to visit Havering. Derive income from a temporary camping site to cater for visitors during the Olympic Games and consider the longer term use of such a site.	50	50
Culture & Leisure	**Culture & Leisure Initiatives** *(Alternative to Westland temporary camping site)* Reduction in Parks & Open spaces cleaning costs - £5K Increased income from Football pitch lettings - £16k Reduction in Grounds maintenance overtime costs - £10k Removal of Parks Protection officers' car allowance budget - £5k Income from a Higher Level Stewardship scheme at Hornchurch County Park - £14k	(50)	(50)
Internal Services	**Corporate Services Review** Review corporate services areas following enterprise resource planning areas and customer services to identify further savings.	250	250
Internal Services	**ISS future phases (subject to shared services)**	150	150
Shared Services/Collaboration with other LAs	Based on the total cost of running the support functions budgets and delivering a phased 10% savings target	0	(500)
Children's Services	**Adoption** A successful consortia arrangement has been in operation between Havering, Thurrock and Southend Councils for some time. This increases the chances of a successful match between children suitable for adoption and prospective parents. Efficiency savings would be achieved by having 1 manager, fewer panels, shared administration and	250	250

Service Area	Description	2013/14 £000	2014/15 £000
	shared systems and marketing.		
Children's Services	**Implementations of SEN Green Paper** Refresh the way the Council delivers SEN services in line with the SEN Green paper launched in March 2011. Measures will include more partnership working with other agencies and the voluntary sector.	100	100
Children's Services	**Management and Administration** *(Alternative to Adoption)* CYPS Management and Administration Review.	(110)	(110)
Children's Services	**Review and Progress changes to SEN Services** *(Alternative to Implementations of SEN Green Paper)* Reduced staffing, income generation from charging for training and non-core services, provision of accreditation training for SENCO's and providing guidance and support to schools to reduce the numbers identified as SEN.	(100)	(100)
Corporate Savings/Reductions			
Taxicard	London Councils will be writing to the boroughs to confirm LBH contribution (likely to be circa £130-140k). 12/13 Budget £306k. The reduction is due to successful lobbying on Havering's contribution to the scheme and has no impact on the scheme itself	(166)	(166)
London Councils Subscription and London Borough Grants Scheme	Reduction in contribution required from Council. Part of a broader overall reduction in operational costs and a continuing review of grant funding	(150)	(150)
Freedom Pass	Reduction in Havering contribution to scheme reflecting changes to distribution formula - £57k on the actual contribution plus £400k allowed for as growth. Also a result of successful lobbying by the Council and has no impact on the scheme itself	(457)	(457)
Review of organisation structure looking at management tiers and approach to commissioning functions	Linked to senior management reorganisation	(130)	(200)

Service Area	Description	2013/14 £000	2014/15 £000
Members Allowances	Review of allowances scheme to reduce the overall cost of payments through a reconfiguration of the Special Responsibility Allowances		(100)
Insurance Provision	Removal of existing provision created when the insurance contracts were last tendered	(500)	(500)
New Homes Bonus	Estimated increase over next 2 years, not currently reflected in base budget	(1,797)	(2,397)
New Pressures/Growth Items			
Efficiency Fund	This budget was due to be removed in 13/14 but the need for a sustained transformation programme to deliver further savings requires the availability of a base budget	1,000	1,000
Housing Benefit Admin Grant	Reduction in allocation 13/14 as the level of grant is being reduced by Government, although there is no similar reduction in work volumes for the foreseeable future	110	110
LACSEG	Corporate recharges currently allocated into schools' support services which will no longer be possible owing to changes to LACSEG funding	300	300
Advertising Hoardings	Removal of the remaining income budget as there is no likelihood this will be capable of being delivered in the current climate	236	236
Savings arising from Grant Reductions			
LACSEG	Net savings arising from restructure of services within Learning & Achievement to offset the reduction in grant funding Early Years restructure Efficiency housekeepings Review of Asset Management organisation structure and working arrangements with academies	(1,000) (332) (72) (150)	(1,000) (332) (72) (150)

CAPITAL PROGRAMME 2013/14 AND 2014/15

Core Havering Programme	2013/14	2014/15	Total
	£'000	£'000	£'000
Parks, Libraries, Leisure & Cemeteries	1,000	1,000	**2,000**
Developing ICT Infrastructure	1,000	800	**1,800**
Street Environment	2,000	2,000	**4,000**
Protection of Assets and Health and Safety	500	500	**1,000**
Regeneration	100	100	**200**
Disabled Facilities Grant (Council element only)	300	300	**600**
Total	**4,900**	**4,700**	**9,600**
Disabled Facilities Grant (grant funded element - estimated)	626	626	1,252
Total	**5,526**	**5,326**	**10,852**

Note 1 : Cabinet is being asked to approve the 2013/14 Core Programme as set out above, with the proviso that the Streetcare programme will be for a single sum of £4m, cashflowed as appropriate over a 2 year period. The overall Programme for 2013/14 will therefore be £7.526m including the external funding for the DFG element of the programme.
Note 2 : the detailed schemes included within this sum are set out on the following pages.

Capital Scheme Name	Scheme Description	Estimated Spend 2013/14 £	
CEMETERIES & CREMATORIA			
Crematorium Improvements	Crematorium Security Equipment (CCTV)/Audiovisual Technology/Installation of memorials (Sanctum I I, Vase Blocks, Front lawns As Show Gardens)/Information Signage	100,000	
Cemetery Improvements	Romford Cemetery Security/Equipment Storage/Information Signage & Noticeboards	60,000	
Cemetery Asset Renewal	Implementation of Priority Condition Survey Work (Upminster Cemetery stonework urgent works for completion by Mar 2010)	30,000	
Crematorium Asset Renewal	Implementation of Priority Condition Survey Work. Programmed Renewal of Cremators and associated ductwork	200,000	
Additional Cemetery Land	Extension of Upminster Cemetery (Supplementary Funding)	45,000	
Bereavement Services Premises Renewal	Implementation of Priority Condition Survey Work (Buildings, Paths, Boundary Walls Programmed Renewal)	45,000	
Bereavement Services ICT Upgrade	Sequel Upgrade and Deceased Online Phase 2 (Increased direct customer access)	20,000	
		500,000	
PARKS & LEISURE			
St Andrew's Cemetery works	Improving access to St Andrew's Cemetery	10,000	
Playground replacement/repairs	Replacement and repairs to equipment in playgrounds	60,000	
Allotments investment	Urgent works required on allotment sites	15,000	
Heritage buildings	Restoration and upkeep of historic buildings	20,000	
Public Rights of Way and Countryside	Fencing and path works	10,000	
Langtons Gardens match funding	HLF Bid match funding to restore Langtons Gardens	50,000	
Depots H&S investment	Urgent works to deal with Health and Safety issues at the depots	20,000	
Wifi in Libraries	Installation of Wifi access in two libraries	10,000	
Libraries redecoration programme	Urgent redecoration and carpet replacement works in Libraries	20,000	
Book fund investment	Book purchase for the new libraries in Rainham and Harold Hill	50,000	
Fairkytes Gallery	Match funding for Fairkytes Gallery (sinking fund)_	25,000	

Capital Scheme Name	Scheme Description	Estimated Spend 2013/14 £	
Queen's Theatre	Essential repair and maintenance works at the Queen's Theatre	25,000	
Hornchurch Athletics Stadium floodlights	Sinking fund for the floodlight replacement at Hornchurch Athletics Stadium	30,000	
Parks investment	Improving the quality of the environment in parks cross the borough	155,000	
		500,000	
BUSINESS SYSTEMS			
ICT Infrastructure Transformation Programme	Software licences - Microsoft Enterprise Agreement, Microsoft Dynamics CRM, Oracle on Demand	755,200	
ICT Licences	IT Licence Revenue support 2013/14 (previously approved)	202,400	
ICT Infrastructure Transformation Programme	Migration into Cloud (Agreed ELS workstream)	42,400	
		1,000,000	
STREETCARE		**Profile of Spend 2013/14 £**	**Profile of Spend 2014/15 £**
Highways			
Footways	Various highway footway improvement schemes	450,000	500,000
Footway Slurry Seal Programme	Various highway footway improvement schemes	200,000	200,000
Carriageways	Various highway carriageway improvement schemes	630,000	620,000
Anti-Skid	Anti skid surface areas in connection with above works	25,000	35,000
Street Lighting			
Street Lighting	Street Lighting replacement programme	250,000	250,000
Centre Island Bollards	Centre Island bollard conversion / removals	25,000	25,000
Lamp Column painting	Large scale painting programme on main routes	20,000	20,000
Other			
Gidea Park station scheme, Phase 3	Station & shopping area improvement scheme part funded by TFL	70,000	70,000
Small scale shopping centre scheme, TBA	Small scale shopping area improvements	50,000	50,000
Large scale shopping centre scheme, TBA	Local area improvement scheme	100,000	100,000
Rivers, one off works	One off rivers & flood management investments to prevent flooding	20,000	
Tree pit upgrades, remove grates & trip hazards	Removal of metal grates and replacement with resin bonded non trip materials	20,000	20,000
Litter Bins	Purchase of replacement & or additional	20,000	15,000

Capital Scheme Name	Scheme Description	Estimated Spend 2013/14 £	
	litter bins		
Parking			
Car parks, bays white lining	Re lining of car parking bays	30,000	15,000
Car parks, small scale improvements	Shrub beds, litter bins and fencing	10,000	20,000
Waste			
Waste storage areas for flats recycling	Provision of recycle containers and storage facilities for flats	20,000	10,000
Environmental Maintenance			
Dangerous Tree Replacement Programme	Removal of dangerous trees arising from storm damage, disease and or accidents	60,000	50,000
		2,000,000	**2,000,000**
ASSETS AND HEALTH & SAFETY			
Corporate buildings	Fire risk assessment works	75,000	
Corporate buildings	Legionella	75,000	
Mercury House	Mains renewal (further to works in 2012/13)	100,000	
Corporate buildings	Operational buildings issues	100,000	
Mercury House	Structural repairs and refurbishment	100,000	
Corporate buildings	Corporate landlord works	50,000	
		500,000	
REGENERATION			
Town Centre Regeneration	Local improvement projects to support town centre and neighbourhood initiatives in Elm Park and Collier Row, including match for external funding	100,000	
DFG			
Disabled Facilities Grant	Disabled Facilities Grant - 2013/14	926,000	

DRAFT EDUCATION MAINTENANCE CAPITAL PROGRAMME 2013/14

Capital Scheme Name	Scheme Description	Provisional Estimate	Priority
Various Schools/ PRU's/ Children's Centres	Emergency Repairs	450,000	**1**
Various Schools *	Urgent / Unplanned Hygiene Water Works Programme	175,000	**2**
Various Schools *	Education Capital Projects - Asbestos Removal	400,000	**3**
Various Schools	DDA works	100,000	**4**
Pinewood Primary	Install DDA Lift to Hall	20,000	**5**
Pyrgo Priory	Replacement of Oil Fired Boiler	150,000	**6**
Dycorts	Replacement of Oil Fired Boiler	120,000	**7**
Harold Wood Primary	Increase Gas Service & Replacement of Oil Fired Boiler	250,000	**8**
Squirrels Heath	Replace Gas Fired Boiler	200,000	**9**
Langtons	Replace Gas Fired Boiler	200,000	**10**
Hacton	Replace Pipework & Heat Emitters	150,000	**11**
Parkland Jun	Replace Pipework & Heat Emitters	200,000	**12**
Whybridge Jun	Replace Pipework & Heat Emitters	200,000	**13**
Hacton	Replace Domestic H+C WaterPipework	120,000	**14**

Capital Scheme Name	Scheme Description	Provisional Estimate	Priority
Dycorts	Urgent Domestic H&C Water Works	75,000	**15**
Ravensbourne	Urgent Domestic H&C Water Works	60,000	**16**
Pinewood	Urgent Domestic H&C Water Works	75,000	**17**
Branfil	Urgent Domestic H&C Water Works	75,000	**18**
Langton J & I	Urgent Domestic H&C Water Works	10,000	**19**
Squirrels Heath	Replace Domestic H+C WaterPipework	120,000	**20**
Harold Wood	Upgrade Electrical Distribution and Intake	150,000	**21**
TOTAL		**3,300,000**	

Note 1 : the Programme set out above is based on a prioritised assessment of schemes, designed to utilise the anticipated grant announcement, which is expected in due course. Should the sum fall short of the estimated £3.3m, schemes will be removed or deferred; should the sum exceed this, further schemes have been identified and costed and will be added to the Programme.
Note 2 : whilst known maintenance requirements in schools have been prioritised, a sum of £450k has effectively been held back to address any unforeseen and urgent repairs, such as mechanical failure, which would otherwise disrupt the operation of the school concerned. Where possible, any unspent balance from this sum will be reallocated to the prioritised list at the appropriate time within the 2013/14 financial year if emergency works do not arise.
Note 3 : maintenance works within schools are frequently programmed to be undertaken during school holidays in order to minimise disruption – hence the capital expenditure profile will reflect this phasing with a larger proportion of expenditure typically being incurred by October.

CAPITAL PROGRAMME
OVERALL FORECAST SPEND – GENERAL FUND CAPITAL

	REVISED CAPITAL BUDGET	ACTUALS (PREVIOUS YEARS)	CURRENT YEAR ACTUALS	FORECAST CURRENT YEAR	FORECAST NEXT YEAR	FORECAST NEXT YEAR Plus 1	TOTAL FORECAST OUTTURN (B+E+F+G)	EXPECTED OVER/(UNDER) SPEND (H-A)
Culture & Community	78,573,858	51,549,566	4,245,906	17,520,104	8,737,892	764,872	78,572,434	(1,424)
Adults' and Health Services	2,408,626	1,222,733	400,473	954,068	0	0	2,176,801	(231,825)
Children's Services	46,493,309	45,659,480	536,636	453,859	81,569	0	46,194,908	(298,401)
Finance & Commerce	139,492,596	87,589,608	8,133,930	22,113,122	24,754,371	4,700,000	139,157,101	(335,495)
Legal & Democratic Services	2,553,109	1,509,622	86,418	499,609	309,398	185,000	2,503,629	(49,480)
Total GF	269,521,498	187,531,010	13,403,365	41,540,762	33,883,230	5,649,872	268,6404,874	(916,624)

Note 1 : these figures include the Core Programme for both 2013/14 and 2014/15, which are included under Finance & Commerce
Note 2 : these figures exclude the following grant funded programmes:

TFL Programme for 2013/14 (estimated)	2,920,000
Adults PSS Capital grant 2013/14 (estimated)	521,000
Early Years Capital Grant (estimated)	500,000
Aiming High - Additional Needs for Disabled children (estimated)	170,000

CORPORATE PLAN REFRESH

“PLAN ON A PAGE”

CORPORATE PLAN REFRESH 2013-14

Havering LONDON BOROUGH

Our Living Ambition Vision is to provide Havering's residents with the highest possible quality of life, in a borough that thrives on its links to the heart of the capital, without ever losing the natural environment, historic identity and local way of life that makes Havering unique

GOALS	ENVIRONMENT	LEARNING	TOWNS AND COMMUNITIES	INDIVIDUALS	VALUE
STRATEGIC OBJECTIVES *What we are trying to achieve*	**1. A CLEAN, SAFE AND GREEN BOROUGH**	**2. CHAMPION EDUCATION AND LEARNING FOR ALL**	**3. ECONOMIC, SOCIAL AND CULTURAL OPPORTUNITIES IN THRIVING TOWNS AND VILLAGES**	**4. VALUE AND ENHANCE THE LIVES OF OUR RESIDENTS**	**5. HIGH CUSTOMER SATISFACTION AND A STABLE COUNCIL TAX**
STRATEGIC OUTCOMES *What success will look like*	1.1 Local people more involved in keeping the local environment clean, tidy and safe 1.2 Low rates of crime and the perception of crime 1.3 Increased recycling rates and reduced waste and landfill 1.4 Energy efficiency and sustainable practices promoted 1.5 Natural and built environment enjoyed by local communities and visitors alike 1.6 Improvements in traffic management and congestion	2.1 First class learning opportunities for early years, children and young people 2.2 Council resources focused on early years settings, schools and pupils who need our support most 2.3 Maximise opportunities for young people's musical participation and learning 2.4 Good education, training and skills development opportunities for young people 2.5 Reduced adult skills gap between Havering and the rest of London	3.1 Local people are actively involved in place shaping and the co-production of services to meet community needs 3.2 Cohesive communities where people work together to address neighbourhood issues 3.3 Housing that local people can afford and best use of Council social housing for those in greatest need 3.4 Increased inward investment and support for local business to achieve economic growth 3.5 Growth areas developed to provide opportunities for investment, business and local people 3.6 Culture and leisure play a key part in community life and Havering's heritage and history is celebrated	4.1 Holistic and integrated services that are tailored to the needs of the individual or family and targeted at those who most need our help 4.2 A focus on prevention and early intervention to improve the wellbeing of individuals and families who need specific help 4.3 Improved choice and control over the health and social care people receive, including community-based support 4.4 Partnership working to ensure access to the best possible health and care services 4.5 Lower levels of preventable ill health and people leading healthier lives 4.6 Access to 'early help offer' for children and young people most at risk	5.1 Transformed services that are delivered in the most efficient way possible, where customers are able to access information and self-serve 5.2 Havering receives the best deal possible from changes in how local government is funded 5.3 A transparent, less bureaucratic and more open Council 5.4 High customer satisfaction with the Council
KEY ACTIVITIES *How we will deliver our objectives*	▪ Deliver the Cleaner Havering programme and enhance the cleanliness of the borough (1.1) ▪ Work with partners to maintain low crime rates and make people feel safer (1.2) ▪ Promote recycling and waste reduction and reduce the amount of waste that goes to landfill (1.3) ▪ Invest in energy efficiency schemes and address fuel poverty (1.4) ▪ Deliver a programme of environmental improvements (1.5) ▪ Work with Transport for London and Crossrail to improve transport links (1.6) ▪ Tackle congestion and improve traffic management through parking control (1.6)	▪ Seek sufficient provision of high quality pre-school and primary school places for 0-11 year olds (2.1) ▪ Strengthen partnership working with and between all learning providers to ensure children stay safe, thrive and have lifelong success (2.2) ▪ Develop robust quality assured processes, understood by all partners, that enables early intervention where providers show early signs of failure (2.2) ▪ Develop the Music Hub, led by Havering Music School, through strengthened partnership working across the cultural sector (2.3) ▪ Produce a borough-wide '14-19 Curriculum Map' to identify choices available to students (2.4) ▪ Raise the participation age in development of provision for 14-25 year olds and beyond, including apprenticeships and employers skills training (2.4) ▪ Develop a literacy strategy to improve partnership working and raise literacy levels (2.4) ▪ Through the Community Learning Strategy, maximise learning opportunities for residents and employers to reduce the adults skills gap between Havering and the rest of London (2.5) ▪ Promote learning opportunities to continually develop the skills of Council staff (2.5)	▪ Widen community participation through activities such as those outlined in the community engagement and youth strategies (3.1, 3.2) ▪ Encourage local people to play an active part in their communities through local interest groups (3.2) ▪ Deliver 250 units of affordable housing in partnership (3.3) ▪ Implement new allocations tenancy strategies to ensure best use of Council housing (3.3) ▪ Attract inward investment and support local businesses (3.4) ▪ Review and deliver Harold Hill, Hornchurch, Rainham and Romford regeneration programmes (3.5) ▪ Deliver the culture strategy and place culture at the heart of quality of life (3.6) ▪ Deliver civic pride events such as the Havering Show (3.6) ▪ Work with the private sector to deliver a new leisure facility in Romford (3.6) ▪ Complete the planned restoration works to Raphael Park and Langton's Garden (3.6) ▪ Maintain Havering's green spaces to a high standard and protect the green belt through our planning policies (3.6)	▪ Provide safe services that are tailored to the needs of the individual or family (4.1) ▪ Deliver the Troubled Families project to provide early intervention and assistance for families who need specific help (4.1, 4.2) ▪ Deliver more community-based support, including volunteer-led schemes such as Havering Circle, and provide reablement services and assistive technologies to help people live independently (4.3) ▪ Expand the availability of extra care housing options for vulnerable adults to help them live independently in the community (4.3) ▪ Through the Health and Wellbeing Board, work with health partners, including the Clinical Commissioning Group, to ensure the best possible health outcomes and care services in Havering (4.4) ▪ Support improvements in access and quality of services provided by Queen's Hospital (4.4) ▪ Focus activities on preventing ill-health and encourage healthier lifestyles (4.5) ▪ Deliver the falls strategy to reduce the incidence and impact of falls on older people (4.5) ▪ Improve access to our 'early help offer' for children and young people most at risk (4.6)	▪ Explore opportunities to share services or deliver in partnership, including with customers through co-production (5.1) ▪ Commission goods and services that provide best value for money (5.1) ▪ Maximise opportunities for new ways of working that ensure we continue to improve (5.1) ▪ Use customer insight to shape interventions with customers and target services at those most in need (5.1) ▪ Educate customers so they feel informed and manage expectations (5.1) ▪ Improve accessibility to the Council, including self-service for customers (5.1) ▪ Seek to maximise funding for Havering (5.2) ▪ Ensure any rise in council tax in Havering is kept to a minimum (5.2) ▪ Provide accessible and transparent information on how we are performing (5.3) ▪ Attract, retain and develop high performing staff, supported by effective people management practices (5.4) ▪ Utilise resources and promote customer service to maintain residents' satisfaction with the Council (5.4)
MEASURES AND TARGETS *How we will know we have achieved our objectives*	▪ The amount of fly posting will remain at 1% or less by 2014 (1.1) ▪ The number of fly tip incidences will reduce from 2972 in 2012 to 2440 by 2014 (1.1) ▪ The % of residents who feel local streets are clean and tidy will be maintained at 74% by 2014 (1.1) ▪ The number of anti-social behaviour crimes reported will reduce from 6092 in 2012 to 5970 by 2013 (1.2) ▪ The number of residential burglaries reported will reduce from 2075 in 2012 to 1909 by 2013 (1.2) ▪ Household waste recycled will increase from 35% in 2012 to 37% by 2014 (1.3) ▪ Residual household waste will reduce from 653kg in 2012 to 645kg by 2014 (1.3) ▪ Greenhouse gas emissions from our estate and operations will reduce 1% year on year from 25700 tonnes in 2012 (1.4)	▪ The % of 3 and 4 year olds who have access to an early education entitlement place if their parents wish will increase from 86% in 2012 to 90% by 2014 (2.1) ▪ The offer of Early Years Education to vulnerable young children will increase to 40% in line with national requirements by 2014 (2.1) ▪ The % of children with a good level of achievement in Early Years Foundation Stage will increase from 59% in 2011 to 63% by 2014 (2.1) ▪ The number of schools where fewer than 60% of pupils achieve Level 4 or above in both Maths and English will remain at 0 by 2014 (2.2) ▪ The % of 16-19 year olds (school years 12-14) who are not in education, employment or training will reduce from 4.5% in 2012 to 4% by 2014 (2.3) ▪ The number of apprenticeships on offer in the borough will increase from 320 in 2012 to 480 by 2014 (2.3)	▪ Residents' satisfaction with the area as a place to live will increase from 75% in 2010 to 78% by 2014 (3.1, 3.2) ▪ The % of residents who feel that people get on well together in their neighbourhood will increase from 70% in 2010 to 73% by 2014 (3.2) ▪ The number of new affordable homes will increase from 178 per year in 2010 to 250 per year by 2014 (3.3) ▪ The % of decent Council homes will increase from 40% in 2012 to 80% by 2014 (3.3) ▪ The number of businesses accessing advice through regeneration initiatives will increase from 666 in 2012 to 700 by 2014 (3.4) ▪ Residents' satisfaction with library services will increase from 81.5% in 2010 to 83.5% by 2014 (3.5) ▪ The % residents who feel their local park is clean and tidy will be maintained at 73% by 2014 (3.5)	▪ The % of placements lasting at least two years will increase from 51% in 2012 to 85% by 2014 (4.1) ▪ The % of people using social care who receive self-directed support will increase from 45% in 2012 to 65% by 2014 (4.3) ▪ The % of people who having undergone reablement return to Adult Social Care within 91 days and require an ongoing service will reduce from 7.8% in 2012 to 7% by 2013 (4.3) ▪ There will be a year on year increase in the number of careline and telecare users in the borough from 3366 in 2012 by 2014 (4.3) ▪ The number of extra care housing units within the borough will increase from 88 in 2012 to 306 by 2014 (4.3) ▪ The % of residents that give up their time to volunteer will increase by 2014 (4.3) ▪ Outcomes in the priority health issues identified in the Health and Wellbeing Strategy will improve by 2014 (4.4) ▪ Acute admissions as a result of falls or fall injuries for over 65s will reduce from 1733 in 2012to 1473 in 2013 and then reduce year on year after this (4.5) ▪ NEW The provision of 'early help' identified in the early help strategy will be strengthened by 2014 (4.6)	▪ Spend will be maintained within budget up to 2014 (5.1) ▪ The % of council tax collected will increase from 96.62% in 2012 to 97.50% by 2014 (5.1) ▪ The % of national non-domestic rates collected will increase from 96.7% in 2012 to 97.5% by 2014 (5.1) ▪ NEW The total number of self-service transactions across all media will increase by 2014 (5.1) ▪ The % of residents who feel informed about what the Council does will increase from 44% in 2010 to 47% by 2014 (5.3) ▪ The amount of avoidable contact will remain at 6% or less by 2014 (5.4) ▪ Customer satisfaction with the Contact Centre will remain above 85% by 2014 (5.4)

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Havering
LONDON BOROUGH

CABINET

23 January 2013

Subject Heading:	Delivery Strategy – Delivery of Housing Revenue Account (HRA) Capital Programme 2013-15
Cabinet Member:	Councillor Lesley Kelly
CMT Lead:	Cynthia Griffin, Group Director of Culture and Communities
Report Author and contact details:	Kevin Hazlewood, Director of Property Services 01708 434091, Kevin.hazlewood@havering.gov.uk
Policy context:	Housing Revenue Business Plan
Financial summary:	Delivery of Capital Programme including Decent Homes Back log funding in accordance with approvals by Cabinet
Is this a Key Decision?	Yes
When should this matter be reviewed?	Annually
Reviewing OSC:	Towns and Communities

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

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

SUMMARY

This report seeks approval for the proposals relating to the procurement and delivery of the HRA Capital Programme. The current delivery strategy was agreed and operated by Homes in Havering and with the re-integration of the ALMO a decision is required from members on the strategy to be adopted for the duration of the decent homes backlog funding.

With the re-integration of the former ALMO and with the re-procurement of the Repairs and Maintenance contract for Council Housing a new strategy and plan is required. This report addresses proposals to enable the delivery of the confirmed Decent Homes Backlog Funding of £38,581,000 and other work streams within the HRA capital programme for 2013/14 and 2014/15.

RECOMMENDATIONS

That Cabinet approves the Delivery Strategy for the delivery of work steams within the HRA Capital Programme as detailed in appendix one of this report.

REPORT DETAIL

Background

In 2010 as part of preparations following the award of the Decent Homes Backlog funding Homes in Havering, in conjunction with retained Housing Services, undertook a review of the various ways in which the programme was delivered and a strategy was jointly devised and approved by the HiH Board.

With the re-integration of the ALMO and changes in the contractual options available a revised strategy is required. The previous strategy had not been the subject of review by members as it was part of the functions devolved to the ALMO.

The proposal

In the next two years 2013/14 and 2014/15, the Council will deliver £38m of Decent Homes works to its housing stock. In order to maximise effective delivery, the Council proposes to adopt a mixed economy of procurement methods: some contracts are already in place to deliver some programmes of work, such as legionella, and electrical testing. Secondly, the Council will use some bulk procurement frameworks which are proven to deliver value for money, and are complaint with EU and Council procurement rules. Finally, the Council will tender some works directly to the market, to enable the full range of providers, including small and medium sized enterprises to tender for works in the programme. The details of how the proposed programme is to be delivered is set out in more detail in the Capital Investment Delivery Strategy at Appendix 1.

REASONS AND OPTIONS

Reasons for the decision:

The reasons for seeking approval of this strategy are

- To have members approval on the procurement options for the various work streams.
- To comply with the statutory and legal requirements associated with the delivery of works in the capital programme. The legal requirement for section 20 consultations has a time implication in project preparation and the approval of the strategy allows for the correct schedule of consultation to be identified and implemented.
- To ensure compliance with procurement rules of the European Union.
- To create greater opportunity for local construction companies to participate in the delivery of the Council's HRA Capital Programme.

Other options considered:

The other options are

a) Continue with the existing delivery strategy adopted by Homes in Havering – REJECTED because the HiH strategy has not been considered by Cabinet and as such the strategy has no status as Council policy. Also the HiH strategy includes a significant proportion of the HRA Capital Programme being delivered via the partnership agreement with Morrison Facilities Services. This contract is being re-procured as it expires in July 2013. The new repairs and maintenance contract will not include any facility for investment works to be carried out; therefore a new approach is required.

IMPLICATIONS AND RISKS

Financial implications and risks:

Cabinet is being asked to approve the delivery/procurement strategy for the HRA Capital Programme, to cover the period 2013/14 and 2014/15 on the basis of an annual review.

Cabinet approved £15.3m of the Capital Programme 2013/14 on 12 December 2012. These funds comprised of £12.9m of the £15m decent homes grant and

£2.4m of the £17.4m of additional resources available. It is proposed a report be brought to cabinet in February 2013 for approval of the remainder of the funds available in 2013/14.

In order to ensure delivery of the programmes and to comply with the requirements of the funding agreement with the GLA, a definitive strategy of delivery mechanisms is required to enable statutory consultation to commence. Section 20 of the Landlord and Tenant Act 1985 prescribes methods of notification based on the procurement route to be adopted, or the proposed frame work agreement to be utilised. Should these requirements not be correctly adhered to, the Council will not be able to recover the full amounts of contributions from Leaseholders. This would have a detrimental impact on the HRA Business Plan.

The proposed strategy gives officers clarity around which procurement route they should adopt and reduce the risk of non conformity of the section 20 consultation process.

The proposed strategy has proper regard for the Councils Financial Framework and tendering rules in respect of procurement and the appropriate use of resources. Clearly, a critical theme of the strategy is to ensure the best possible value for money from the arrangements. This will be achieved by giving wide access to the market, while being mindful of the cost of tendering and monitoring.

Legal implications and risks:

Any local authority that owns housing stock is obliged to maintain a Housing Revenue Account and, under the Localism Act 2011, manage and project the resources within the HRA through the development and maintenance of an HRA Business Plan. This Plan was approved by Cabinet on 8 February 2012. The proposed strategy directs capital expenditure accounted for within this HRA Business Plan.

In the absence of an approved delivery strategy there is a risk the Council could receive a challenge from contractors/suppliers for a breach of the EU procurement rules. The strategy adopts the use of properly procured frameworks to ensure compliance and mitigate the risk of challenge. It should be noted by members the proposed frameworks do comply with EU legislation but are not considered Qualifying Long Term Agreements (QLTA) as defined in section 20 of the Landlord and Tenant Act 1985 and the appropriate schedule must be used in leaseholder consultation.

The requirements of section 20 of the Landlord and Tenant Act 1985 require landlords, as the freehold owners of a building, to undertake consultation with leaseholders in a prescribed manner when proposing to undertake activities for which the landlord can recover costs. In the absence of a pre-determined delivery strategy there is a risk consultation will be carried out incorrectly and potentially lead to a challenge via the Leasehold Valuation Tribunal (LVT). In particular the use of QLTA's is an area where the LVT has seen considerable activity in the past.

The proposed strategy gives clear direction on which work streams require section 20 consultations.

The Competition Act 1998 governs the behaviour of contracting parties, as well as contractors and suppliers, with regards to the procurement and award of a wide range of contracts. Section 98 of the Competition Act and Article 101 of the EU Treaty cover anti competitive agreements (cartels). Article 102 of the EU treaty also covers abuse of a dominant position in the market place. The laws contained in the CA98 and Articles 101 and 102 of the EC Treaty are similar but not the same: the CA98 prohibits anti-competitive behaviour that affects trade in the UK. Articles 101 and 102 prohibit anti-competitive behaviour that affects trade in the EU.

As a contracting authority the Council is exposed to the risk of challenge from contractors and suppliers. The delivery strategy states how the Council proposes to utilise a range of procurement options and gives a clear account of its intentions.

Human Resources implications and risks:

There are no human resources implications arising directly from this report.

Equalities implications and risks:

The matters covered in this report relate to the allocation of capital resources already noted for expenditure in 2013/14 by Cabinet at its meeting on 8 February 2012 and the approval of resources on 12 December 2012. Therefore, no further equalities analysis has been carried in relation to this particular report. That said, equalities analyses will be carried out, as required, on key aspects of the 2013/14 HRA revenue and capital budget-setting process and will inform the HRA Budget to be presented to Cabinet in February 2013.

BACKGROUND PAPERS

None

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DECENT HOMES
&
HRA CAPITAL INVESTMENT DELIVERY STRATEGY

2013 to 2015

1.0 Introduction

This document sets out the approach to be adopted for the delivery of the Housing Revenue Account (HRA) Capital Investment Programme 2013 to 2015.

The backlog funding award was made prior to the re-integration of the former Arms Length Management Organisation (ALMO) and programme delivery was delegated to Homes in Havering (HiH). The previous delivery strategy was approved by the HiH Board and comprised a range of solutions. Other aspects of the capital programme were either delivered by HiH or by the Retained Housing Service in accordance with LBH policies and procedures.

With the re-integration of the ALMO and with the forthcoming re-tender of the repairs partnership a review has been undertaken of the delivery strategy. It has been agreed the new repairs contract will not contain contractual facility for works of an investment nature and will focus on service delivery to residents. This decision will give greater opportunity for small and medium size enterprises (SME) to deliver these works. Havering has vibrant construction based SME network due to its good communication links and the capital investment programme could make a valuable contribution to the local economy.

It is imperative the strategy continues to deliver programmes of work and meet the targets, as agreed previously with the Homes and Communities Agency and now the Greater London Authority (GLA). The delivery of the programme needs to continue to concentrate on the delivery of decent homes programme and the reduction in non-decency levels in line with the forecast outcomes.

The final two years of the back log funding have been confirmed and the details in table one below show the proposed funding arrangements associated with the back log funding programme. These figures relate to the decent homes back log funding element only. There is a further element of capital investment agreed on an annual basis by members. This level of investment is part of the HRA Business Plan created following the introduction of self financing in April 2012.

Table One

DHBF Financial Profile	**2012-13**	**2013-14**	**2014-15**	**Total Available for DH**
DHBF Award	£15,000,000	£15,000,000	£23,581,000	£53,581,000
HRA Contribution	£5,000,000	£5,000,000*	£5,000,000*	£15,000,000
Programme funding	**£20,000,000**	**£20,000,000**	**£28,581,000**	**£68,581,000**

**figures for 2013/14 onwards are provisional and subject to members approval.*

The other consideration for members to note is the back log funding required local authorities to fund the final element (10%) of non decency through self financing from their own resources. This has been included within the self financing business plan.

2.0 Current Position – 2012/13 - Where are we now?

The current approach to the delivery of the capital programme is through the use of the existing partnering contractors, Morrison Facilities Services, and other existing contracts with AJS Services (Landlord Electrical Works) and Castlepoint Ltd (Boiler Replacements). In 2010 a replacement window and door contract was awarded by the ALMO and subsequently novated to the Council with Anglian Building Products for a three year period as a framework arrangement. All other works have been delivered through open competition or the LHC Bulk Frameworks. Members should note two of the appointed contractors, Lakehouse PLC and Breyer Group, are based in the borough. The use of bulk procurement arrangements is supported by government and the GLA as a key mechanism for economic stimulation and maximising the ability of authorities to deliver decent homes programmes cost effectively.

The existing approach has also been one of pepper-potting investment, based on the age and condition of components, with some programme synergies being delivered, mainly through the major voids projects. It should be noted voids have been utilised on a small scale to deliver decent homes elements where such work has been identified, but the delivery of this has varied due to the nature of properties becoming empty.

3.0 Future Delivery proposals - Where do we want to be?

The key aspects of the future strategy will be focused on the parameters set out below;

1. Achievement of Decent Homes targets set with the GLA.
2. Compliance with EU procurement legislation
3. Compliance with requirements of section 20 of the Landlord and Tenant Act 1985
4. Capacity of delivery mechanisms (contractor/supplier/staffing/management)
5. Further development of strategies to increase value for money and a “more for less” approach to projects.
6. Communication with customers and stakeholders.

Achievement of Decent Homes targets.
The decent homes expenditure is clearly identified and a profile of expenditure and direction of travel, or milestones has been established. A significant exercise in re-profiling has taken place due to the fact that the original back log funding was suspended following the election in 2010 and the subsequent award of funding in November 2011 was different to the original plans. The profile identified has been achieved and continues to be on course. The GLA continue to monitor performance in reaching the published targets and have been provided details of the self financing business plan.

Compliance with EU Procurement Rules
It should be noted by members the consolidated value of some of the proposed projects/programmes exceed the EU procurement thresholds as dictated by the aggregation requirements. These thresholds are, as of 1 January 2012, £173,934 for the supply of goods and services and £4,348,350 for works. It should also be noted projects/programmes cannot be divided to avoid the aggregation requirements of the regulations. The penalties for breach of the EU procurement regulations are governed by amendments made to the regulations in December 2009 and can be extensive in the value of damages. It is essential the strategy has proper regard for the regulations.

Compliance with section 20 of the Landlord and Tenant Act 1985
This facet involves the requirements to consult with leaseholders prior to the commencement and award of contracts delivering improvements which are the responsibility of the

freeholder. The act sets out various schedules of requirements appertaining to EU and non EU tendering procedures as well as long term agreements and stand alone specific works contracts. A breach of this requirement has to be proven by the leaseholder at the Leasehold Valuations Tribunal if they wish to challenge the obligation to pay their contribution. The result of any successful challenge limits the freeholder to be able to recover a maximum charge of £100 for long term agreements and £250 for works to buildings. The necessity to comply with the regulations has significance due to the value of the potential charges to leaseholders. These can range from £3,000 to £10,000 per leaseholder. There is a detailed policy and procedure in place for this aspect of operations and has been in place for some time.

Capacity of Delivery mechanisms
A revised detailed assessment will need to be completed of the various aspects of the decent homes programme, other aspects of the HRA capital programme with reference to other strategic projects (such as the delivery of improvements to our sheltered housing). The comprehensive procurement plan will be revised to provide capacity and flexibility. In addition, the exclusive use of specific suppliers will be changed. The quality standards will not be reduced, but, component standardisation and compatibility will be a key consideration. A percentage of each element will continue to be allocated to works being carried out whilst void, in order to minimise disruption. Such installations will involve a whole house approach, in order to maximise the decency levels

VFM and "More for Less" strategies
There will be a continuation of the "internal market" with various suppliers and contractors. This will drive overall costs down and enable more works to be completed within a monitoring cycle. To support this continuation of the policy of replacement with low maintenance materials and more efficient installations to reduce cost in use for both customers and management of the stock will occur.

Communication with customers
The changes in central funding arrangements, the details of the scope of the decent homes programme, together with other capital expenditure, and the locations affected by the investment will be published to customers. The medium to be adopted and the messages themselves will be produced by the Council. This will be supported by improved "look up" arrangements detailing properties in the capital programme for front line services and maintenance providers. A more focused consultation strategy will be adopted to be responsive to customer requirements and manage expectations.

4.0 Implementation Process – How are we going to get there?

It should be noted by members there are a number of aspects which are inter-related due to the delivery of works to non-traditional properties, high rise properties, and works to sheltered schemes. All of which will incorporate elements of decent homes work and thermal insulation of the building fabric.

The address lists for each programme have been developed to ensure that the previous approach of pepper potting, has been limited as far as is practicable and the address lists have been compiled by adjusting properties in individual roads or locations to be carried out in the same year.

This simplifies delivery with the contractor, and assists in the distribution of work between different contractors and also will minimise dissatisfaction from locations where residents believe that others are receiving preferential treatment. Programmes will be published with certainty, although the expectation of residents will need to be carefully managed with newsletters and close communication in local areas. Programmes will carry a 5% over-programming element to account for refusals and elements which are found not to be required where copied data has been used or residents have installed their own kitchens, doors, etc. The over-programming element will be separately identified on the programmes and refusals or changes monitored throughout the year. Commentary on the individual programme areas is detailed below. Also, details of the other elements of the HRA capital programme are included.

We are proposing the adoption of a "mixed economy" approach to ensure the HRA capital programme delivery is maintained to the current levels of attainment whilst actively encouraging a wide range of suppliers and contractors to engage in the various opportunities available. The mixed economy approach involves adopting the use of currently in place compliant contractual arrangements for some contracts, and exposing works to open competition for others. In parallel to this the delivery strategy sets out to achieve an assurance that the primary procurement activities will be completed to support the requirements associated with probity, compliance with legal requirements and seeking to increase and promote the local economy in Havering.

This mixed economy approach to the procurement opportunities utilises a range of different mechanisms available to the council to achieve the main objective of improving the homes of tenants and leaseholders. The main options available to the Council are

- EU procurement compliant arrangements - The Council are a full member of the bulk procurement frameworks compiled and administered by the LHC, formally the London Housing Consortium. This arrangement is recognised nationally by DCLG and by the GLA as a preferred method of public sector organisations achieving value for money on the basis of large scale procurement arrangements. There are two locally based companies appointed to various framework agreements. In addition to the LHC there are two frame work contracts in place for the provision of windows and doors and replacement of gas central heating and boilers in place which have been procured in accordance with EU procurement rules.
- Current Council contracts - these are contracts in place, which have been procured in accordance with EU regulations and include in their scope of works an element of investment or planned programmed works. The area of works includes Legionella testing, electrical works to communal areas and care line equipment.
- Tendering to the market - The Council has adopted Constructionline, which is a nationally accredited contractor/consultant vetting scheme, as the method of contractor registration. All projects where tenders or quotations are required will be selected from this list. The works involved are not subject to EU procurement rules by aggregated value but will still require, in some circumstances, section 20 consultations. It is proposed where tenders are sought for works above £100,000 but below the EU procurement thresholds two (2) out of every five (5) contractors invited will be based within the borough. In addition, where quotes are required for works under £100,000 we will actively engage with locally based companies with the relavant registration with Constructionline.

In February 2012 members approved, as part of the report relating to the HRA Business Plan 2012 - 2042, an indicative programme for 2013/14 of a total value of £30.28m including fees. The details in the tables below are based on the information provided in the relevant report. The implications of the proposed mixed economy by value are set out below.

The proposed procurement strategy and the various routes involved, by value, is set out in table one below

Proposed Procurement Route	Project Values (£,000)	Percentage of HRA Programme
EU Procurement regulations compliant contracts (LHC)	£15,079	49.8%
EU Procurement regulations compliant contracts (LBH frameworks)	£5,470	18.1%
LBH Contracts with scope to undertake planned works	£1,430	4.7%
Works to be competitively tendered	£8,301	27.4%
Total	**£30,280**	

The HRA Capital Programme is further broken down in the report to Cabinet by project lines. The implications of the proposed procurement strategy is further detailed in table two below

Programme	Value (£,000)	LHC (% by value)	LBH Framework (% by value)	LBH Contracts (% by value)	Tender (% by value)
Decent Homes Programme	£23,656	59.85%	19.38%	0%	17.03%
Additional Capital Works	£2,049	45%	0%	31.72%	23.28%
Environmental Improvements	£1,125	0%	0%	16%	84%
Planned Preventative Maintenance	£1,500	0%	0%	0%	100%
Common & Sheltered (non DH)	£1,370	0%	0%	3.65%	96.35%
Energy Efficiency	£30	0%	0%	0%	100%
Aids and Adaptations	£550	0%	0%	100%	0%

4.1 Decent Homes Programme

Windows and doors only programmes.
A contract exists for PVCu window and door replacements with Anglian Building Products. The works will require tendering for aluminium or other high performance replacement windows to high rise buildings should this be required. Works to non-traditional properties will be co-ordinated with the structural works required to those properties. The works to sheltered properties will be considered with the overall programme for works to sheltered and extra care facilities. These works are subject to section 20 consultation.

Kitchens.
The aggregated value of this programme will exceed the EU procurement thresholds. It is proposed to utilise the LHC frameworks with award being based on a tendering exercise within the framework arrangements as allowed for within the framework. It is further proposed to engage at least three contractors to maximise the ability to deliver the programme. These works are not subject to section 20 consultation.

Boiler and Heating Replacements.
Boiler replacements are currently carried out via the framework agreement with Castlepoint, which exists on an annual renewal until March 2013. A tendering exercise, in accordance with EU procurement rules was commenced by the former ALMO. This framework proposes the award to a wider number of contractors and will be completed to commence in April 2013 for a period of 4 years. These works are not subject to section 20 consultation. However where communal heating is to be renewed this will be tendered in the market place to contractors registered on Constructionline as required by the Councils tendering procedures as the works will be subject to section 20 consultation.

Electrical Installations (Domestic and Landlord Services).
The programme associated with works to the Landlords Services is included in the scope of the current contract in place with AJS Services but will be subject to section 20 consultation with leaseholders as it was not procured as a Qualifying Long Term Agreement. These works comprise of routine planned maintenance and some improvement works. Members should note there are ongoing discussions with a Havering based lighting manufacturer to produce a programme of replacements to reduce the requirements for ongoing maintenance.

The works to domestic dwellings are part of the partnership agreement. Any future works will be undertaken as part of kitchen refurbishments or where the works are not associated with these will be the subject of open competition. These works are not subject to section 20 consultation.

Roofs.
Due to the value of the future programmes, the opportunity exists to consider tendering all of this work to ensure value for money. There are a number of large flat and pitched roofs which are identified in future programmes and will be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures. These works are subject to section 20 consultation.

Bathrooms.
Due to the value of the future programmes, the opportunity exists to consider tendering all of this work to ensure value for money. There are a large number of properties where decency is not achieved due to the age and/or condition of the bathroom which is identified in future programmes and will be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures. These works are not subject to section 20 consultation.

Insulation.
With the introduction of the Green Deal on 9 October 2012 there are significant changes being introduced. One of the significant changes relates to the Energy Companies Obligations (ECO) and the availability of funding. The Council is a member of the RENEW framework which is managed by the GLA. This framework has been used to deliver a range of works to both council owned and private residents by the Energy Efficiency team.

There is currently a review of the providers available to access funding for various energy efficiency measures in conjunction with the Energy Efficiency Team. The proposals will be linked the Councils fuel poverty strategy and be utilised as a catalyst to promote energy awareness and grants access to private households.

Non-traditional housing remedial works.
Due to the value of the future programmes, the opportunity exists to consider tendering all of this work to ensure value for money. There are a large number of properties where decency is not achieved due to the age and/or condition of the property which is identified in future

programmes and will be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures. These works are not subject to section 20 consultation as many of the properties are houses.

Tower Block Remedial works.
Due to the value of the future programmes, the opportunity exists to consider tendering all of this work to ensure value for money. The main works for 2013/14 will be situated at Napier and New Plymouth Houses and the estimated values will require procurement governed by the EU procurement rules. These works are subject to section 20 consultation.

Sheltered housing major works.
Following the review of sheltered accommodation undertaken in 2010/11 by LBH, there are a number of strategies to be implemented, with the upgrading of existing schemes and the conversion to extra care of a number of identified schemes. The conversion works on the extra care schemes needs to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.

Additional Capital Programmes

Major voids
This is a contingent allowance for works arising during the year. Major Voids will be delivered through a mixture of contractual arrangements. Works beyond routine void works and works to the Decent Homes standard (kitchen and bathrooms), such as structural repairs, will be completed through a tendering process outside of the repairs contract. This process needs to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.
Where possible Major voids will be linked in with other capital programmes of work to achieve Value for Money to the Council whilst adopting a 'whole house' approach. There will be an allowance made in the kitchen programme being delivered via this route.

Structural
This is a contingent allowance for works arising during the year. This work is generally to be delivered by the repairs contractor. If value exceeds the prescribed levels within the new contract this needs to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.

Legionella
Current contractual arrangements with the gas servicing contractors to deliver regulatory requirements for legionella will continue for the duration of the existing contract, which is 5 years. Options are being explored to potentially incorporate remote electronic monitoring for legionella within the borough.

Fencing
This is a contingent allowance for works arising during the year. A backlog list of fencing is maintained and the works can simply be delivered through the repairs contract. If value exceeds the prescribed levels within the new contract this needs to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.

Drainage
This is a contingent allowance for works arising during the year and the works can simply be delivered through the repairs contract. If value exceeds the prescribed levels within the new

contract this needs to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.

Lighting
This is a contingent allowance for works arising during the year and the works can simply be delivered through the existing landlords' services contract. If value exceeds the prescribed levels within the contract this will need to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.

Asbestos Removal
This is a contingent allowance for works arising during the year and the works will be part of the new repairs and maintenance contract. If value exceeds the prescribed levels within the new contract this needs to be tendered in the market place to contractors registered on Constructionline as required by the Councils tendering procedures.

Prevention of ASB
This is a contingent allowance for works arising during the year and the works can simply be delivered through the repairs contract. If value exceeds the prescribed levels within the new contract this needs to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.

Playground equipment
This is a contingent allowance for works arising during the year and the works can simply be delivered through the repairs contract. If value exceeds the prescribed levels within the new contract this needs to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.

CCTV equipment
This is a contingent allowance for works arising during the year and the works can simply be delivered through the existing contract. If value exceeds the prescribed levels within the new contract this needs to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.

Boundary Walls
This is a contingent allowance for works arising during the year and the works can simply be delivered through the repairs contract. If value exceeds the prescribed levels within the new contract this needs to be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures.

External refurbishment
Due to the value of the future programmes, the opportunity exists to consider tendering all of this work to ensure value for money. This will be tendered in the market place to contractors on the LHC framework, and those registered on Constructionline as required by the Councils tendering procedures. These works are subject to section 20 consultation.

Common and Sheltered

DDA Fire Protection/ Upgrade to door entry systems/ sheltered fire alarms/Careline Equipment
These works are associated with proportions of the Strategic Sheltered Housing and Hostels review. It has been agreed to develop a detailed delivery strategy, aligned with a procurement programme will need to be developed. A Project Board is to be convened in Homes and Housing to create required linkages and deliverable targets.

Other Programmes

Hidden Homes
Expenditure will be directed by the Head of Homes, Housing and Public Protection. This work is subject to technical evaluation and agreement with local residents.

Aids and Adaptations
Expenditure will be directed by Adult Social Services. Housing will provide a monitoring role only.

Other General Programme Considerations

There are a number of other issues which need consideration with the implementation of the delivery plan, both to enhance existing procedures and to meet the changing requirements of the programme.

Leaseholder Consultation

Any works to be tendered outside of the existing contracts may require leaseholder consultation and may also need to comply with EU procurement requirements. The various requirements for this consultation will need to be adhered to and appropriate time allowed in any procurement exercise.

Resident Involvement

Residents will be consulted on any aspect that will have a direct impact on their homes. At present residents are involved through the Property Improvement Steering Group on various aspects of the capital programme and how this impacts on their home. As delivery of decent homes work moves towards programmes on a street by street or estate basis, rather than individual pepper-potted approach, a greater opportunity to consult residents on a local basis presents itself. This will be facilitated by newsletters to be used to keep residents informed of progress and the intended programmes, together with use of the website for the publication of the programme and other information. A Decent Homes Information pack will be produced providing the necessary information to residents about the work to be carried out to their home.

Procurement Requirements

A significant consideration is the requirement to comply with EU procurement rules and the processes associated with leaseholder consultation. The programming will be completed with this in mind and the required approvals processes in the governance structure.

What are the Risks?

Procurement
A number of different elements will require procuring through contractors during the 2 years of the delivery plan. These will require careful planning to minimise any delay in commencement of delivery. The Procurement plan will need to be agreed with the Procurement team to assist with their work planning. Any potential delays in starting new contracts will also affect the levels of decency during the year as these targets will be closely monitored by the GLA.

Legal Compliance

The programme has a range of parameters to work within governed by statute. The main legislation includes EU procurement rules, Landlord and Tenant Act 1985, section 20, and planning and building control legislation. It is imperative these elements are factored in to any pre project preparation and the time required to achieve compliance is factored in.

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Havering
LONDON BOROUGH

CABINET
23 January 2013

Subject Heading:	Corporate Performance Report 2012/13 – Quarter 2
Cabinet Member:	Councillor Michael White
CMT Lead:	Cynthia Griffin
Report Author and contact details:	Claire Thompson, Corporate Policy & Community Manager, claire.thompson@havering.gov.uk 01708 431003
Policy context:	The report sets out the Council's performance against the Corporate Performance Indicators for Quarter 2 of 2012/13.
Financial summary:	There are no direct financial implications arising from this report. It is expected that the delivery of targets will be achieved within existing resources.
Is this a Key Decision?	No
Is this a Strategic Decision?	No
When should this matter be reviewed?	The Corporate Performance Report will be brought to Cabinet following the end of each quarter.
Reviewing OSC:	Value

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

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

SUMMARY

This report sets out the performance of the Council's Corporate Performance Indicators for the second quarter (July-September 2012), against the five Living Ambition Goals of the Corporate Plan:

- Environment
- Learning
- Towns and Communities
- Individuals
- Value

Of the 68 Corporate Performance Indicators, 40 are able to be measured quarterly. The remaining indicators are collected on an annual or bi-annual basis only.

The report identifies where the Council is performing well (Green) and not so well (Amber and Red). The variance for the 'RAG' rating is:

- Red = more than 5% off the Quarter Target
- Amber = up to 5% off the Quarter Target
- Green = on or above the Quarter Target

Where performance is more than 5% off the Quarter Target and the RAG rating is 'red', a 'Corrective Action' box has been included in the report. This highlights what action the Council is taking to address poor performance where appropriate.

Also included for indicators measured quarterly is a Direction of Travel (DoT) column which compares performance in Quarter 2 2012/13 with performance in Quarter 2 2011/12. A green arrow symbol (↑) signifies performance is better than Quarter 2 2011/12 and a red arrow symbol (↓) signifies performance is worse than Quarter 2 2011/12.

Of the 40 indicators measured quarterly, 37 have been given a RAG status in Quarter 2. For three indicators a RAG status is not applicable this quarter. In summary 21 indicators (57%) are rated as 'green', 4 indicators (11%) are rated as 'amber' and 12 indicators (32%) are rated as 'red'.

RECOMMENDATIONS

Members are asked to review the contents of the report and note its content.

REPORT DETAIL

Summary of indicators rated as 'red'

Environment

Indicator	Quarter 2 Target	Quarter 2 Performance	DOT
Total number of fly tip incidents	1,554	1,645	↓
This indicator fluctuates due to seasonal variance- in the Summer when the weather is brighter more people clear out homes and garages. Performance is expected to improve in Quarter 3. In addition, the Environment Agency has recently clarified the definition of what constitutes a fly tip and some of the incidents that we have been recording as fly tips may be reclassified. In light of the change in definition, officers are working to identify these incidents; we will then recalculate the numbers back to April 2012.			

Towns and Communities

Indicator	Quarter 2 Target	Quarter 2 Performance	DOT
Processing of major applications within 13 weeks (%)	60%	50%	→
Of the 6 applications received, 3 were determined in the required time this quarter. The reason 3 applications were not determined within the 13 week period is because the proposals were still being negotiated with developers before a decision was made.			

Individuals

Indicator	Quarter 2 Target	Quarter 2 Performance	DOT
Overall number of delayed transfers of care from hospital per 100,000 population (shared with BHRUT/PCT/CCG)	7	15.2	↓
Number of delayed transfers of care from hospital attributable to Adult Social Care (ASC) and health per 100,000	3	3.7	↑
These indicators are in relation to hospital discharges. The first indicator is an overall partnership indicator led by the Clinical Commissioning Group (CCG) that measures the total number of delayed discharges across the system including in the hospital itself. The second indicator is for ASC and health. This is reducing due to work being undertaken within social care and the number of delays is lower than last year. The indicator is red because a challenging target has been set for this year to drive improvement. The Council continues to work with the London Boroughs of Barking and Dagenham, and Redbridge and all three Clinical Commissioning Groups (CCGs) as well as health providers (BHRUT & NELFT) to improve systems, processes and care in the community in order to prevent unnecessary hospital admissions, particularly for older people. In addition, a performance improvement programme has recently been designed which will mean all providers will need to change the way discharges are managed.			

Indicator	Quarter 2 Target	Quarter 2 Performance	DOT
% of Child Protection Plans lasting more than 24 months	5%	8%	↓
A range of positive work is underway to minimise child protection plan duration, including use of 'Signs of Safety' to ensure that plans are understood and owned by the parents, and wider use of Family Group Conferences. The margins are very small for this indicator due to a relatively low number of children on child protections plans. By year-end, the difference between achieving 5% rather than 8% would be only three children.			
% of placements lasting at least 2 years	75%	66%	↑
The % of placements lasting at least 2 years is a measure of the stability of placements for looked after children. The performance in this area is not considered good enough, particularly in the area of teenagers where foster care placements can tend to break down. A review of this area has been undertaken which has resulted in increased work to recruit foster carers and changes to procedures so that they offer greater support to the foster care placements when they come under pressure. This is an area that is being prioritised for improvement within children's services.			
Direct payments as a proportion of self-directed support (%)	15%	11.4%	↑
A more stretching target has been set for this indictor than last year in order to continue to increase the amount of choice and control for social care clients. In line with the national picture, we continue to face challenges in increasing the take up of direct payments for older people. The Service is working hard to help people make best use of the money they receive to purchase their own care services and to increase the proportion of people who use Personal Budgets.			

Value

Indicator	Quarter 2 Target	Quarter 2 Performance	DOT
Sickness absence rate per annum per employee (days)	7.6 days	8.1 days	↓
Work is currently taking place to identify why sickness absence has increased over the last year and this has been made a corporate priority. Once any issues or trends have been identified, actions will be put into place to address these.			
Speed of processing changes in circumstances of HB/CTB claimants (days)	12 days	26.07 days	↓
Speed of processing new HB/CTB claims (days) (NEW)	19 days	32.74 days	↓
The indicators relating the Housing Benefit and Council Tax Benefit are recession related. There has been an increase in the numbers of people claiming housing and council tax benefit and needing to be assessed for those benefits because of changes in their circumstances. This increase has put substantial pressure on the staff processing these claims and some additional resources have been brought in to clear a backlog that has developed. Given the upturn in demand/activity it is anticipated that, despite the additional resources, performance will not substantially improve until Quarter 3. A review of overall demand is being undertaken as this upturn has had knock- on effects on the customer services function while it is continuing to implement the new customer services processes.			
% of Member/MP enquiries completed within 10 days	90%	83.60%	↑

Indicator	Quarter 2 Target	Quarter 2 Performance	DOT
% of corporate complaints completed within 10 days	90%	78.7%	↑
A large proportion of Member/MP enquiries and corporate complaints are related to Housing as a result of the benefit reforms, rather than an enquiry about the service. The CRM system is being developed to record Member/MP correspondence and the new system has the facility of email chasers to remind staff of the service level agreement target of 10 working days.			

The Corporate Performance Report 2012/13 – Quarter 2 is attached as Appendix 1.

REASONS AND OPTIONS

Reasons for the decision: To provide Cabinet Members with a quarterly update on the Council's performance against the Corporate Performance Indicators.

Other options considered: N/A

IMPLICATIONS AND RISKS

Financial implications and risks:

Adverse performance for some Corporate Performance Indicators may have financial implications for the Council. Whilst it is expected that targets will be delivered within existing resources, officers regularly review the level and prioritisation of resources required to achieve the targets agreed by Cabinet at the start of the year.

Legal implications and risks:

Whilst reporting on performance is not a statutory requirement, it is considered best practice to regularly review the Council's progress against the Corporate Plan.

Human Resources implications and risks:

There are no specific Human Resources implications.

Equalities implications and risks:

The following Indicators potentially have equality and social implications if performance does not improve:

- (CY2)- % of placements lasting at least 2 years
- (CY13) - % of child protection plans lasting more than 24 months
- ((ex) NI131/2C (i))- Overall number of delayed transfers of care from hospital per 100,000 population
- ((ex) NI13/2C(ii)) – Number of delayed transfers of care from hospital attributable to Adult Social Care and health per 100,000
- (CS4)- Speed of processing changes in circumstances of HB/CTB claimants
- (CS3)- Speed of processing new HB/CTB claims

The commentary for each indicator provides further detail on steps that will be taken to improve performance.

BACKGROUND PAPERS

The Corporate Plan is available on the Living Ambition page on the Havering Council website at: http://www.havering.gov.uk/Pages/Campaigns/living-ambition-our-20-year-vision.aspx

Appendix 1: Corporate Performance Report 2012/13 – Quarter 2
23rd January 2013

Havering LONDON BOROUGH

Key

Direction of Travel (DoT)		RAG Rating	
↑	Performance is better than Q2 2011/12	Red	More than of 5% off the Quarter Target
↓	Performance is worse than Q2 2011/12	Amber	Up to 5% off the Quarter Target
→	Performance is the same as Q2 2011/12	Green	On or within the Quarter Target
	Corporate Plan Performance Indicator		

Environment - to ensure a clean, safe and green borough

Page 133

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
SC18	Total number of fly tip incidents	Smaller is Better	2,704	1,554	1,645	1,568	↓	Performance is worse than target and also worse than Quarter 2 2011/12. This indicator fluctuates due to seasonal variance- in the Summer when the weather is brighter more people clear out homes and garages. **Corrective Action** Performance is expected to improve in Quarter 3. In addition, the Environment Agency has recently clarified the definition of what constitutes a fly tip and some of the incidents that we have been recording as fly tips may be reclassified. In light of the change in definition, officers are working to identify these incidents; we will then recalculate the numbers back to April 2012. Therefore, no further corrective action is required at this stage.	Streetcare

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
(ex) NI191	Residual household waste (kg) per household (LAPS indicator)	Smaller is Better	645kg	336kg	338.92kg	336kg	↓	An increase in household waste in July and August has meant that performance is slightly worse than target this quarter	Streetcare
(ex) NI195d	% of fly posting (LAPS indicator)	Smaller is Better	1%	1%	1%	0%	↓	This is a bi-annual indicator and will be reported in Quarter 2 and Quarter 4 only. Performance is on target this quarter as a result of continuing enforcement action in key areas such as shopping centres around the borough.	Streetcare
(ex) NI192	% of household waste sent for reuse, recycling and composting (LAPS indicator)	Bigger is Better	36%	36%	36.21%	37%	↓	Performance is better than target this quarter, although slightly worse than Quarter 2 2011/12.	Streetcare
SC11	% of missed collections put right within target	Bigger is Better	93%	93%	93%	93%	→	Performance is on target this quarter, and is also the same as Quarter 2 2011/12.	Streetcare
CSP1	The number of residential burglaries reported	Smaller is Better	1,909	955	872	883	↑	Poor weather over the summer months may have contributed towards the figure for this indicator, as good weather does tend to correlate with an increase in crimes reported. Performance is also better than Quarter 2 2011/12. The number of burglaries reported peaks over the Christmas period; the Community Safety Partnership have already begun to prepare for this through various initiatives and campaigns to increase awareness.	Customer Services
CSP2	The number of anti-social behaviour crimes reported	Smaller is Better	5,970	2,985	2,931	3,342	↑	Poor weather over the summer months may have contributed towards the figure for this indicator, as good weather does tend to correlate with an increase in crimes reported. Similar to burglary, the number of anti-social behaviour crimes reported does	Customer Services

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
								peak over the Christmas period, although to a lesser extent. The Community Safety Partnership are analysing this further to ascertain what extra interventions are necessary.	

Learning - to champion education and learning for all

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
LA5	% of 3 and 4 year olds who have access to an early education entitlement place if their parents wish (*Whilst this refers to access to places, it is actually measured on take up of places. The wording has remained the same because this is how it is reported to the Department for Education)*	Bigger is Better	90%	90%	86% (2011/12)	83% (2010/11)	↑	This indicator is measured by academic year which runs from August to July. The figure provided is therefore the 2011/12 end of year outturn. Compared to the same time period last year, performance has improved by 3%. Autumn term data will be included in the Quarter 3 report.	Learning and Achievement
LA6	% of Early Years providers, including those in schools, judged Good or Outstanding by OFSTED	Bigger is Better	73%	73%	74.9%	72%	↑	Performance is better than target this quarter. Of the 314 total providers, 235 are considered 'Good or above'. Performance has also improved when compared to Quarter 2 2011/12.	Learning and Achievement
LA1	Number of apprentices recruited in the borough	Bigger is Better	460 (AY 11/12)	345 (Q3 AY 2011/12)	461 (Q3 AY 2011/12)	437 (Q3 AY 2010/11)	↑	This indicator is measured by academic year (AY) which runs from August to July. The Quarter 3 figure is therefore February-April 2011/12. The target of 460 was set by the 14-19 Partnership, as part of a three year programme to increase the number of apprenticeships in the borough.	Learning and Achievement
(ex) NI117	% of 16 to 19 year olds (school years 12-14) who are not in education, employment or training	Smaller is Better	5.1%	5.3%	18.1%	5.2%	NA	The figure reported is the last month in each quarter for this indicator. The September increase was expected, and has occurred as a result of the	Learning and Achievement

Page 135

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
	(LAPS indicator)							Department for Education's (DfE's) instructions to record all of the students rising from Year 12 to Year 13 over the summer as 'unknown' in the September Client Caseload Information System (CCIS) return. In previous years, when students were on a 2 year programme they were included in the in-learning figures when they entered Year 13 and followed up in line with the usual currency rules, and/or checked against the college/school lists of students. DfE have this year instructed the CCIS companies (15Billion in our case) to make them unknown. We are getting weekly updates from Prospects on their progress and they are busy entering the student lists from the colleges and the latest figures show NEET as 3.9%. In light of this change in guidance, the September figure is not an accurate reflection of performance, therefore no RAG rating or DoT has been provided.	
LA10	KS4 - number of schools below the floor standard where fewer than 35% of pupils achieve A*-C grades in both Maths and English and make less than average progress in Maths and English	Smaller is Better	0	Annual	0 (2011/12) (provisional)	0 (2010/11)	NA	This is an annual indicator, reported by academic year. A provisional figure has been included but a final figure will not be available until November. Therefore no RAG rating or DoT has been provided.	Learning and Achievement
LA9	KS2 - number of schools below the floor standard where fewer than 60% of pupils achieve Level 4 or above in both Maths and English and make less than	Smaller is Better	0	Annual	1 (2011/12) (provisional)	0 (2010/11)	NA	This is an annual indicator, reported by academic year. A provisional figure has been included but a final figure will not be available until November. Therefore no RAG rating or DoT has been provided.	Learning and Achievement

Page 136

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
	average progress in Maths and English								
(ex) NI075	KS4 - % of pupils who achieve 5 or more A*-C grades, including Maths and English (LAPS indicator)	Bigger is Better	68%	Annual	61.1% (2011/12) (provisional)	64.2% (2010/11)	NA	This is an annual indicator, reported by academic year. A provisional figure has been included, but a final figure will not be available until November. Therefore no RAG rating or DoT has been provided.	Learning and Achievement
LA8	% of children with a good level of achievement in Early Years Foundation Stage (LAPS indicator)	Bigger is Better	Not yet set	Annual	60% (2011/12) (provisional)	58.6% (2010/11)	NA	This is an annual indicator, reported by academic year. No target has been set as the Service is awaiting the outcome of Government report because this measure is changing. A provisional figure has been included but a final figure will not be available until November. Therefore no RAG rating or DoT has been provided.	Learning and Achievement

Towns and Communities - to provide economic, social and cultural opportunities in thriving towns and villages

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
(ex) NI157a	Processing of major applications within 13 weeks (%)(LAPS indicator)	Bigger is Better	60%	60%	50%	50%	→	Performance is worse than target this quarter. Of the 6 applications received, 3 were determined in the required time. However, performance has improved since Quarter 1 2012/13 when the outturn was 45%. **Corrective Action** The reason 3 applications were not determined within the 13 week period is because the proposals were still being negotiated with developers before a decision was made. No corrective action is required.	Development and Building Control

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
CS11	% of NNDR collected (LAPS indicator)	Bigger is Better	98%	60.24%	58.90%	59.10%	↓	Performance is just worse than target this quarter and marginally worse than Quarter 2 2011/12. With the significance of NNDR collection changing for next year, the Council has decided to end the partnership arrangement with Barking and Dagenham, and bring NNDR collection back in-house. However there is a contract notice period of one year before this can take place. This quarter, performance has been impacted by the business rates deferral scheme, which gives business the option to spread the retail price index increase in the 2012-13 bill over three years.	Customer Services
R3	Number of businesses accessing advice through regeneration initiatives	Bigger is Better	600	300	318	338	↓	Performance is better than target this quarter. The service continues to provide in-house support and advice for new and existing businesses.	Regeneration
(ex) NI157b	Processing of minor applications within 8 weeks (%) (LAPS indicator)	Bigger is Better	65%	65%	66%	72%	↓	Performance is better than target this quarter, although worse than performance in Quarter 2 2011/12 and Quarter 1 2012/13 (71%). This is partly due to the increase in legal agreements now applicable to minor applications needed to secure the Council's Planning Obligations tariff introduced in April 2012.	Development and Building Control
(ex) NI157c	Processing of other applications within 8 weeks (%) (LAPS indicator)	Bigger is Better	80%	80%	86%	87%	↓	Although slightly worse than performance in Quarter 2 2011/12 and Quarter 1 2012/13 (89%), performance is still better than target.	Development and Building Control
R2	Net external funding (£) secured through regeneration initiatives	Bigger is Better	£1,000,000	£500,000	£925,000	£1,135,215	↓	This quarter, no additional external funding was secured. However, funding gained in Quarter 1 means that this	Regeneration

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
								indicator is still performing better than target.	
H5	% of rent arrears against rent debit	Smaller is Better	2%	2.42%	2.41%	2.37%	↓	The quarterly targets for this indicator have been profiled throughout the year. Performance is better than target this quarter.	Housing and Public Protection
DC4	% of appeals allowed against refusal of planning permission	Smaller is Better	30%	30%	28.57%	41%	↑	The service reviews all appeal decisions and keeps an eye out for trends so that any issues in our decision making can be addressed.	Development and Building Control
CL2	Number of library visits (physical)	Bigger is Better	1,520,000	425,600	491,698	456,380	↑	Performance is significantly better than target this quarter and compared to Quarter 2 2011/12.	Culture and Leisure
(ex) NI158	% of decent council homes (LAPS indicator)	Bigger is Better	58.4%	38%	37.75%	38.87%	**NA**	Performance fluctuates throughout the year for this indicator, however it is anticipated that the year-end target will be achieved; therefore no RAG or DoT have been provided. An additional 725 properties newly arising as non-decent have been incorporated into performance figures for 2012/13. In total, 315 properties were made decent in Quarter 2. It is anticipated that 1811 properties will be made decent by the end of the year.	Housing and Public Protection

Page 139

Individuals - to value and enhance the lives of our residents

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
(ex) NI131/ 2C (i)	Overall number of delayed transfers of care from hospital per 100,000 population (LAPS indicator)	Smaller is Better	7	7	15.1	11.9	↓	This is a partnership indicator led by the Clinical Commissioning Group (CCG). Performance is worse than target for this indicator and also worse than Quarter 2 2011/12. Performance in this area is predominantly affected	Adult Social Care (shared with BHRUT/PCT/CCG)

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
								by Health; delays attributable to Adult Social Care (ASC) remain low at 1.6 per 100,000 compared to the overall figure. **Corrective Action** A challenging target has been set for this indicator to drive improvement, as this will assist in improving care for patients. Based on performance to date, it is unlikely that the annual multi-provider target will be met. However, we continue to work with the London Boroughs of Barking and Dagenham and Redbridge and all three Clinical Commissioning Groups (CCGs) as well as health providers (BHRUT & NELFT) to reduce delays and address systematic issues as changes to health are implemented. . A Performance Improvement Programme has recently been designed which will mean all providers will need to change the way discharges are managed.	
(ex) NI131/ 2C (ii)	Number of delayed transfers of care from hospital attributable to Adult Social Care (ASC) and health per 100,000	Smaller is Better	3	3	4	6.2	↑	This is an indicator for ASC and Health. Performance is slightly worse than target for this indicator, but is improving and is better than Quarter 2 2011/12 and Quarter 1 2012/13 (4.5). ASC performance has improved. A detailed report on DTOCs will be available in early 2013. **Corrective Action** A challenging target has been set for this indicator to drive improvement. Based on performance to date, the service predicts that the annual target will be achieved. Although performance is improving it is expected	Adult Social Care

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
								that further improvement would also assist with 2C(i). A Performance Improvement Programme has recently been designed which will mean all providers will need to change the way discharges are managed.	
CY13	% of Child Protection Plans lasting more than 24 months (LAPS indicator)	Smaller is Better	5%	5%	8%	2%	↓	Performance is worse than target this quarter, and also worse than Quarter 1 2011/12. However, performance has improved since Quarter 1 2012/13 when the outturn was 14% (last quarter's figure of 0% was amended following identification of a large sibling group which were de-registered and had been on a plan for two years or more). At the end of Quarter 2, 4 out of 51 (8%) children were de-registered from a child protection plan who had been on that plan for two or more years. **Corrective Action** A range of positive work is underway to minimise child protection plan duration, including use of 'Signs of Safety' to ensure that plans are understood and owned by the parents, and wider use of Family Group Conferences. Although current performance is worse than the target of 5%, the margins are small due to a relatively low number of children in child protection plans. By year-end, the difference between achieving 5% rather than 8% would be only three children.	Children and Young People
CY2	% of placements lasting at least 2 years (LAPS	Bigger is Better	75%	75%	66%	65.40%	↑	Whilst performance is worse than target this quarter, performance has	Children and Young People

Page 141

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
	indicator)							improved since Quarter 1 2012/13 (57.4%) and when compared to Quarter 2 2011/12. **Corrective Action** Through the implementation of the Looking After Children (LAC) Plan, additional foster carers have been recruited, increasing placement choice. The service also plans to lengthen emergency placements from 24 hours to 7 days, allowing more time for children to be appropriately matched to foster carers. In addition, processes for management oversight of casework have been improved. These changes should result in improved performance for this indicator throughout 2012/13.	
(ex) NI130/ 1C (i)	% of people using social care who receive self-directed support and those receiving direct payments (LAPS indicator)	Bigger is Better	60%	49.3%	47%	36%	↑	Performance is slightly worse than target this quarter, but is improving overall and is better than Quarter 2 2011/12 and Quarter 1 2012/13 (44.7%). The number of people using social care who receive self-directed support has continued to rise and work continues to ensure that it becomes further embedded as the default way we work.	Adult Social Care
(ex) NI130/ 1C (ii)	Direct payments as a proportion of self-directed support (%)(LAPS indicator)	Bigger is Better	15%	15%	11.4%	10.4%	↑	Performance is worse than target this quarter, although better than Quarter 2 2011/12. In line with the national picture, we continue to face challenges in increasing the take up of direct payments for older people. The Service is working hard to help people make best use of the money they receive to purchase their own care services and to increase the proportion of people who	Adult Social Care

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
								use Personal Budgets. **Corrective Action** To improve performance, targets for direct payments have been set for service areas. In addition, a self-directed support staff forum attended by members from different teams along with a member from the performance team regularly meet to discuss how performance in the area can be improved.	
L3	% of people who, having undergone reablement, return to ASC 91 days after completing reablement and require an on-going service	Smaller is Better	7%	7%	5.3%	5.6%	↑	Performance is better than target this quarter and also better than Quarter 1 2011/12 and Quarter 1 2012/13 (6%). This demonstrates that reablement services are achieving sustainable positive outcomes and helping people to live more independently in their own homes and reducing the longer-term level of care required. As the service matures, there is a greater focus on more vulnerable clients. It will be important to ensure this does not result in deterioration in performance in the future.	Adult Social Care
(ex) NI065	% of children becoming the subject of a Child Protection Plan for a second or subsequent time within 2 years (LAPS indicator)	Smaller is better	8%	8%	0%	NA	NA	Performance remains better than target for this indicator (performance in Quarter 1 2012/13 was also 0%). The wording of this indicator has been modified to include 'within 2 years' to echo the findings of the Munro report (before it had an open ended timescale). Therefore the outturn is not comparable with Quarter 2 2011/12.	Children and Young People

Page 143

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
L5	Total number of Careline and Telecare users in the borough	Bigger is Better	3600	3465	3584	3233		Performance is better than target for this indicator and also better than the figure for Quarter 2 2011/12. The service is confident that the annual target of 3600 will be achieved.	Housing and Public Protection
(ex) NI112	Teenage pregnancies per 1,000 population (< 18 year old girls) (LAPS indicator)	Smaller is Better	35	35	35.1 (Q1 2011/12)	30.1 (Quarter 1 2010/11)		NB. The figures do not correspond to the 2011/12 annual target and a RAG cannot be stated. This is because the ONS release conception statistics around 14 months after the period to which they relate (as information on a birth may not be available until 11 months after the date of conception and the ONS then require 3 months to compile the conception statistics). There has been an overall downward trend for this indicator since early 2009. The Council and its partners aim to reach a target of 35.00 per 1000 population by 2013 and we remain on track to deliver this target.	Children and Young People

Value - to deliver high customer satisfaction and a stable council tax

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
CI1	Sickness absence rate per annum per employee (days) (LAPS indicator)	Smaller is Better	7.6 days	7.6 days	8.1 days	7.35 days		In Quarter 2, Operational HR carried out a review of the sickness absence data which found that there were technical and managerial issues which may be impacting on the levels of reported sickness, particularly long term sickness. Following a review, some misreporting was identified and consequently managers were asked to	Internal Shared Services

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
								rectify this. The reporting system has also now been updated to ensure that staff who have left the organisation are excluded from on-going sickness data. **Corrective Action** Now that the data has been cleansed, there is a need to focus analysis on why sickness absence has increased over the last year. It is important to identify what is causing this trend and the actions that need to be put into place to address this.	
CS4	Speed of processing changes in circumstances of HB/CTB claimants (days) (LAPS indicator)	Smaller is Better	12 days	12 days	26.07 days	14.22 days	↓	The current economic climate and changes to the way the DWP notifies the Council of new HB/CTB claims and changing circumstances has resulted in increased volumes, which combined with a reduction in Government funding has made it difficult to achieve the target. In addition, the number of people applying for benefits has risen substantially with the introduction of a new electronic claim form. **Corrective Action** At the end of Quarter 2, additional resources were secured to clear the backlog of claims. Performance should therefore improve in Quarter 3. No additional corrective action is required.	Customer Services
CS3	Speed of processing new HB/CTB claims (days) (NEW) (LAPS indicator)	Smaller is Better	19 days	19 days	32.74 days	22.58 days	↓	The current economic climate and changes to the way the DWP notifies the Council of new HB/CTB claims and changing circumstances has resulted in increased volumes, which combined with a reduction in Government funding has made it difficult to achieve the target. In addition, the number of	Customer Services

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
								people applying for benefits has risen substantially with the introduction of a new electronic claim form. **Corrective Action** At the end of Quarter 2, additional resources were secured to clear the backlog of claims. Performance should therefore improve in Quarter 3. No additional corrective action is required.	
CS10	% of Member/MP enquiries completed within 10 days	Bigger is Better	90%	90%	83.60%	83.47%	↑	Performance is worse than target this quarter. However, there has been a marginal improvement compared to Quarter 2 2011/12. **Corrective Action** The CRM system is being developed to record Member/MP correspondence and implementation is planned for October. The new system has the facility of email chasers to remind staff of the service level agreement target of 10 working days.	Customer Services
CS7	% of corporate complaints completed within 10 days	Bigger is Better	90%	90%	78.7%	65.35%	↑	Performance is worse than target this quarter. However, performance has improved since Quarter 2 2011/12 and Quarter 1 2012/13. **Corrective Action** The CRM system is being developed to record corporate complaints and implementation is planned for October. The new system has the facility of email chasers to remind staff of the service level agreement target of 10 working days.	Customer Services
CS1	% of council tax collected (LAPS indicator)	Bigger is Better	97%	54.75%	58.14%	58.42%	↓	Performance is better than target this quarter, although slightly worse than Quarter 1 2011/12.	Customer Services
(ex)	% Avoidable Contact	Smaller	8%	8%	4.75%	6.20%	↑	Avoidable contact is defined as contact	Customer Services

Ref.	Indicator	Value	2012/13 Annual Target	2012/13 Q2 Target	2012/13 Q2 Performance	2011/12 Q2 Performance	DoT	Comments	Service
NI014		is Better						that adds no value for the customer, is duplicative or is caused by failures in the Council's business processes, e.g. when we fail to provide our customers with the right and/or appropriate information first time around causing the customer to contact us again. Performance remains better than target this quarter and is also better than Quarter 2 2011/12.	
Cs21	% Customer Satisfaction with the call centre	Bigger is Better	80%	80%	85.36%	New PI	NA	Ensuring customer satisfaction is a high priority for the Council. Performance is better than target in Quarter 2. This is a new indicator for 2012/13, therefore no DoT has been provided.	Customer Services
ISS10	% of suppliers paid within 30 days of receipt, by Transactional Team, by invoice	Bigger is Better	97%	97%	98%	NA	NA	The team consistently meet this target and are aware of its importance. To maintain this standard we are reliant on services promptly complying with corporate processes.	Internal Shared Services

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