



COUNCIL MEETING (COUNCIL TAX)

**7.30 pm Wednesday, 24 February 2016
at Council Chamber - Town Hall**

Members of the Council of the London Borough of Havering are hereby summoned to attend a meeting of the Council at the time and place indicated for the transaction of the following business

**Daniel Fenwick
Monitoring Officer**

**For information about the meeting please contact:
Anthony Clements tel: 01708 433065
anthony.clements@oneSource.co.uk**



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.**

Protocol for members of the public wishing to report on meetings of the London Borough of Havering

Members of the public are entitled to report on meetings of Council, Committees and Cabinet, except in circumstances where the public have been excluded as permitted by law.

Reporting means:-

- filming, photographing or making an audio recording of the proceedings of the meeting;
- using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
- reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later if the person is not present.

Anyone present at a meeting as it takes place is not permitted to carry out an oral commentary or report. This is to prevent the business of the meeting being disrupted.

Anyone attending a meeting is asked to advise Democratic Services staff on 01708 433076 that they wish to report on the meeting and how they wish to do so. This is to enable employees to guide anyone choosing to report on proceedings to an appropriate place from which to be able to report effectively.

Members of the public are asked to remain seated throughout the meeting as standing up and walking around could distract from the business in hand.

AGENDA

1 PRAYERS

2 APOLOGIES FOR ABSENCE

To receive apologies for absence (if any).

3 MINUTES (Pages 1 - 28)

To sign as a true record the minutes of the meeting of the Council held on 27 January 2016 (attached).

4 DISCLOSURE OF INTERESTS

Members are invited to disclose any interest in any of the items on the agenda at this point of the meeting.

Members may still disclose any interest in an item at any time prior to the consideration of the matter.

Note – please also refer to note (2) following.

5 ANNOUNCEMENTS BY THE MAYOR, BY THE LEADER OF THE COUNCIL OR BY THE CHIEF EXECUTIVE

To receive announcements (if any).

6 PROCEDURE

To consider any procedural motion in relation to the conduct of business for this meeting.

7 THE COUNCIL'S BUDGET 2016/17 (Pages 29 - 88)

- A To consider the report of Cabinet (attached);
- B To note the decision of the Greater London Authority on its budget and precept for 2016/17, and the effect thereof on the Council's budget;
- C To agree a budget for 2016/17; and then
- D To set the Council Tax for 2016/17

NOTE: MEMBERS ARE ASKED TO BRING WITH THEM THE REPORT TO CABINET ON 10 FEBRUARY 2016 FOR REFERENCE AT THIS MEETING.

8 MEMBERS' ALLOWANCES SCHEME 2016/17 (Pages 89 - 98)

To consider the report of the Deputy Chief Executive, Communities and Resources (attached).

Additional Notes re Meeting

- (1) The Council has a legal obligation to set a Council Tax for 2016/17.
- (2) Section 106 of the Local Government Finance Act 1992 imposes restriction on voting in respect of any Member by whom any Council Tax has remained unpaid for at least two months.

Any Member in doubt as to the position may seek advice before the meeting from the Deputy Chief Executive, Communities & Resources or the Director of Legal and Governance.

- (3) Regulations provide that the minutes of the meeting record how each Councillor voted (including any abstentions) when determining the Council's budget and the level of Council Tax to be levied.

- (4) The Cabinet's report to will refer to the report presented to Cabinet 10 February 2016.

Members are asked to retain their copy of the Cabinet Report for this purpose.

- (5) Council Procedure Rule 3 applies to the order of business at this meeting.
- (6) By Council Procedure Rule 13.4, the speech of any Group Leader (or Member nominated to speak on behalf of a Group Leader: any Group Leader should announce any such nomination when the Mayor invites that Leader to speak) on any motion or amendment relating to the Council Tax should not exceed **twenty minutes** and participants in general debate may speak for up to five minutes.
- (7) Council Procedure Rule 11.9 governs amendments to motions and reports at this meeting. Any amendment must be such that it would, if passed, enable a robust budget to be set in the view of the Chief Finance Officer [as it is imperative that there is a level playing field, any new base information relating to or affecting Council tax that comes to light after the Cabinet has made its Council tax recommendations will be supplied to all Groups at the same time by the Section 151 Officer].

MEMBERS ARE ASKED TO RETAIN THE AGENDA PAPERS OF THE CABINET ON 10 FEBRUARY 2016 FOR REFERENCE AT THIS MEETING.

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**MINUTES OF A MEETING OF THE COUNCIL OF THE
LONDON BOROUGH OF HAVERING
Council Chamber - Town Hall
27 January 2016 (7.30 - 10.50 pm)**

Present: The Mayor (Councillor Brian Eagling) in the Chair

Councillors Councillors June Alexander, Clarence Barrett, Robert Benham, Ray Best, Wendy Brice-Thompson, Joshua Chapman, John Crowder, Philippa Crowder, Keith Darvill, Meg Davis, Ian de Wulverton, Osman Dervish, Nic Dodin, Alex Donald, David Durant, Gillian Ford, Jason Frost, Jody Ganly, John Glanville, Linda Hawthorn, Philip Hyde, David Johnson, Steven Kelly, Phil Martin, Barbara Matthews, Robby Misir, Ray Morgon, Barry Mugglestone, John Mylod, Stephanie Nunn, Ron Ower, Garry Pain, Dilip Patel, Roger Ramsey, Keith Roberts, Patricia Rumble, Carol Smith, Frederick Thompson, Linda Trew, Jeffrey Tucker, Linda Van den Hende, Melvin Wallace, Lawrence Webb, Roger Westwood, Damian White, Michael White, Reg Whitney, Julie Wilkes, Graham Williamson, Darren Wise and John Wood

Approximately 10 Members' guests and members of the public and 6 representatives of the press were also present.

Apologies were received for the absence of Councillors Michael Deon Burton and Viddy Persaud.

The Mayor advised Members and the public of action to be taken in the event of emergency evacuation of the Town Hall becoming necessary.

Reverend David Banting, Vicar, St Peter's Church Harold Wood and Assistant Area Dean of Havering opened the meeting with prayers.

The meeting closed with the singing of the National Anthem.

67 APOLOGIES FOR ABSENCE (agenda item 2)

Apologies for absence were received from Councillors Michael Deon Burton and Viddy Persaud.

68 MINUTES (agenda item 3)

The minutes of the meeting held on 25 November 2015 were before the Council for approval.

It was **AGREED**, without division, that the minutes of the meeting of the Council held on 25 November 2015 be signed as a correct record.

RESOLVED:

That the minutes of the Council held on 25 November 2015 be signed as a correct record.

69 DISCLOSURE OF PECUNIARY INTERESTS (agenda item 4)

There were no disclosures of interest.

70 ANNOUNCEMENTS BY THE MAYOR, BY THE LEADER OF THE COUNCIL OR BY THE CHIEF EXECUTIVE (agenda item 5)

A minute's silence was held in memory of former Councillor Ronald Whittaker who had recently died. Several Members paid tribute to former Councillor Whittaker.

The Mayor commended Councillor Wilkes on her recent efforts to save the life of a member of the public.

Congratulations were recorded to a local young person who had recently swum 220 lengths in order to raise funds for the Mayor's Appeal.

The Mayor, with the Leader of the Council, had recently met with the autism project based at Frances Bardsley Academy.

The text of the announcements given by the Leader of the Council is shown in appendix 1 to these minutes.

71 PETITIONS (agenda item 6)

Pursuant to Council Procedure Rule 23, the following petition was presented:

From Councillor Alex Donald concerning opposition to the introduction of a residents' parking scheme in Thurso Close, Harold Park.

72 LOCAL COUNCIL TAX SUPPORT SCHEME 2016/17 (agenda item 7)

A report of Cabinet asked Council to adopt the proposed Local Council Tax Support Scheme for 2016/17. This included copies of the Equalities Impact Assessments related to the 2015 and 2016 Local Council Tax Support Schemes.

Deemed motion on behalf of the Administration

That the report be adopted and its recommendation carried into effect.

Amendment by the Independent Residents' Group

That the recommendation that the Local Council Tax Support Scheme (CTS) for 2016/17 be approved, be amended to read:

That the Cabinet Member for Finance revisits the Council Tax Support Scheme to consider resetting the scheme by removing all the new charges made on vulnerable and low income residents following the localisation of the Council Tax Support Scheme to ensure council tax increases fall on those most able to pay.

It was **AGREED**, without debate, that this matter should be dealt with on a vote only basis.

The amendment by the Independent Residents' Group was **NOT CARRIED** by a majority vote and the deemed motion on behalf of the Administration was **AGREED** without division.

RESOLVED:

That the Local Council Tax Support Scheme (CTS) 2016/17 be approved.

73 ROMFORD MARKET TRANSFORMATION PROGRAMME (agenda item 8)

A report of Cabinet asked Council to approve the allocation of £1 million capital funding and the appointment of architects to develop full proposals for the development of Romford Market Place. A recent requisition of the matter by the Overview & Scrutiny Board had been upheld and Cabinet acknowledged the concerns of the Board. Cabinet wished however to proceed on the basis of the original recommendations, whilst acknowledging that Overview and Scrutiny would have a significant role to play in the project.

Deemed motion on behalf of the Administration

That the report be adopted and its recommendation carried into effect.

Amendment by the Residents' Group**Amend report recommendation to read:**

Given the widespread concerns by the Overview and Scrutiny Board, as demonstrated by the upholding of the requisition of the decision made by Cabinet on 18th November 2016, this council recommends that before engaging Architects to take this project forward, that a cross party group is formed, together with appropriate stakeholders, to carry out a comprehensive review of what is being proposed and to ensure that it is fit for purpose and to review the terms of the grant agreement with the GLA.

Following debate, the amendment by the Residents' Group was **NOT CARRIED** by 33 votes to 13 and the deemed motion on behalf of the Administration was **AGREED** without division.

RESOLVED:

That the appointment of architects to cost and develop full proposals for the physical development of the Market Place be approved along with the allocation of £1m Council capital funding of the programme subject to securing sufficient match-funding from other sources and subject to a business case being signed-off by the Finance Business Partner and Group Director, Communities & Resources in consultation with the Cabinet Member for Environment.

74 SEALING OF COUNCIL DOCUMENTS AND DELEGATION TO LEGAL OFFICERS (agenda item 9)

A report of the Governance Committee recommended to Council that the Mayor or Deputy Mayor should no longer be required to attest the sealing of Council documents and that the base-line for documents which would require sealing should be raised from £100,000 to £150,000.

The report was **AGREED** without division and it was **RESOLVED** that:

1. The second paragraph of Article 10.4 of the Constitution be amended to read:

“Contracts must be made under the common seal of the Council in accordance with rule 16 of the Contract Procedure Rules. Contracts under £150,000 may, in most circumstances, be signed by the Chief Executive or the appropriate Group Director, Director of Legal and

Governance or Head of Service in accordance with the Contracts Procedure Rules set out in Part 4.

2. The monetary threshold for the sealing of contracts as set out in rule 16 of the Contract Procedure Rules be raised to £150,000.

3. Article 10.5 of the Constitution be amended to read

“The common seal of the Council may be affixed to any document on the authority of any either of the Chief Executive, a Group Director, the Director of Legal and Governance, the Deputy Director of Legal and Governance, a Principal or Senior Lawyer.

“The seal shall be attested by that individual and an entry of every sealing of a document shall be made and consecutively numbered in a register to be provided for the purpose and shall be signed by the person who has attested the seal.”

75 **OVERVIEW AND SCRUTINY RULES: EXCEPTIONS TO THE CALL-IN PROCEDURE (agenda item 10)**

A report of the Chief Executive gave details, as required by the Overview and Scrutiny Procedure Rules, of decisions made in the last three months that were granted exemption from the call-in (requisition) procedure. Details of the decision and the reasons for exemption from call-in were given for the following decisions:

1. Implementation of the Nursery Class at Crownfield Infants School – whether to proceed.
2. London Borough of Havering 2016/17 LIP Annual Spending Submission – Approval of submission to Transport for London.
3. Romford Leisure Development – Award of contract.

The report was **AGREED** without division and it was **RESOLVED**:

That the report be noted.

76 **PROCEDURAL MOTION**

A procedural motion that agenda item 12D on the European Union be considered at this point of the meeting was **AGREED** by 31 votes to 20 (see division 1 on voting record).

77 EUROPEAN UNION (agenda item 12D)

Motion on behalf of the United Kingdom Independence Party Group

Due to the negative impact that EU directives such as the agency working time directive and EU procurement rules have on the ability and cost of Havering Council to fulfil its obligations, this council agrees that Britain would be better off outside the European Union.

Amendment by the Independent Residents' Group

Amend motion to read:

To restore the sovereignty of Parliament and strengthen our borders and local democracy and safeguard against joining the Euro-currency and protect the NHS this Council recommends Britain leaves the EU so that Havering Council has the powers and funding to fulfil its obligations on behalf of all Havering residents.

And in particular, to avoid the costs to Havering Council of EU procurement and competition rules and the EU-USA TTIP trade deal that threatens the future of the NHS on which Havering residents depend.

Amendment by the East Havering Residents' Group

As has been widely communicated, the opportunity to decide on the continued UK membership of the European Union will be subject to a Public Referendum by the end of 2017.

Given the many implications of remaining in the European Union or leaving, it is important that voters are equipped with as much information as possible in order to make an informed choice.

As representatives of the whole borough, this Council therefore notes that it is for individuals to decide for themselves, rather than as a Council, as to whether or not Britain would be better off outside the European Union and to express that choice, should they choose to do so, at the aforementioned Referendum.

Following debate, the amendment by the Independent Residents' Group was **NOT CARRIED** by 42 votes to 4. The amendment by the East Havering Residents' Group was **NOT CARRIED** by 27 votes to 21. The motion by the United Kingdom Independence Party Group was **AGREED** as the substantive motion by 30 votes to 15.

Resolved:

Due to the negative impact that EU directives such as the agency working time directive and EU procurement rules have on the ability and cost of Havering Council to fulfil its obligations, this council agrees that Britain would be better off outside the European Union.

78 MEMBERS' QUESTIONS (agenda item 11)

Due to lack of meeting time, no questions were asked.

The text of the questions, and their answers, are set out in **Appendix 2** to these minutes.

79 LEISURE CENTRES (agenda item 12A)

Motion on behalf of the Independent Residents' Group

As we await the promised new Romford Leisure Centre it is still vital to maintain and enhance the existing borough wide provision of leisure facilities that serve all our residents. Presently the borough wide leisure centre contract is held by "Sports and leisure Management Limited" and operates at a loss requiring a council subsidy. To cut costs there has been a contractual variation to reduce hours and presumably improvements at Chafford, Rainham and no doubt the Central Park, Romford and Hornchurch Leisure Centres face potential cutbacks too!

Following Academy status and a Land Tribunal Adjudication the Chafford Leisure Centre will be owned by the school when the council contract ends in Oct 1st 2016 and without financial help will close, because their priority is educational rather than leisure spending. The existing facility needs significant investment and if it were to close there is planning permission in place for a new swimming pool at Chafford when funding becomes available. But will the Council allow an existing Leisure Centre, as well as an Ice Rink, to close as we await a second and 'state of the art' leisure centre in Romford that includes a promised £2 million funding from reserves?

Thus this Council calls on the Administration to maintain and enhance the existing borough wide provision of leisure facilities at

Rainham, Romford and Hornchurch Leisure Centres in the healthy interests of all Havering residents.

Amendment by the Conservative Group:

Amend motion to read:

Noting with approval the imminent commencement of the construction of the Romford Leisure Centre in Romford Town Ward, the letting of the contract for the first phase of the £3 million Broxhill Sports Park in Heaton Ward, the recent opening of the Visitors Centre at Hornchurch Country Park in Elm Park Ward, the recent opening of the new library and establishment of a new park in Rainham Ward, the current construction of a new library in Gooshays Ward, the achievement of Green Flags in parks across the borough and noting that the Council's Leisure Management Contract, the negotiation of which is currently in progress, is likely to provide an enhancement of leisure facilities rather than cutbacks, this Council welcomes the Administration's intention to continue to maintain and enhance the existing borough wide provision of leisure facilities in the healthy interests of Havering residents.

The amendment by the Conservative Group was **CARRIED** by 36 votes to 6 and **AGREED** as the substantive motion without division.

RESOLVED:

Noting with approval the imminent commencement of the construction of the Romford Leisure Centre in Romford Town Ward, the letting of the contract for the first phase of the £3 million Broxhill Sports Park in Heaton Ward, the recent opening of the Visitors Centre at Hornchurch Country Park in Elm Park Ward, the recent opening of the new library and establishment of a new park in Rainham Ward, the current construction of a new library in Gooshays Ward, the achievement of Green Flags in parks across the borough and noting that the Council's Leisure Management Contract, the negotiation of which is currently in progress, is likely to provide an enhancement of leisure facilities rather than cutbacks, this Council welcomes the Administration's intention to continue to maintain and enhance the existing borough wide provision of leisure facilities in the healthy interests of Havering residents.

80 PARKING CHARGES IN PARKS (agenda item 12B)**Motion on behalf of the Residents' Group**

Parking charges in the four parks where charges currently apply are not meeting their income targets. In light of this, together with the optimistic visitor numbers and viable alternatives to parking in parks, this council calls upon the Administration to abandon its plans to add further parks and open spaces to the list where parking charges will apply.

Amendment by the Conservative Group:**Amend motion to read:**

Recognising that the proposal to extend car park charging in parks (at rates reduced following full public consultation and feedback) was one of the measures in the financial strategy and budget savings plan agreed by the Council following public consultation in February of last year, and that a further updated cost benefit analysis has been undertaken, this Council supports a review by the Administration of the proposal before a final decision is taken in the near future.

This motion was withdrawn by the Residents' Group and resubmitted to the next appropriate meeting of Council.

81 INGREBOURNE HILL LANDFILL APPEAL (agenda item 12C)**Motion on behalf of the Independent Residents' Group**

The Inspector has now cancelled the Ingrebourne Hill Public Hearing in favour of a Public Inquiry, date to be arranged, which provides time for the Council to review its approach to this indefinite landfill application to ensure its effectively opposed.

Local councillors, Friends of the Earth, Friends of Ingrebourne Hill & Hornchurch Country Park, residents and planning officers attended the Hearing.

Thus this Council calls on the Executive to effectively oppose the Ingrebourne Hill/Hornchurch Country Park landfill Appeal by ensuring all relevant council departments attend the Public Inquiry to highlight the many reasons why the Appeal should be refused.

Amendment by the Conservative Group

Amend motion to read:

This Council notes that its policy as articulated by the Executive is that in each and every planning appeal the decision of the Regulatory Services Committee shall be supported effectively by all relevant council departments.

The amendment on behalf of the Conservative Group was **AGREED** by 32 votes to 3 and **AGREED** as the substantive motion without division.

RESOLVED:

This Council notes that its policy as articulated by the Executive is that in each and every planning appeal the decision of the Regulatory Services Committee shall be supported effectively by all relevant council departments.

82 VOTING RECORD

The record of voting decisions re the Procedural Motion (minute 76) is attached as **Appendix 3**.

Mayor

Appendix 1

Full Council – 27 January 2016 – Leader’s Statement

Thank you Mr Mayor, there are a number of important matters which have arisen since our last meeting and which I should mention this evening. In view of the size of the agenda I will try and be as brief as possible.

Autism Ambassadors

At our last meeting we focussed on Autism and I would like to start by referring to some inspirational work by some of our young people.

On Monday the Mayor and I welcomed members of the Frances Bardsley Autism & Disabilities Club to the Town Hall to recognise their services to the autism community in Havering. These young ladies have given their free time and energy to help 18-24 year olds with autism in Havering in connection with the RIEES Club, operating from the Romford Baptist Church, which is something worth recognising.

They have already received high accolades from other groups and charities, including those supported by the Prince of Wales, and it was a privilege to meet with them and thank them for their hard work.

RSG

Turning now to a less inspiring subject we have now received the provisional settlement and know the cut in government funding in 2016/2017 which we are facing. This is some £5m worse than was ever predicted.

The settlement was released on 17 December, however Council’s did not receive the correct figures until 23 December due to errors in the Department of Communities and Local Government’s own workings.

The settlement announced a completely different methodology for apportioning cuts which is based on an authority’s spending powers and the product of any council tax increase. This consequently hits hardest on those with high Council Tax, or a high Council Tax base.

Due to these changes Havering faces a reduction of over 96% to its Revenue Support Grant by the 2019/20 financial year, which will leave us with a paltry £1.38m at that time. It is possible however than there will be a switch to councils receiving all or a greater share of business rates earlier than that. How this would affect us remains to be seen.

We believe that this new methodology is flawed in that it penalises further authorities that have had to increase Council Tax to negate the impact of previous poor settlements.

With our demand pressures in regard to homelessness, children's and adult's services beyond original assumptions and continually increasing the time ahead will be very challenging for us all..

The Council is robustly lobbying on behalf of our residents. I have responded to the Department highlighting the inadequacies of the new methodology and its consequences on outer-London boroughs like Havering, whom I am in close contact with on this issue.

We have also requested to see a cumulative impact assessment upon all of the decisions within the settlement proposal and are seeking legal advice on this.

On Monday evening Cllr. Damian White, Andrew Blake-Herbert and Andrew Rosindell MP attended a meeting with the Minister for Local Government, Greg Clarke MP who promised to look into our concerns. The final settlement will be announced in the next week or two.

Bexley

I am pleased to announce that Bexley are to join OneSource our joint back office service venture with LB Newham. I have had good meetings with the Leader of Bexley and the Mayor of Newham and the arrangements are now to be formalised. Bexley will initially be taking in one part of their service with the prospect of others to follow. A report will be submitted to the next Cabinet meeting and will outline the further significant and much needed savings which we should be able to achieve.

Bexley intend also to join the group of East London Boroughs seeking devolution of which we are a member.

Rainham Riverside

I turn now to the London Riverside where there has been an important development. Employment growth in the area should receive a major boost with the appointment of SEGRO as the GLA's development partner.

SEGRO in Havering

The GLA own 86 acres of land in Havering, Barking and Dagenham and Newham. SEGRO, one of the UK's leading industrial property companies, has been selected as the Greater London Authority's preferred partner to deliver the development on the sites, which are known collectively as **East Plus**

The planned 10 year partnership with SEGRO will see 86 acres of land across five sites rejuvenated for a range of industrial uses, 60% of this land is in Havering at Beam Reach 5, Beam Reach 6 and Ferry Lane

SEGRO estimates that across their sites they can support approximately 1.4 million sq. ft. of new urban logistics and light industrial spaces, suitable for occupiers ranging from blue-chip companies to start-up firms. SEGRO's investment is

expected to be approximately £180 million over the coming years. The development will have the potential to create 6,500 new jobs in east London.

One of the first sites to come forward will be Beam Reach 5 which will provide high quality commercial units from 19,000 to 180,000 sq ft which will provide space for a range of sectors and size of business. We are working with SEGRO to create opportunities for the relocation of businesses impacted by the HZ.

Segro will work with the borough to improve the connection of communities to jobs and public transport and developing infrastructure enhancements such as broadband connectivity.

Employment opportunities for local people will be generated during construction and occupation stages and they have committed to work with CEME to promote (STEM) Science, Technology, Engineering and Maths to 1000 students

Segro are also committed to development of a community fund for local community and voluntary groups. This is a very positive development for the people of Havering and of South Havering in particular.

Romford Housing Zone Bid

I am pleased to inform members of plans to bring comparable levels on investment and regeneration to support new housing in Romford too.

The Council, following extensive stakeholder consultation adopted a new planning framework in July 2015 that strengthened planning policies for residential growth in Romford.

Increasing supporting viability will lead to sites coming forward, especially with the arrival of Crossrail.

New homes for Romford, if of the right quality, will meet the needs of our residents and attract economically active residents into the Borough and boost the economic vibrancy of Romford.

The Council was asked by the GLA to consider Romford becoming part of the GLA's second wave of Housing Zones. This was due to their view of our strong vision for the town, our investment as a Council such as the new leisure centre and our proactive working with potential developers. We have recently put forward an outline Romford Housing Zone approach.

The prospect of a Romford Housing Zone means that our vision for Romford can become a reality faster. It will assist with ensuring good quality development. It is early days yet, and if our outline proposals are supported we will bring forward comprehensive proposals for a Housing Zone in Romford to the Council.

Continuing with the development theme I can also update members on proposed river crossings in London.

River Crossings

In December the Mayor set out his vision for 13 new river crossings for London in a report called “Connecting the Capital”. These include a Rainham to Belvedere bridge or tunnel.

Earlier this month I met with the TfL project team to emphasise the importance of it listening to Havering’s concerns and taking account of them.

The Council remains committed to ensuring that where river crossings are proposed that will have an impact on Havering, appropriate mitigation measures are secured including better public transport provision.

Just before Christmas, the Chancellor announced a health devolution deal for London. This takes the form of a number of pilot projects across London, where health and social care innovations will be trialled. I am pleased to say that our own health economy, the Barking, Havering and Redbridge health economy, was announced as having been selected to trial one of the most comprehensive and ambitious pilots to explore a business case for greater integration between the NHS and our local social care services. We all know that at the moment too many people end up at A and E because they can’t get a GP appointment or the kind of support they need to manage their health conditions at home and so I welcome us being able to have a comprehensive look across health and social care to see if we can devise a more user friendly and effective set of services for our residents that support their health and wellbeing. This initiative is particularly important for Havering as we have the oldest population in London. It’s great that people are living longer, but as they get older they do need the right care and support to help them maintain an active life for as long as possible.

The proposal is that, over the next six months, new ways of working will be explored and a business put together to establish if greater integration both of local NHS services and of our social care services could deliver better results for our residents and help to ensure that the resources we have, and that the NHS spend in our area, are used most effectively. The Leaders and Chairs of H&WBBs from all three boroughs will be working together with our NHS colleagues on this pilot and I believe we will be much better informed about how services can be improved and made more relevant and effective at the end of this pilot process.

Finally as members will know, Cheryl, who has served this borough well for nine years, has decided that the time is right for her to retire. I was able to persuade Cheryl to postpone her retirement plans once before however all good things must come to an end. Cheryl has agreed to help ease the transition with her successor

whom we hope to appoint by April and I am sure you will all join me in wishing her a long and happy retirement when her last day in Havering does arrive.

If I could add a few short details regarding the appointment process, the Council is currently working with recruitment consultancy to find suitable candidates and as this is a Chief Executive appointment, the Appointments sub-committee is asked to participate within each stage of the selection process: the long- and short-listing as well as the formal interviews.

Short and long-listing is currently scheduled to take place mid-February with final interviews provisionally planned for late March. Members will already be aware that the March Council meeting has been rescheduled from Wednesday 23 March to Wednesday 30 March to accommodate this.

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Appendix 2

FULL COUNCIL, Wednesday 27 January

MEMBERS' QUESTIONS

1) To the Leader of the Council, Councillor Roger Ramsey

From Councillor David Durant

How much do Havering residents give the GLA every year via the GLA levy and as an estimate how is it proportioned between TfL, Police, emergency services and others?

Response:

The Mayor's draft budget proposals were made just before Christmas on 21 December. There is an indication that there will be a slight reduction of the current £295 in relation to a Band D household to £276 – this is a reduction of £19, or around 6.44%. This reduction includes an assumption that the Olympic levy of £12 will stop next year.

The £276 breaks down as:

- £206.79 to support the Mayor's Office for Policing and Crime (principally the Met Police)
- £50.35 for the London Fire Brigade
- £14.63 for the Mayor and GLA assembly
- £4.23 for transport and other services.

Consultation on the Mayor's draft budget proposals ended on 12 January.

2) To the Cabinet Member for the Environment, Councillor Robert Benham

From Councillor Keith Roberts

Following a site visit with a Council Officer it was clear action was needed to reduce flood risk and improve amenity by further maintenance and improvement of the River Ingrebourne by historical Rainham Village.

In recognition of a shortage of council funds can the Council:

- a) contact Veolia Environmental Trust with a request they fund reed and culvert clearance and improve the public area by/behind the New Angel Inn and
- b) contact Tesco with a request they assist with clearing the culverts by their Rainham store as this would reduce the risk of flooding by an estimated 20%.

Response:

The Environment Agency has historically taken responsibility for this location, however a recent investigation has shown that the area is the responsibility of Havering Council to maintain. As the culvert runs along the designated line of a main river, consent must be sought from the Environment Agency to undertake the works, which officers applied for on 4th January 2016. We hope that consent will be granted in time to complete the works by the end of this financial year, which will vastly improve the drainage of this and the surrounding area

The Council always hopes to obtain funding from partner organisations when undertaking larger works and I would support and encourage officers in making these applications. However, the budget for this project has come from Council funds.

3) To the Cabinet Member for the Environment, Councillor Robert Benham

From Councillor Nic Dodin

Would the Cabinet Member confirm:-

- a) what income has so far been generated from Moving Traffic Contraventions.
- b) whether consideration has been given to taking on any other police activities such as enforcement against motorists who exceed the speed limits for example within 20 mph zones.

Response:

Since the introduction of Moving Traffic Contraventions in September last year, the income generated is £137,986.50. Income raised from MTCs is ring-fenced and will be reinvested in Highways and road safety initiatives

The enforcement of speed limits remains a Criminal offence and therefore is within the powers of the Police. At present there are no proposals in place to empower local authorities to take on the enforcement of speeding violations.

4) To the Cabinet Member for Regulatory Services and Community Safety, Councillor Osman Dervish

From Councillor Jody Ganly

Would the Cabinet Member confirm what processes are in place to ensure that applicants are advised of the council's decision on their planning application within the statutory period.

Response:

There are a number of processes in place which ensure that applicants are advised of the Council's decision on their planning application within the statutory period.

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Officers process applications via a software system that chronologically lists the applications they are dealing with. Monitoring reports giving details of applications due for decision are emailed on a daily or weekly basis, as appropriate, to team leaders and managers within the service.

Case reviews are held between officers and team leaders to identify any issues with a proposal in advance of the decision being taken. The performance of the team is reviewed and monitored during the 1 to 1 process.

Extension of Time Agreements are used where it is evident that a decision will not be made within the statutory period.

In most cases, automatic emailing of decision notices and all prior approval decisions go direct to the applicant, or their agent where they have one, via email, but also by post.

5) To the Cabinet Member for Housing, Councillor Damian White

From Councillor Graham Williamson

I welcome the Council's desire to ensure that rented Council and Housing Association properties are prioritised for Havering residents to give meaning to the term Local Homes for Local People, but can you confirm however that, unlike other Councils, we have not insisted that Associations give us 100% nomination rights and that, for example in my South Hornchurch ward, we turned down just under 20% of the properties in the new Passive Close development because they were 4 bedrooms.

Given the increasing number of new properties being built can we not ensure that our borough's waiting list is at least cleared first before any non-Havering tenants can move into such developments?

Response:

I can confirm that the Council has 100% nomination rights to all properties on new developments. We've also retained the standard re-let nomination rights to all the properties.

With regards to the new Passive Close development, 74 out of the 83 units were let to Havering residents. The remaining nine, which were four bedroom houses, could not be let due to a lack of demand for properties of that size at the time. The reason for an oversupply during that period was because there were three other developments which were all completed around the same time – at Briar Road, Hilldene and Harold Wood Hospital during the end of 2014/early 2015.

In order to minimise the level of void losses to Circle Anglia Housing Association, it was agreed that Tower Hamlets would be able to nominate their residents in exchange for smaller two and three bedroom units – for which Havering has the highest demand. As a result, seven of the units were let by Tower Hamlets and the other two units were let by Circle Anglia Housing Association as a transfer for their internal tenants. Tower

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Hamlets have already rehoused four Havering tenants to compensate for this and are working towards offering the remaining three vacancies they still owe.

6) To the Cabinet Member for the Environment, Councillor Robert Benham

From Councillor Jeffrey Tucker

Outside our modern new Rainham library is a bus stop on a wide pavement by a green area next to a refurbished station, but with only one litter bin which often results in this expensively redeveloped area looking a mess. I know people shouldn't drop litter but it would help if more bins were provided to help reduce the litter problem.

Please can some more bins be provided by the library/bus stop/station and by the shops and other bus stops in the Rainham Village Conservation Area.

Response:

Four new litter bins have recently been installed in the Rainham Village area, and two additional litter bins are due to be placed before the end of January, outside the library and the station. This will bring the total number of litter bins in the area to 25. Once the new bins have been installed their impact will be assessed and, if necessary, additional bins will be installed.

The locations of the 4 bins recently installed are :
Junction of Cowper Road with Wennington Road
Junction of Melville Road with Wennington Road
Outside Flames Kebab, Upminster Road South
Outside Moments of Memory, Upminster Road South

7) To the Cabinet Member for the Environment, Councillor Robert Benham

From Councillor Lawrence Webb

Where someone lives within a controlled parking zone are they permitted to give visitor parking permits to all and any of their friends and relatives in advance of them coming to visit them?

Response:

Yes - residents who live within a Controlled Parking Zone (CPZ) can purchase Visitor Permits at any time, and while it is preferable that Visitor Permits should be issued upon arrival of any visitor, there are circumstances where permits may be issued in advance, for example when a person visits someone frequently and convenience is a factor.

8) To the Cabinet Member for Housing Company Development and oneSource Management, Councillor Ron Ower

From Councillor David Johnson

I and a fellow Councillor visited Broadford School recently, although we had an excellent overall impression of the school and how it was run there were many issues that were brought to our attention.

One in particular as it is something I am very interested in having recently installed solar panels on my domestic property, my first impression was to congratulate the Council on installing solar panels on the roof of the School to cut the electricity bill and make money on the 'feed in tariff' payments, my enthusiasm was then dashed by being informed although installed in December 2011 the system had never been commissioned/connected.

How is it that the Council go to the trouble of installing solar panels and not actually get them connected? What was the cost of the installation and how much has been lost from the feed in tariff by them not being connected.

Response:

The photo voltaic panels on the school roof are connected and have been operating since the build of the school so they are contributing to lower energy bills for the school. Since installation in September 2011 the school is saving approximately £976.00 per year at current prices which equates to a total of approximately £4,300.00.

There is an issue with the Feed in Tariff (FiT) as the panels appear to not have been registered, meaning that the school is unable to enjoy the additional benefit of selling surplus energy to the national grid. In order to be registered for FiT the owner of the panels, which in this case is the school, needs to submit documentation and a letter from the school confirming their ownership of the panels and generation meter to EDF Energy. The school were advised at the time of the action that it needs to take and Council officers are assisting the school in carrying out these actions. Unfortunately the Council cannot register the panels on the school's behalf.

The contract cost for the PV system works by the specialist sub-contractor, PV Systems Ltd was £82,271.11

9) To the Cabinet Member for Children and Learning, Councillor Meg Davis

From Councillor John Mylod

Given the current Government's desire to move all schools to academies, would the Cabinet Member confirm what steps are in place to protect any Council assets being lost to the private sector and to ensure any services provided to academies are fully reimbursed.

Response:

When a school converts to an Academy, their estate and other assets have to transfer to the sponsor under a 125 year lease with the Council. This is contained in the Academies Act and is something the authority has no power to change. The range of statutory services that the schools would have received pre-conversion can then be purchased on a traded services basis from the Local Authority or any other provider.

**10) To the Cabinet Member for Regulatory Services & Community Safety,
Councillor Osman Dervish**

From Councillor Reg Whitney

Would the Cabinet Member confirm for the past 5 financial years the income and expenditure on the council's Licensing activities.

Response:

The total income from Licensing activities regarding the Licensing Act 2003 for the last five years is £758,965, the total expenditure is £887,205.

The expenditure figure includes officer's salaries, including National Insurance and pensions, and hearing costs, however it does not include all on costs or responsible authority costs.

Licensing authorities are entitled to charge a fee to cover the cost of issuing, administering and enforcing licences. The fees are not intended, or permitted to generate income for the Council.

The Licensing Act 2003 has fixed national fees set by central government which haven't changed since the introduction of the Act.

I can provide a breakdown of the totals for the last five years if Councillor Whitney requires them.

11) To the Cabinet Member for Financial Management, Councillor Clarence Barrett

From Councillor Ray Morgon

Would the Cabinet Member for Financial Management confirm what checks are in place to ensure that:-

- a) All contractors have fully documented contracts in place.
- b) Their business continuity plans have been checked.
- c) Their financial stability has been checked.

Response:

For contracts above £100,000 procurement rules require that individual and specific contracts are in place. All procurement activity above £25,000 has to go through the Councils e-tendering system which ensures that all the relevant requirements are in place. Below that figure contracts are derived from the Councils financial iProc terms and conditions, which suppliers must comply with to be a registered supplier. Business continuity and financial stability is based on the value and risk of the contract in line with all EU procurements. I can confirm that this is undertaken as part of the Pre-Qualification Questionnaire and Invitation to Tender process.

**12)To the Cabinet Member for Regulatory Services & Community Safety,
Councillor Osman Dervish**

From Councillor Barry Mugglestone

Would the Cabinet Member confirm how many more years will pass before a comprehensive plan is put together for Bretton Manor House and grounds.

Response:

A draft planning document is currently being prepared, to provide a framework within which the Council and potential partners may work together to shape the future of the Bretons site, so that the important heritage buildings can be improved and to encourage the development of a scheme that enhances the sport, leisure, education and recreational opportunities on the site.

Once the planning document has been agreed the Council will market the opportunity at Bretons, with the intention of receiving back proposals from interested parties later in 2016. It is intended that a decision on the future of the Bretons site will be made towards the end of this year.

13)To the Cabinet Member for Housing, Councillor Damian White

From Councillor June Alexander

Would the Cabinet Member confirm what steps are being taken by the Council to ascertain the number of properties in Havering used by other Local Authorities to house their residents.

Response:

I can confirm that the majority of Havering properties are used by local people.

Only a very small number of properties are accessed by residents of other Local Authorities in exceptional circumstances. This is generally reached through the London Mayor's Housing Moves Scheme and where a reciprocal agreement exists with another Local Authority.

Under this agreement, Havering gets back a similar vacancy from that authority which is then used for Havering residents who may also wish to move out of the Borough – for example, in cases of harassment or domestic violence.

Over the last three years, Havering has housed 12 residents from other Local Authorities/Housing Associations through reciprocal agreements and 13 residents through the Housing Moves scheme.

I can provide a more detailed breakdown of the figures from the last three years if Councillor Alexander requires it.

14) To the Cabinet Member for Adult Social Services and Health, Councillor Wendy Brice-Thompson

From Councillor Philip Hyde

Is it possible to force the CCG to reduce patient to GP ratios to a level more consistent with the London wide averages. The average in London is around 950 but in Havering it is nearer 1250.

The average for our Borough masks some practices which are over 2,500 per GP. I ask this in light of recent national press reports of GPs closing their books to new patients. Given the extensive population growth in some wards, this situation will only go from bad to worse.

Response:

The Clinical Commissioning Group is made up of its GP members, with GP clinical directors on its governing body, and isn't able to 'force' individual practices – as private businesses – to do anything as such. As a priority, we are now developing a primary care transformation programme looking at a wide range of issues that affect both GPs and patients – including access and patient experience.

Last year, Havering GPs launched the first of the successful and popular GP 'hubs' across our area and these continue to offer late evening and weekend urgent, same day, GP appointments booked directly by patients. Posters advertising this service have recently gone up at Council poster sites across the Borough.

The CCG has been working closely with Havering Council's Communications Team to urge the public not to visit already overburdened hospital A & E departments except for real emergencies. Key messages are consistently included in all communication channels available to the Council. This joint approach will continue.

15)To the Cabinet Member for the Environment, Councillor Robert Benham

From Councillor Julie Wilkes

Would the Cabinet Member confirm what steps are taken by Havering Council to check that businesses, and restaurants in particular, appropriately dispose of their waste.

Response:

Each year all businesses, including restaurants, are sent an advisory leaflet with the business rate demands, which sets out their responsibilities to correctly store and dispose of their commercial waste.

In addition, the Enforcement Team within Streetcare issue demands for Waste Transfer Notes, which is a document showing the type and amount of waste produced by the business, the collection arrangements in place, together with details of who collects the waste, and how it is disposed of.

Failure to provide copies of the Waste Transfer Note can result in a prosecution or a Fixed Penalty Notice being issued.

The StreetCare team issue demands for waste transfer notes on a random basis to ensure that correct waste management arrangements are in place, but also to any business which is suspected of illegally disposing of waste. Enforcement officers also regularly pay unannounced visits to businesses if there are visible waste management issues.

If the Councillor is concerned about a specific business or businesses then please provide the details to StreetCare who will investigate.

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VOTING RECORD

<i>DIVISION NUMBER:</i>	<i>1</i>
The Mayor [Cllr. Brian Eagling]	✓
The Deputy Mayor [Cllr. Philippa Crowder]	✓
<u>CONSERVATIVE GROUP</u>	
Cllr Roger Ramsey	✓
Cllr Robert Benham	✓
Cllr Ray Best	✓
Cllr Wendy Brice-Thompson	✓
Cllr Joshua Chapman	✓
Cllr John Crowder	✓
Cllr Meg Davis	✓
Cllr Osman Dervish	✓
Cllr Jason Frost	✓
Cllr Steven Kelly	✗
Cllr Robby Misir	✓
Cllr Garry Pain	✓
Cllr Dilip Patel	✓
Cllr Viddy Persaud	A
Cllr Carol Smith	✓
Cllr Frederick Thompson	✓
Cllr Linda Trew	✓
Cllr Melvin Wallace	✓
Cllr Roger Westwood	✓
Cllr Damian White	✓
Cllr Michael White	✓
<u>RESIDENTS' GROUP</u>	
Cllr Ray Morgon	✗
Cllr June Alexander	✗
Cllr Nic Dodin	✗
Cllr Jody Ganly	✗
Cllr Barbara Matthews	✗
Cllr Barry Mugglestone	✗
Cllr John Mylod	✗
Cllr Stephanie Nunn	✗
Cllr Reg Whitney	✗
Cllr Julie Wilkes	✗
Cllr John Wood	✗
<u>EAST HAVERING RESIDENTS' GROUP</u>	
Cllr Clarence Barrett	O
Cllr Alex Donald	✗
Cllr Gillian Ford	✗
Cllr Linda Hawthorn	✗
Cllr Ron Ower	✗
Cllr Linda Van den Hende	✗
Cllr Darren Wise	✗
<u>UK Independence Party</u>	
Cllr Lawrence Webb	✓
Cllr Ian De Wulverton	✓
Cllr John Glanville	✓
Cllr David Johnson	✓
Cllr Phil Martin	✓
Cllr Patricia Rumble	✓
<u>INDEPENDENT LOCAL RESIDENTS' GROUP</u>	
Cllr Jeffrey Tucker	✓
Cllr Michael Deon Burton	A
Cllr David Durant	✓
Cllr Keith Roberts	✓
Cllr Graham Williamson	✓
<u>LABOUR</u>	
Cllr Keith Darvill	✗
<u>INDEPENDENT</u>	
Cllr Philip Hyde	✗
<i>TOTALS</i>	
✓ = YES	31
✗ = NO	20
O = ABSTAIN/NO VOTE	1
ID =INTEREST DISCLOSED/NO VOTE	0
A = ABSENT FROM MEETING	2
	54

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COUNCIL, 24 February 2016

REPORT OF CABINET

SUBJECT: THE COUNCIL'S BUDGET 2016/17

The purpose of this report is to enable the Council to calculate and set the Council Tax for 2016/17.

The Localism Act 2011 made significant changes to the Local Government Finance Act 1992 ("the Act"), and now requires the billing authority to calculate a Council Tax requirement for the year, not its budget requirement as previously.

The Council has to formally resolve that it calculates certain figures, which broadly are:

- its gross expenditure, including contingency and levies (but not precepts)
- its gross income from fees & charges and other sources, specific grants, external finance from the Government, and any surplus/deficit on the collection fund
- the difference between the two, being the amount which the Council needs for its own services to be paid from the collection fund, defined as the Council Tax requirement
- the basic amount of Council Tax for the net position of all these figures, including precepts, and
- the amount of Council Tax for each other category of dwelling.

The Council is also required to formally approve the management of the Council's treasury management functions, including the Treasury Management Strategy; the proposed revenue budget for both the General Fund and schools' delegated budgets; and the capital programme.

Members are asked to bring their copy of the Cabinet reports including the appendices and supplementary paper with them to the meeting, as the recommendations before Council make specific reference to these reports.

Attached to this report are:

- a revised Council Tax statement, originally provided in the Cabinet report marked as **Appendix E**, amended following the final notification of the levies
- **Annex A** to this report which provides supporting information to the resolutions
- **Annex B** which are the draft minutes of the Cabinet meeting.

The Treasury Management Strategy and related documents were reported to Cabinet separately but are being submitted to Council as part of this report (**Annex C**) for approval, as they are directly related to the budget. The Capital Programme was

originally provided in the Cabinet report marked as **Appendix I**. A separate report also covers the proposed Members Allowances scheme for 2016/17.

The HRA Capital and Revenue Budget for 2016/17 were also reported separately to Cabinet and approved at the meeting on 10th February 2016. It includes a detailed HRA capital programme for 2016/17.

In the light of the above **Cabinet recommends the Council to adopt the following resolutions as set out below.**

The effect of adopting these resolutions would be to set the Council Tax for a Band D property at £1,543.64

RECOMMENDATIONS

1. That the following as submitted in the report to Cabinet be approved:
 - a) The General Fund revenue budget for 2016/17, as set out in the revised **Appendix E** attached to this report.
 - b) The delegated schools' budget for 2016/17, as set out in **Appendix F** of the report to Cabinet.
 - c) The Capital Programme for 2016/17, as set out in **Paragraph 3.28** and **Appendix I** of the report to Cabinet.
 - d) The HRA Capital Programme 2016/17, as set out in the separate report to Cabinet on 10th February.
2. That, in accepting recommendation 1, Council is mindful of the advice of the Chief Finance Officer as set out in **Appendix H** of the report to Cabinet.
3. That the Leader reported to Cabinet that the Council had recently received notification of a Transition Grant in the order of £1.4 million for 2016/17 and the year following. He also stated this amount could be used to replenish the budgeted transfer from general reserves.
4. That it be noted that an online Council Tax consultation was launched on the 5th January until 2nd February 2016. In response to the first Yes/No question 1,020 responded, of which 53% were yes and 47% were no. With regards to the Comment box there were 305 responses. 170 (56%) agreed with the proposal, (44%) disagreed. In total there 1,325 responses where 711 said yes (54%), 649 said no (49%). 38 others gave general comments and neither agreed or disagreed.
4. That it be noted that under delegated powers the Chief Finance Officer has calculated the amount of 85,474 (called T in the Act and Regulations) as its Council Tax base for the year 2016/17 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) made under Section 31B of the Local Government Finance Act 1992 as amended.

5. That the amount of £ 108,350,261 be now calculated as the Council Tax requirement for the Council's own purposes for 2016/17, with £2,083,856 of that amount being ringfenced for Adult Social Care.
6. That the following amounts be now calculated by the Council for the year 2016/17 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

(a)	£482,507,061	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	(£374,156,800)	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£108,350,261	being the amount by which the aggregate at 5(a) above exceeds the aggregate at 5(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
(d)	£1,267.64	being the amount at 5(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

7. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the amounts shown in the table below as the amounts of Council Tax for 2016/17 for each of the categories of dwellings.

Valuation Bands London Borough of Havering				
	Havering	Adult Social Care	Total	
	£ p	£ p	£	p
A	828.84	16.25	845.09	
B	966.98	18.96	985.94	
C	1,105.12	21.67	1,126.79	
D	1,243.26	24.38	1,267.64	
E	1,519.54	29.80	1,549.34	
F	1,795.81	35.22	1,831.02	
G	2,072.10	40.63	2,112.73	
H	2,486.52	48.76	2,535.28	

8. That it be noted for the year 2016/17 the major precepting authority (the GLA) has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below as proposed by the Mayor and as due to be considered by the London Assembly at its meeting on 22nd February 2016.

Valuation Bands Greater London Authority	
	£ p
A	184.00
B	214.67
C	245.33
D	276.00
E	337.33
F	398.67
G	460.00
H	552.00

9. That, having calculated the aggregate in each case of the amounts at 6 and 7 above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2016/17 for each of the categories of dwellings shown below:

Valuation Bands	£ p
	£ p
A	1,029.09
B	1,200.61
C	1,372.12
D	1,543.64
E	1,886.67
F	2,229.70
G	2,572.73
H	3,087.28

The effect of adopting this resolution would be to set the Council Tax for a Band D property at £1,543.64

9. That Council having considered the principles approved under the Local Government Finance Act 1992 by the Secretary of State for Communities and Local Government concludes that the Council's basic relevant amount of Council Tax for 2016/17 is not excessive.
8. That any Council Tax payer who is liable to pay an amount of Council Tax to the Authority in respect to the year ending on 31st March 2017, who is served with a demand notice under Regulation 20(2) of the Council Tax (Administration and Enforcement) Regulations 1992 as amended and who makes payment to the Authority of the full balance of the estimated amount shown on that demand by 1st April 2016, may deduct a sum equivalent to 1.5% of and from the estimated amount and such reduced amount shall be accepted in full settlement of that estimated amount.
9. That Council agrees that the Capital Programme be expanded for schemes during the year which are funded via additional external funding under the authority of the Cabinet Member Value and the relevant service area Cabinet Members.

10. That Council approves the Treasury Management Strategy Statement, Prudential Indicators, and the Minimum Revenue Provision Statement for 2016/17.

REPORT DETAIL

As set out in the reports to Cabinet of the 10th February 2016 and the attached Annexes.

APPENDIX E

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

2015/16 £		Estimate 2016/17 £	
176,208,904	Havering's Expenditure	156,965,072	
2,000,000	Service Expenditure	2,000,000	
178,208,904	General Contingency	158,965,072	
	Havering's Own Expenditure		
	Levies		
13,023,000	East London Waste Authority	13,670,000	Final
176,557	Environment Agency (Thames)	180,403	Final
18,564	Environment Agency (Anglian Eastern)	19,520	Final
249,438	Lee Valley Regional Park Authority	244,208	Final
315,425	London Pensions Fund Authority (LPFA)	313,461	Final
13,782,984	Sub Total – Levies	14,427,592	
(26,149,782)	Unringfenced Grant	(10,247,850)	
165,842,106	Sub Total – Total Expenditure	163,144,814	
	External Finance		
(30,442,521)	Revenue Support Grant	(20,889,741)	
(9,383,968)	Business Rates Top-up	(9,462,167)	
(21,830,714)	National Non Domestic Rate	(22,513,105)	
(61,657,203)	Sub Total – External Finance	(52,865,013)	
(2,678,000)	Collection Fund Deficit/(Surplus)	(3,793,000)	
(195,818)	Business Rates Deficit/(Surplus)	1,863,460	
101,311,085	Havering's Precept on the Collection Fund	108,350,261	

<u>The Collection Fund</u>			
2015/16 £		Estimate 2016/17 £	
101,311,085	Expenditure		
0	Precepts		
24,517,450	London Borough of Havering	106,266,405	1,243.26
21,830,714	Adult Social Care	2,083,856	24.38
	Greater London Authority (Final)	23,590,824	276.00
14,553,809	London Borough of Havering Retained Business Rates (Final)	22,513,105	263.39
36,384,523	Greater London Authority - Retained Business Rates (Final)	15,008,737	175.59
271,109	Central Government - Retained Business Rates (Final)	37,521,841	438.99
	Cost of NNDR collection	270,688	3.17
198,868,690	Total Expenditure	207,255,456	2,424.78
	Total Income		
(73,040,155)	National Non-Domestic Rate	(75,314,371)	(881.14)
125,828,535	COUNCIL TAX per Band D property	131,941,085	1,543.64
83,110	Council Tax Base	85,474	
	Council Tax percentage change 1.96%		
Valuation as at 1/4/91	Council Taxes Per Property Band £ p		Change £ p
Under £40,000	1,009.33	Band A	1,029.09 19.76
£40,000 - £52,000	1,177.56	Band B	1,200.61 23.05
£52,001 - £68,000	1,345.78	Band C	1,372.12 26.35
£68,001 - £88,000	1,514.00	Band D	1,543.64 29.64
£88,001 - £120,000	1,850.44	Band E	1,886.67 36.23
£120,001 - £160,000	2,186.89	Band F	2,229.70 42.81
£160,001 - £320,000	2,523.33	Band G	2,572.73 49.40
Over £320,000	3,028.00	Band H	3,087.28 59.28

BUDGET AND CORPORATE PLAN AND COUNCIL TAX 2016/17

SUPPLEMENTARY INFORMATION

A. THE GREATER LONDON AUTHORITY AND LEVIES

The Greater London Authority precept proposed by the Mayor was advised as being £276.00 per Band D property (6.44% decrease). The London Assembly was due to consider this budget and precept on 22nd February 2016. Confirmation of formal approval to the budget has now been received and the proposed Band D amount has been agreed.

Information on the other levies is as set out in the report to Cabinet or as subsequently advised to Council as part of this report, and is reflected accordingly in the revised **Appendix E**.

B. FINAL LOCAL GOVERNMENT FINANCIAL SETTLEMENT 2016/17 to 2019/20

1. Introduction

1.1. On 8th February 2016, the Secretary of State for the Department for Communities and Local Government, Greg Clark MP, announced the final local government finance settlement 2016/17. The statement provided details of the final 2016/17 settlement as well as provisional allocations up until 2019/20. This briefing note highlights key issues of note and some comparative information.

2. Headlines

- 2.1. The Secretary of State announced that over the term of the parliament, councils will see a reduction in spending powers of 0.4%.
- 2.2. The settlement sets out the councils funding levels for the next 4 years which shows a reduction in Settlement Funding Allocation (SFA) of £3.9bn or 68% nationally.
- 2.3. The final settlement reveals no material changes from the provisional settlement announced in December.
- 2.4. A new grant has been made available to authorities with the steepest funding cuts in 2016/17 and 2017/18.
- 2.5. In a similar manner to the previous years, the government's headlines focus on comparative figures concerning a local authority's "revenue spending power" and make several optimistic assumptions on Local Authority's council tax levels and growth in taxbase.
- 2.6. Government have announced that the cuts for the next 4 years are significantly less than the cuts seen since 2010 spending review. This is not

comparing like for like as this includes a number of optimistic assumptions on council tax and taxbase growth.

2.7. A “Fair Funding” review will take place on the needs assessment formula before the transition to 100% business rates retention.

3. Spending powers

3.1. The average spending power reduction nationally has been stated as 0.4% over the next four years with Havering’s comparable figure an increase of 1.8%. Although the figures suggest an increase in funding, the figures presented are not a true reflect of the cuts facing local government as they do not compare like for like. The “core spending powers” include a number of optimistic estimates and assumptions. For example the figures include:

- An increase in taxbase of over 2% each year
- Assumptions that Havering will increase council tax by 1.75% each year
- Assumptions that Havering will charge the 2% Adult Social Care precept each year for the rest of the parliament.
- No account of reductions in grant funding.
- Assumption that locally retained business rates will be in-line with government targets.

3.2. Table 1 below shows the reduction in formula funding from 2015/16 to 2019/20 following the reductions announced at final settlement. The amount of funding available for local authorities has reduced by £3.6bn in 2016/17 and by a further £3.1bn in 2019/20.

Table 1- Settlement Funding Allocation for 2015-16 to 2019-20

	2015/16 £000's	2016/17 £000's	2017/18 £000's	2018/19 £000's	2019/20 £000's
Settlement Funding Allocation inc Business Rates	22,249	18,602	16,624	15,559	14,500
Reduction in Funding		(3,647)	(1,978)	(1,065)	(1,059)
Percentage Reduction		(16.4%)	(10.6%)	(6.4%)	(6.8%)

4. The Formula Funding – Havering

4.1. The Settlement Funding Assessment is used to determine both Havering’s Revenue Support Grant (RSG) and Business Rate Baseline (BRB). This comprises of the old formula grant methodology, grants rolled in over the last 4 years and the cuts in local government funding. This equates to a final Settlement Funding Assessment (SFA) for 2016/17 of £52.516m compared to a 2015/16 equivalent of £63.328m. As business rates are uprated in line with inflation, all of the funding adjustments only impact Havering’s RSG.

4.2. In order to compare like for like, **Appendix A** shows a comparison of Havering’s settlement funding allocation since 2015/16. When compared to

the 2016/17 grant allocation, Havering's RSG will have reduced by £10.8m since 2015/16 and reduce by £30m by the end of the parliament allocating Havering only £1.37m in RSG.

4.3. Within the RSG allocation, a number of grants worth £1.5m have been rolled into the system however there is no breakdown of how these grants relate to future years RSG allocations.

4.4. The formula grant system has consistently penalised Havering since its inception. Compared to other authorities in London, Havering receives one of the lowest grant-per-head allocations despite being one of the largest boroughs in London with the highest proportion of elderly population and the fastest growth in under 5's in London. The current indicators and data sets do not reflect the demographics pressures affecting the authority which has resulted in Havering having to increase its council tax to compensate.

Appendix B shows the grant per head allocations for London, clearly showing the amount of funding Havering receives compared to other London authorities.

4.5. As part of the local government financial settlement, it was announced that a full review of the assessment of need will be looked into ahead of the 100% retention of business rates. There is no timeline of when this will happen as there will need to be a number of legislative changes as well as the complex changes to the formula methodology. It is unclear whether this will benefit Havering as its dependent on the indicators are used by government.

5. Business Rate Baseline – Havering

5.1 Details of Havering's Business Rate Baseline (BRB) is shown in table 2. As inflation stays relatively low Havering's target business rates, top-up grant increase by only 0.8%. The baseline is a target set by government in determining how much funding each authority should receive as a result of business rate retention. As can be seen, Havering's 2016/17 yield is higher than our target. This is due to the removal of discounts announced as part of the 2014 Autumn Statement which Havering previously received section 31 grant.

Table 2 – Details of Havering's Business Rate baseline compared to its actual estimated yield.

	Settlement 2015/16 £000's	Settlement 2016/17 £000's
Business Rate Baseline (BRB)	31,365	31,627
Top-Up	9,384	9,462
Target Business Rates	21,981	22,165
Havering's estimated yield	21,831	22,513
Safety Net	29,013	29,255

5.2 As part of the budget setting process, Havering has estimated its business rate yield to be £75.043m of which 30% relates to Havering (£22.513m). The yield includes estimates on reliefs, allowance for non-collection and appeals. There are a large number of risks which could impact Havering collection that include

- Any unforeseeable appeals which is completely out of Local Authority control,
- the possibility that NHS trusts will be successful in their claim to be treated as a charity and therefore receive mandatory relief of 80% which would be backdated 6 years.

Both issues have the possibility to significantly reduce Havering's yield in 2016/17 so much so that if both are successful/approved in 2016/17; Havering would hit the safety net.

C. THE COUNCIL TAX (DEMAND NOTICES) (ENGLAND) REGULATIONS 2011 AND 2012

The Regulations set out the information which the billing authority must supply with the Council Tax Demand Notice, and the National Non-domestic Rate Notice as well as matters required to be contained in those Notices.

The 2011 Regulations require the following information to be provided within the Demand Notice:

Amounts of gross expenditure

The gross expenditure of—

- (a) the billing authority,
- (b) each relevant precepting authority, and
- (c) each relevant levying body,

for the relevant year (i.e. the year for which the budget is being set) and the preceding year.

Amounts of council tax requirement

The council tax requirement of—

- (a) the billing authority, and
 - (b) each relevant precepting authority,
- for the relevant year and the preceding year.

Statements concerning gross expenditure and council tax requirement

The billing authority's reasons for any difference between the amounts stated in respect of the gross expenditure and council tax requirement for the billing authority and each precepting authority for the same year.

The billing authority's opinion of the effect that its gross expenditure has on the level of council tax set for the relevant year.

Each relevant precepting authority's opinion of the effect that its gross expenditure has on the level of its precept issued for the relevant year.

In accordance with these Regulations, these calculations are as follows:

		2015/16 £	2016/17 £
	Amounts of Gross Expenditure		
	Aggregate of the items which are attributable to the services administered by the Authority during the year	485,675,439	482,507,061
excluding	allowances for contingencies	2,000,000	2,000,000
	and contributions to financial reserves	-17,192,888	-19,746,108
	Gross Expenditure	500,868,327	500,253,169
	Amounts of Council Tax Requirement		
	LBH element of the Council Tax Band D for a Property	1,219.00	1,267.64
multiplied by	the Council Tax Base	83,110	85,474
	Council Tax Requirement	101,311,085	108,350,261
	Statements concerning Gross Expenditure and Council Tax Requirement		
	Gross Expenditure	500,868,327	500,253,169
less	Council Tax Requirement	101,311,085	108,350,261
		399,557,242	391,902,908
	Reason for Difference		
	Gross income	319,833,333	319,362,247
	Retained Business Rate	21,830,714	22,513,105
	Business Rate Baseline (Top-Up)	9,383,968	9,462,167
	Revenue Support Grant	30,442,521	20,889,741
	Council Tax (Deficit)/Surplus	2,678,000	3,793,000
	Business Rates (Deficit)/Surplus	195,818	-1,863,460
		384,364,354	374,156,800
	Less contingencies and contribution to reserves	-15,192,888	-17,746,108
		399,557,242	391,902,908

An additional calculation, setting out an explanatory breakdown of the statutory calculations, was required under the Local Government Finance Act 1992, but has been superseded by the changes brought about by the Localism Act 2011. Details of the calculation are as set out above.

The 2012 Regulations do not impact on the setting of the Council Tax but includes a requirement that:

- Demand notices refer to reductions and premiums through introduction of local council tax reduction schemes and local premiums for long term empty dwellings
- A statement should be included on a demand notice where a reduction under a local scheme or a local premium applies explaining the amount of the reduction or premium, the reasons for it and the possible consequences of failing to comply with duties to notify the billing authority of relevant changes in circumstance
- Demand notices include a statement of the procedure by which a person may request to pay their council tax in 12 monthly instalments and makes certain other consequential amendments

- Demand notices include another statement where the billing authority has published certain information which must be supplied with demand notices on its website to explain that and to give the address where that information can be found.

D. CALCULATION OF CHANGE IN HAVERING'S EXPENDITURE

The following calculation was previously required under Council Tax (Demand Notice) Regulations, known as the budget requirement, and is included here to set out how the Council's expenditure, prior to taking into account Government funding, has changed. These figures reflect the significant changes caused by the new funding system and the impact of the localisation of Council Tax support.

Change in Council's Expenditure

	£m
2015/16 Budget	165.8
2016/17 Budget	163.1
Net Decrease	-2.7
Budget Pressures	8.3
Inflation	3.7
Increase in Levies	0.6
Provisions & Other Issues (including Grant & Funding Changes)	3.3
Use of Reserves	-1.4
Sub Total	14.5
Efficiencies/Savings	-17.2
Net Total	-2.7

E. REFERENDUMS RELATING TO COUNCIL TAX RISES

Schedule 5 of the Localism Act 2011 makes provision for Council Tax referendums to be held if an authority increases its basic relevant amount of Council Tax in excess of principles determined by the Secretary of State and approved by the House of Commons.

A Council Tax referendum will be required in 2016/17 if the increase in the basic relevant amount of Council Tax set by an authority exceeds the Council Tax excessiveness principle which applies to that year. The Secretary of State has proposed that, for that year, an authority will be required to seek the approval of their local electorate if, compared with 2015/16, an increase in that amount exceeds 4% for local authorities (comprising 2% for expenditure on Adult Social Care and 2% for other expenditure). This level was set out in the final settlement release.

As the Council's proposes a Council tax increase of 3.99%, taking into account of all levies, the level of increase cannot be considered as excessive under the provisions of the Act. In these circumstances the Council would not be required to hold a referendum.

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MINUTES OF A CABINET MEETING Council Chamber - Town Hall Wednesday, 10 February 2016 (7.30 - 9.50 pm)

Present:

Councillor Roger Ramsey (Leader of the Council), Chairman

Cabinet Member responsibility:

Councillor Damian White	Housing
Councillor Robert Benham	Environment
Councillor Wendy Brice-Thompson	Adult Social Services and Health
Councillor Osman Dervish	Regulatory Services and Community Safety
Councillor Melvin Wallace	Culture and Community Engagement
Councillor Clarence Barrett	Financial Management
Councillor Ron Ower	Housing Company Development and OneSource Management

Apologies were received for the absence of Councillor Meg Davis.

Councillors Ray Morgon, Jeffrey Tucker, Keith Darvill, Graham Williamson and Raymond also attended.

There was a member of the press present.

Unless otherwise indicated, all decisions were agreed unanimously with no Member voting against.

40 MINUTES

The minutes of the meeting held on 20 January 2016 were agreed as a correct record and were signed by the Chairman.

41 THE COUNCIL'S BUDGET 2016/17

Councillor Roger Ramsey, Leader of the Council, introduced the report

The Leader reminded those present about the general economic and fiscal climate which the current budget had to address. He stated that the

continuing Government policy of cutting funding to local authorities placed an ever increasing burden on them to deliver services with diminishing resources. This was the context within which the 2016/17 budget was being set and the report before Cabinet identified the Council's overall policy direction, statutory duties and financial strategy.

The Council's budget needed to reflect the level of funding allocated to it by the Government. Cabinet received reports in November and December 2015 which provided an update on developments at the national level and the consequential impact on local government funding and set out information on the financial position within Havering.

The November report also set out the Council's long term financial strategy to manage the implications of funding reductions and cost pressures over the next three years. It contained specific proposals to bridge the funding gap for the next two years, but left a funding gap of £2.4m in 2018/19 which required further steps to be taken in order to close it.

A further report was submitted to Cabinet on 20 January 2016 which updated Members on the Local Government Financial Settlement, the impact on the proposed financial strategy for the coming financial year and the latest in-year financial monitor. The report informed Cabinet that the three-year funding gap had increased from £2.4m to £12.5m including £5.6m relating to 2016/17. The draft strategy recommended in the current report included a range of additional measures which were intended to bridge the gap for 2016/17. Further reports would be submitted to Cabinet during the course of 2016/17 to consider the options for bridging the gap for the financial year 2017/18 and beyond.

The current position was that there would be an increase in the Havering element of the Council Tax of 1.99% plus a 2.00% precept for Adult Social Care.

Final confirmation of the Greater London Authority (GLA) precept was expected at the meeting of the London Assembly which would take place on 22 February 2016. The Mayor had proposed a reduction in the current precept, as previously advised to Cabinet, and this had been the subject of a similar consultation process.

The Leader added that on the assumption that this was to be approved by the London Assembly, the combined band D figure would rise to £1,543.64 - an increase of 1.96%.

The Leader reported to Cabinet that the Council had received, in the previous days, notification of a Transition Grant in the order of £1.4 million for the current year and the year following. This would effectively mean that the reserves, which it appeared would need to be used, could now be left untouched.

Cabinet was also informed that the draft minutes from the Overview and Scrutiny Board's consideration of the budget proposals had been received and the Leader said he was pleased to note that the Board, having deliberated over the report, had found nothing which it wished to bring to

Cabinet's attention. He thanked the Board for its review and added that there were undoubtedly areas which were in the appendices containing the cost-saving proposals from the various services, which Overview and Scrutiny might wish to examine in detail and, on behalf of the Executive, he welcomed its input.

Reasons for the Decision

The Council was required to set a budget for 2016/17 and, as part of that process, undertake relevant consultation in respect of the proposals included within the budget.

Alternative Options Considered

There were no alternative options insofar as setting a budget was concerned. There were, however, options in respect of the various elements of the budget. These were considered in preparing the budget and covered such issues as alternative savings proposals, the totality of budgetary pressures and different levels of Council Tax.

Cabinet:

1. **Considered** the advice of the Chief Finance Officer as set out in Appendix H when it recommended the Council budget.
2. **Approved** the following budgets for 2016/17:
 - The Council's draft General Fund budget as set out in Appendix E, formulated on the basis of:
 - An ELWA levy based on the anticipated budget and levy increase, and
 - The other assumptions set out in the report.
 - The delegated schools' draft budget
 - The capital programme as set out in Paragraph 3.28 of the report and Appendix I,
3. **Delegated** to the Chief Executive and Deputy Chief Executives the implementation of the 2016/17 capital and revenue proposals once approved by Council unless further reports or Cabinet Member authorities were required as detailed in the report.
4. **Agreed** that the Deputy Chief Executive Communities and Resources be authorised to allocate funding from the Capital contingency included within the draft capital programme.
5. **Agreed** that the relevant Cabinet Member, together with the Leader, be delegated authority to commence tender processes and accept tenders for capital schemes included within the approved capital programme.
6. **Agreed** that to facilitate the usage of unringfenced resources, the Chief Executive and Deputy Chief Executives would review any such new funds allocated to Havering; make proposals for their

use; and get them approved by the Leader and the Cabinet Member for Financial Management.

7. **Delegated** to the Chief Executive and Deputy Chief Executives the authority to make any necessary changes to services and the associated budgets relating to any subsequent specific grant funding announcements, where delays might otherwise have an adverse impact on service delivery and/or budgetary control, subject to consultation as appropriate.
8. **Approved** the schedule of Fees and Charges set out in Appendix K, with any recommended changes in-year being implemented under Cabinet Member delegation.
9. **Agreed** that if there were any changes to the GLA precept and/or levies, the Chief Executive should be authorised to amend the recommended resolutions accordingly and report these to Council on 24 February 2016.

That in addition, Cabinet Recommends to Council:

10. The General Fund budget for 2016/17
 - The Council Tax for Band D properties and for other Bands of properties, all as set out in Appendix E to the report, as revised and circulated for the Greater London Authority (GLA) Council Tax.
 - The delegated schools' budget for 2016/17, as set out in Appendix F of the report.
 - The Capital Programme for 2016/17 as set out in paragraph 3.28 and supported by Annexes 2, 3 and 4 of Appendix I of the report.
11. That it pass a resolution as set out in section 3.32.5 of the report to enable Council Tax discounts to be given at the existing level

42 **TREASURY MANAGEMENT STRATEGY STATEMENT, PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION STATEMENT FOR 2016/17**

Councillor Clarence Barrett, Cabinet member for Financial Management, introduced the report

Cabinet was reminded that in February 2011 the Authority had adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which required the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) had issued revised Guidance on Local Authority Investments in March 2010

which required the Authority to approve an investment strategy before the start of each financial year.

Cabinet was informed that since the report before it had been published, additional information had been received and Members were asked to agree to some additional text – concerning the Housing Development Company – to be added to the report. The reason for this request was to make clear that the funding arrangements and accounting treatment of the Housing Development Company had been properly reflected in the strategy, though some expenditure made by the Company and supported by the Council, might not fall within the strict definition of “capital expenditure” and the intention of the additional text was to ensure that all of the Company’s activities were reflected in the financial strategy and in particular the TMSS.

Councillor Barrett added that provision for Capital Expenditure from development and regeneration projects, including those relating to the Housing Development Company had already been reflected in the draft Capital Programme and the TMSS.

The report currently before Cabinet fulfilled the Authority’s legal obligation under the Local Government Act 2003 to have regard to both the CIPFA code and CLG guidance

The Council was also required to receive and approve - as a minimum - three main reports each year, which incorporated a variety of policies, estimates and actuals.

The Treasury Management Strategy Statement (The current report) – was the first, and most important and covered:

- The borrowing and investment strategies
- Treasury Management indicators
- Prudential Indicators
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time)

A Mid-Year Treasury Review – which would provide an update on the prudential and treasury indicators and would include information on the current treasury position.

An Annual Treasury Report – which would provide details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Reasons for the decision:

The statutory Codes set out that the Council ought to approve a Treasury Management Strategy Statement, the MRP Strategy and the Prudential Indicators.

Other options considered:

The CLG Guidance and the CIPFA Code did not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted with the Cabinet Member for Financial Management believed that the strategy set out in the report represented an appropriate balance between risk management and cost effectiveness. Some alternative strategies - with their financial and risk management implications - are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties	Interest income will vary depending on the counterparties used	Lower chance of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties	Interest will again vary depending on the counterparties used.	Increased risk of losses from credit related defaults, but any such losses will be smaller
Invest in deposits with a longer duration	Interest income will be higher	Increased risk of losses from credit related defaults and a reduction in liquidity
Invest in deposits with a shorter duration	Interest income will be lower	Decreased risk of losses from credit related defaults and an increase in liquidity
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain and there may be additional costs occurred from restructuring

Cabinet approved:

1. The Treasury Management Strategy Statement (TMSS) including the additional text submitted after the agenda had been published.
2. The Prudential Indicators set out in Appendix B of the report

3. The Annual Minimum Revenue Provision statement for 2016/17 set out in Appendix C of the report

43 HRA BUDGET FOR 2016/2017 AND HRA MAJOR WORKS CAPITAL PROGRAMME 2016/17 - 2018/19

Councillor Damian White, Cabinet member for Housing, introduced the report

Cabinet was informed that the report set a budget for the Council's Housing Revenue Account (HRA) and HRA Major Works Programme and that it also provided an update to the 10 year HRA Business Plan.

The HRA remained a ring-fenced account that was used to manage the Council's own housing stock. The proposed budget would enable the Council to manage the stock to a reasonable standard and to maintain the stock to the Decent Homes standard. It further set rents, service charges and other charges for Council tenants for the year 2016/17.

It was drawn to Members attention that in the HRA rent-setting report for the previous year the following paragraph had explained the rent-setting strategy for 2015/16 onwards and the rules that applied at that time on which Local Authorities had built their HRA business plans:

"The Housing Revenue Account is sound and is able to invest in its stock, and develop new homes over the coming three years. However, due to a recent change in the Government's rules on rent increases, the former system of rent restructuring is being abolished in 2015/16 and future rent increases are designed to be limited to no more than the Consumer Price Index (CPI) + 1%. The Council plans to move to the new system in 2016/17, but has to take the opportunity which remains in this year, to move its rents to target rents immediately. This will remove the inequality between properties that currently exists. At present it is possible for identical properties to have different rents, because of the transitional nature of the rent restructuring plan. By moving immediately, in one year, to target rents, this inequality will be eliminated. All rents will be at target rents; additional rental income will be available to invest in the housing stock, and in new homes, and future rent increase for the next 10 years will be in line with inflation pressures as expressed by the CPI. In addition, if the Council did not move its rents to target rents, this opportunity would be lost and a regime of CPI + 1%, if applied immediately would have lost the Council's Business Plan £100m over the life of the Plan."

Despite this level of rent increase, Havering's rents remained in the lowest quartile in London during the year 2015/16.

Cabinet was reminded that after the General Election in May 2015, the new Government had made various financial decisions that were focussed on maintaining the austerity measures to reduce the public sector borrowing

figures and, in particular, to reduce welfare benefits expenditure. In June 2015 the Government had announced that, in order to help reduce welfare benefit expenditure by £1.45bn it was changing the way social housing rents were to be charged. Government announced that rather than allowing any increase - as stated in the paragraph above - social housing rents would be reduced by 1% per year for the four years from 2016/17. Within the last month, the government had announced that supported housing - including sheltered housing - was to be exempt from the rent reduction for one year.

The technical detail regarding the reduction and how local authorities are to effect the change were currently passing through Parliament. This meant that, unusually, officers did not have the prescribed calculation method. Officers were also assuming that the calculation method for the increase in rent for supported housing would be the original CPI +1% calculation. The CPI figure used for this calculation was the preceding September figure. As the CPI for September 2015 was -0.1%, the rent rise figure would be 0.9%. The report had therefore been presented to Cabinet with the best information available to officers at the time.

Cabinet was asked to note that in order to change any HRA rent liability, the Local Authority had to notify tenants and give 28 days' notice of any change once the authority had made a properly constituted decision of that change. This meant that following Cabinet's decision on rent levels to be charged in any year, the Local Authority was obliged to write to all tenants to inform them of the new rent liability for the following 12 months. In order to achieve this and make the new charge effective from the first week of April 2016, notification would have to be sent to tenants by the first week of March.

It was for the above reasons, that the report differed from previous years in the recommendations it was seeking approval for. As the precise calculation was as yet unknown, the report provided indicative levels of rent following a 1% reduction and the CPI + 1% rise for supported housing. It also sought approval to delegate the final decision on the exact amounts charged to the Cabinet Member for Housing and the Deputy Chief Executive - Communities and Resources. This would enable Cabinet to make a decision on the 2016/17 rent levels whilst enabling the precise amounts to be amended once the final calculation methods were announced, without any need for further referral back to Cabinet.

Reasons for the decision:

The Council was required to set the housing rent, service charges and a budget in accordance with the Local Government and Housing Act 1989.

Alternative Options Considered

There were no alternative options insofar as setting a budget was concerned. However, there were options in respect of the various elements of the budget. These were considered in the preparation of the budget and covered such elements as the rent and service charge increases, budget growth and major works programme proposals.

Cabinet:

1. **Approved** the Housing Revenue Account Budget as detailed in Appendix 1 of the report.
2. **Agreed** that the average rents chargeable for tenants in general needs Council properties owned by the London Borough of Havering be decreased by 1% from the w/c 4 April 2016 in line with the indicative figures contained in paragraph 2.1.6 of the report.
3. **Agreed** that the average rents chargeable for tenants in supported housing Council properties, such as sheltered housing and hostels, owned by the London Borough of Havering, be increased by 0.9% from the w/c 4 April 2016 in line with the indicative figures contained in paragraph 2.1.6 and 2.1.7 of the report.
4. **Delegated** agreement of the exact amounts chargeable to the Cabinet Member for Housing and the Deputy Chief Executive - Communities and Resources, following publication by Government of the rent calculation formula.
5. **Confirmed** the four rent-free weeks for 2016/17 as being: w/c 22 August 2016, the two weeks commencing 19 and 26 December 2016, and the week commencing 27 March 2017.
6. **Confirmed** that service charges and heating and hot water charges for 2016/17 would remain the same as in 2015/16 as detailed in paragraph 2.2.2 of the report.
7. **Confirmed** that the service charge for homeless households accommodated in the Council's hostels should remain unchanged for 2016/17 as detailed in paragraph 2.2.3 of the report.
8. **Confirmed** that charges for garages should remain unchanged for 2016/17 as detailed in paragraph 2.3.1 of the report.
9. **Confirmed** that the service charge for the provision of security and support in sheltered housing (first introduced in 2015/16) should remain unchanged for 2016/17 as detailed in paragraph 2.4.1 of the report.
10. **Confirmed** that the Careline support charge would remain unchanged for 2016/17 as detailed in paragraph 2.5.1 of the report.
11. **Confirmed** that the Telecare support charges should remain unchanged for 2016/17 as detailed in paragraph 2.5.1 of the report.
12. **Confirmed** that the £0.5m identified in the budget for 2015/16 to fund the replacement of the Housing Management system would be carried forward to 2016/17.

- 13 **Agreed** the HRA Major Works Capital Programme, detailed in Appendix 2 of this report and **referred it to full Council** for final ratification.
- 14 **Delegated** authority to agree individual environmental improvement works in the Capital Programme to the Cabinet Member for Housing and the Deputy Chief Executive of Communities and Resources following recommendation from the Head of Housing Services and the identification of appropriate funding.
- 15 **Agreed** that a further report should be presented to Cabinet in September 2016 with an amended HRA Business Plan.

44 **LONDON BOROUGH OF BEXLEY JOINING THE ONESOURCE JOINT COMMITTEE**

Councillor Ron Ower, Cabinet member for the Housing Company Development and oneSource Management, introduced the report

Cabinet was informed that as part of oneSource's commitment to provide a stronger base and continue driving down costs, the report before Cabinet recommended approval for the London Borough of Bexley to join the oneSource partnership currently between Havering and Newham. This arrangement required executive agreement to Bexley becoming a member of the Joint Committee and agreement to the variation to the Joint Committee agreement provided for Members at Annex A of the report.

It was intended that Bexley's Financial Services would join oneSource initially with their agreement to delegate the relevant functions to the Joint Committee. The three partner authorities would then explore sharing other back-office services with a view to their joining oneSource in future phases if the parties agreed. The savings achieved by eliminating duplication and improving processes and maximising efficiency across the finance service would be shared across all three boroughs using an agreed formula.

Sharing the finance service of another council would give greater resilience to the combined service and therefore to each council. The inclusion of the finance service of Bexley demonstrated to other councils that it would be relatively straight-forward to join oneSource and make savings. This might help to attract further partners/customers thus generating further savings.

Reasons for the decision:

- Sharing services with Bexley would lead to minimum savings of £132k for Havering. Savings could increase if further services were shared.
- Sharing the finance service of another council would give greater resilience to the combined service and therefore to each council.
- The inclusion the finance service of Bexley would demonstrate to other councils that it was relatively straight-forward to join oneSource and

make savings. This might help to attract further partners/customers thus generating further savings.

Other options considered:

As Bexley was only interested in sharing services through joining the existing Joint Committee arrangements no other option had been considered. If the proposal was not agreed, the potential to expand oneSource services and deliver greater resilience and deliver savings as set out in the report could not be achieved.

Cabinet:

1. **Agreed** to the London Borough of Bexley joining oneSource as a member of the Joint Committee.
2. **Agreed** to the shared delivery of financial services and functions with Bexley as set out in the report and its appendices.
3. As recommendations 1 and 2 above were agreed, **confirmed** the revised Joint Committee and Delegation Agreement attached in Annex A to the report.
4. **Delegated** to the Managing Director of oneSource in consultation with the Cabinet Member for Value, all further actions and decisions required to finalise the revised Joint Committee Agreement.
5. **Noted:**
 - a) That further negotiations were taking place for additional services to be added to oneSource
 - b) That the revised Distribution Formula attached as Schedule D to the Agreement with the recalculation of the funding agreement percentages were to be finalised as soon as practicable in the next financial year after the final budgets were known for each Joint Committee member.

45 **AGREEMENT TO ADOPT THE RAINHAM AND BEAM PARK MASTERPLAN AND PLANNING FRAMEWORK AS NON STATUTORY PLANNING GUIDANCE**

Councillor Ron Ower, Cabinet member for the Housing Company Development and oneSource Management, introduced the report

Cabinet was reminded that following its approval on the 24 September 2014 of the Rainham and Beam Park Housing Zone project, a bid had been submitted to the Greater London Authority (GLA). The submission had been successful and Havering's status as a "Housing Zone Borough" was

announced on the 25 June 2015. The Council entered into the Overarching Borough Agreement with Cabinet approval on 4 November 2015.

Underpinning the Housing Zone vision was the transformation of the A1306 and the major residential development sites that flanked it, from that of a post-industrial legacy of decline into a thriving new residential community designed and built around “garden suburb” principles of high quality design, enhanced open space provision, social infrastructure and access to public transport and employment opportunities

The Rainham and Beam Park Masterplan and Planning Framework document (attached as appendix A to the report) articulated that vision and the Council’s investment priorities in the area and – importantly - set out the robust guiding design principles that would shape the quality of the developments that would be coming forward. It set a clear vision - supported by key design and development principles - that would ensure a coherent approach to any development activity. The Framework sought to avoid the dangers of a piecemeal approach to site delivery, with developments that were of low quality design, inward looking and poorly connected to a functioning neighbourhood.

The Rainham and Beam Park Masterplan and Planning Framework would function as adopted non-statutory planning policy and would form part of the evidence and policy base of the forthcoming Local Plan.

Reasons for the decision:

It was recommended that Members approve the Rainham and Beam Park Masterplan and Planning Framework. The Masterplan was intended to form part of the evidence base for the new Havering Local Plan, superseding the Havering Local Development Framework, it included recommendations to inform and support proposed future site allocations and policy subject to Member approval. The Framework was consistent with the national and Mayoral planning policy which promoted the importance of a plan-led approach to development.

As a non-statutory document that was not formal planning policy it would give the Council a tool to use when discussing applications with developers and it would have the status of a material planning consideration. Applications could be discussed on a site by site basis within the guidelines for the character area and with a key focus on the quality of design and the appropriateness of material choices.

Other options considered:

Not developing a Rainham and Beam Park Masterplan and Planning Framework – REJECTED. From officer discussions with the GLA, housing associations and developers, it was clear that proposals for new housing were already coming forward for sites in the proposed Rainham and Beam Park Masterplan and Planning Framework area, and also that additional sites would be marketed soon, including by the GLA itself.

Without an effective framework to guide developments, the likelihood was that development would proceed, but in a piecemeal manner and with limited Council ability to guide quality of design and provide community facilities, with a possible prospect of development resulting in future liabilities to the Council. With piecemeal developments, developers could argue against increased financial contributions to infrastructure and affordable housing on the grounds that their development in isolation had only a minimal impact on the area and that London's general housing shortage outweighed the need for contributions.

Cabinet

1. **Agreed** to adopt the Rainham and Beam Park Masterplan and Planning Framework as a non-statutory planning policy document that would be a material planning consideration when considering development proposals in the Rainham and Beam Park area.
2. **Agreed** to the Council working proactively with developers and key stakeholders to bring forward developments that met the aspirations of the Masterplan and Planning Framework and to take forward the actions proposed in the Masterplan and Planning Framework.

46 **HOUSING ZONE GATEWAY DELIVERY STRATEGY**

Councillor Ron Ower, Cabinet member for the Housing Company Development and oneSource Management, introduced the report

Cabinet was informed that the report before it sought its approval to implement the Housing Zone Land Acquisition Strategy which included approval in principle to the making of a Compulsory Purchase Order (CPO) to enable the acquisition of the land interests that could not be acquired by private treaty as well as the use of officer time and resources to facilitate the relocation of businesses within the area affected.

Cabinet was reminded that following its approval on the 24 September 2014, the Rainham and Beam Park Housing Zone bid was submitted to the GLA. The submission had been successful and Havering's status as a "Housing Zone Borough" was announced on the 25 June 2015. Cabinet had approved the Overarching Borough Agreement authorising the Council's entry into the funding contract with the GLA on the 4 November 2015.

The vision for the Housing Zone was the transformation of a declining industrial area into a vibrant new residential community providing much needed new housing including family homes, plus social, physical and green infrastructure with access to public transport and employment opportunities.

The acquisition of the Gateway sites and other sites along the A1306 would act as a catalyst to kick-start development activity and unlock development opportunities along the New Road in Rainham. This would create a major opportunity to build a new, strong, sustainable community with its own identity based around the new railway station and local centre at Beam Park; integrating and improving connectivity between existing and proposed new residential neighbourhoods.

The key elements of the Land Acquisition Strategy were stakeholder engagement and consultation, land assembly and business relocations.

The strategy would implement the most economically beneficial approach to delivering the land assembly programme in order to kick-start and catalyse comprehensive residential development across the Housing Zone.

The Council would engage with landowners to purchase their sites through private treaty negotiations. If necessary, a CPO will be used to ensure that sites not acquired by private treaty can be acquired to enable the Housing Zone objectives to be achieved.

Reasons for the decision:

Supporting the Housing Zone

The Housing Zone Land Acquisition Strategy supports the delivery of the Housing Zone objectives enabling the assembly of sites to catalyse and kick start comprehensive residential development. This will in turn encourage the market to come forward and participate in the delivery of high quality viable development schemes in the area.

Other options considered:

Not implementing the Housing Zone Land Acquisition Strategy–**REJECTED**. Without Housing Zone Land Acquisition Strategy the Council will be unable to acquire the land necessary to promote comprehensive residential development in the A1306 gateway. Without this intervention the existing low value commercial land uses would remain in place and infrastructure would not be improved. It will also not be possible to facilitate comprehensive residential development and any residential development that is brought forward is likely to be poor quality and piecemeal. It will fail to deliver the required mix, tenures or typology necessary to meet the objectives of the Housing Zone.

Cabinet:

1. **Agreed** to the Council entering into direct negotiations with land-owners to purchase sites by private treaty as the opportunities arose.
2. **Agreed** to the Council implementing the Housing Zone Land Acquisition Strategy including the principle of using the Council's CPO powers to acquire land interests the extent of which were

shown in the annexed plan to the report edged red (Appendix One) and thereby embarking on the formalities necessary for the making of the CPO.

3. **Agreed** to the Council in principle using the Council's Capital Contingency to fund land acquisitions to the value of £1.2m.
4. **Agreed** to the Council working with its wholly-owned company Mercury Land Holdings to bring forward quality housing either on its own or in partnership with other developers on land acquired.
5. **Delegated** to the Leader of the Council, the Cabinet Member for the Housing Company Development & One Source Management and the Group Director Community and Resources, the authority to approve the making of a CPO for confirmation by the Secretary of State.
6. **Delegated** to the Leader of the Council, the Head of Property and the Group Director Community and Resources, the authority to approve land negotiations and the acquisition of sites by private treaty by various means and to approve the relocation of businesses within the A1306 corridor where appropriate.

Chairman

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FINAL GRANT SETTLEMENT 2015/16 & 2016/17 - TRANSFERS

Appendix A

	Settlement 2015/16	Adjusted Settlement 2015/16	Settlement 2016/17
	£000	£000	£000
Bal B/f	70,496	61,808	61,808
<u>Transferred into formula 2016/17</u>			
Care Act: Funding Reform (including Deferred Payments)		770	770
Care Act: Carers etc		689	689
Lead Local Flood Authority grant		52	52
SuDs		9	9
Carbon Moxomide and Fire Alarm Grant		1	1
<u>Reductions in Funding</u>			
Funding cuts facing local government.	(8,688)		(10,811)
	<u>61,808</u>	<u>63,328</u>	<u>52,516</u>
<u>Provisional Grant</u>	61,808	63,328	52,516
Of which relates to Business Rates	31,365	31,365	31,627
Adjusted Payment via Revenue Support Grant	30,443	31,963	20,890

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Appendix B

2016-17 Settlement Funding Allocation (RSG + BRB)				
	Type of Authority	Final 2016-17	Population Mid 2014 Est	Grant per Pop
Richmond upon Thames	Outer London	32.993	193,585	170.43
Bromley	Outer London	56.503	321,278	175.87
Kingston upon Thames	Outer London	32.153	169,958	189.18
Havering	Outer London	52.516	245,974	213.50
Bexley	Outer London	55.461	239,865	231.22
Harrow	Outer London	58.246	246,011	236.76
Barnet	Outer London	90.598	374,915	241.65
Hillingdon	Outer London	72.647	292,690	248.21
Merton	Outer London	55.500	203,515	272.71
Redbridge	Outer London	81.955	293,055	279.66
Hounslow	Outer London	76.202	265,568	286.94
Sutton	Outer London	58.079	198,134	293.13
Croydon	Outer London	114.565	376,040	304.66
Ealing	Outer London	118.936	342,118	347.65
Enfield	Outer London	114.427	324,574	352.55
Wandsworth	Inner London	114.599	312,145	367.13
Waltham Forest	Outer London	108.689	268,020	405.53
Brent	Outer London	136.830	320,762	426.58
Barking and Dagenham	Outer London	89.494	198,294	451.32
Haringey	Outer London	126.024	267,541	471.04
Greenwich	Inner London	129.527	268,678	482.09
Lewisham	Inner London	146.691	291,933	502.48
Kensington and Chelsea	Inner London	79.805	156,190	510.95
Newham	Outer London	172.677	324,322	532.42
Hammersmith and Fulham	Inner London	95.062	178,365	532.96
Lambeth	Inner London	171.413	318,216	538.67
Camden	Inner London	138.541	234,846	589.92
Islington	Inner London	130.941	221,030	592.41
Southwark	Inner London	179.521	302,538	593.38
Tower Hamlets	Inner London	170.728	284,015	601.12
Westminster	Inner London	140.568	233,292	602.54
Hackney	Inner London	170.759	263,150	648.90
City of London	Inner London	25.897	8,072	3,208.30

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THE TREASURY MANAGEMENT STRATEGY STATEMENT

SUMMARY

In February 2011 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Authority to approve an investment strategy before the start of each financial year.

This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA code and CLG guidance

The Council is also required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy Statement (This report) - The first, and most important report covers:

- The borrowing and investment strategies
- Treasury Management indicators
- Prudential Indicators
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time)

Mid Year Treasury Review – This will provide an update on the prudential and treasury indicators and will include information on the current treasury position.

An Annual Treasury Report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

REPORT DETAIL

Introduction

1.1 CIPFA defines treasury management as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

1.2 The Council is required to operate a balanced budget, which broadly means that cash received during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.

1.3 The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn down may be restructured to meet Council risk or cost objectives.

Local Context

2.1 The Authority currently has £210m of Long Term borrowing and £227m of investments. This is set out in further detail at **Appendix A**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below

Table 1: Balance Sheet Summary and Forecast

	31.3.15 Actual £m	31.3.16 Estimate £m	31.3.17 Estimate £m	31.3.18 Estimate £m	31.3.19 Estimate £m
General Fund CFR	62	60	59	57	56
HRA CFR	175	175	192	209	209
Total CFR	237	235	251	266	265
Less: Other long-term liabilities *	-1	0	0	0	0
Borrowing CFR	236	235	251	266	265
Less: External borrowing **	-210	-210	-210	-210	-210
Internal borrowing	26	25	41	56	55
Less: Usable reserves	-171	-175	-142	-115	-96
Less: Working capital	-14	-14	-14	-14	-14
Investments	159	164	115	73	55

* finance leases and PFI liabilities that form part of the Authority's debt

** shows only loans to which the Authority is committed and excludes optional refinancing

- 2.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, subject to holding a minimum investment balance of £30m.
- 2.3 The Authority has a decreasing GF CFR due to the Authority's decision to fund its capital programme through the use of receipts and external grants rather than through prudential borrowing. The HRA CFR however is set to increase up to its maximum borrowing headroom to finance new building works.
- 2.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2016/17 and the following 3 years.

Borrowing Strategy

- 3.1 The Authority currently holds £210 million of long term loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1 above, shows that the Authority does not expect to need to borrow externally in 2016/17. The Council's cash holding will reduce over time in order to finance the Council's proposal to fund Regeneration and Development projects from prudential borrowing. Decisions over the need for external borrowing as opposed to increasing the amount of internal borrowing will be continually assessed and will depend on current market conditions. For the purposes of preparing the TM indicators it is assumed that the provision for Regeneration and Development schemes totalling £100m will give rise to a cashflow of £20m per year over five years.
- 3.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 3.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 3.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Whilst such a strategy is most likely to be beneficial over the next 2-3 years as official interest rates remain low, it is unlikely to be sustained in the medium-term. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose (the treasury management advisers) will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 3.5 In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (or its successor body)
 - UK local authorities
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - UK public and private sector pension funds
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.
- 3.6 The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.
- 3.7 The Authority holds a £7m LOBO (Lender's Option Borrower's Option) loan where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. The LOBO has this option again during 2016/17, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Authority may take the option to repay LOBO loans at no cost if it has the opportunity to do so.
- 3.8 Short-term and variable rate loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.
- 3.9 In respect of debt rescheduling, the PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some

loans with new loans, or repay loans without replacement, where this is expected to lead to an overall saving or reduction in risk.

Investment Strategy

- 4.1 The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £159 and £231 million, and similar levels are expected to be maintained in the forthcoming year.
- 4.2 Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 4.3 The Authority may invest its surplus funds with any counterparty meeting the criteria in table 2 below, subject to the cash and time limits shown. Any new type of investment or any investment with a new counterparty is subject to a strict scrutiny process from Senior Finance and approval from the Director of Communities and Resources prior to any investments being made.

Table 2: Approved Investment Counterparties

Credit Rating	Banks Unsecured*	Banks Secured*	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£10% 5 years	£10% 20 years	£10% 50 years	£5% 20 years	£5% 20 years
AA+	£10% 5 years	£10% 10 years	£10% 25 years	£5% 10 years	£5% 10 years
AA	£10% 4 years	£10% 5 years	£10% 15 years	£5% 5 years	£5% 10 years
AA-	£10% 3 years	£10% 4 years	£10% 10 years	£5% 4 years	£5% 10 years
A+	£10% 2 years	£10% 3 years	£5% 5 years	£5% 3 years	£5% 5 years
A	£10% 13 months	£10% 2 years	£5% 5 years	£5% 2 years	£5% 5 years

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A-	£10% 6 months	£10% 13 months	N/A	£5% 13 months	£5% 5 years
BBB+	£5% 100 days	£5% 6 months	N/A	£2.5% 6 months	£2.5% 2 years
BBB or BBB-	£5% next day only	£5% 100 days	N/A	n/a	n/a
None	£1m 6 months	N/A	N/A	£50,000 5 years	£5% 5 years
Pooled funds	£10% per fund				

This table must be read in conjunction with the notes below

Cash Limits are set as a percentage of the overall balance of the Council's investments as determined at the start of the month or more frequently if required.

*The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

All eligible counterparties and new types of investments will be discussed prior to their use by the Lead Member, Group Director of Communities and Resources and other senior finance officers where the appropriateness and security of the investment will be assessed. Any counterparties or investments that fail to meet to approval of the group will not be used despite meeting the investment strategy criteria.

4.4 Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,

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- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - o the UK Government,
 - o a UK local authority, parish council or community council,
 - o a body or investment scheme of “high credit quality”.

The Authority defines “high credit quality” organisations and securities as those having a credit rating of BBB+ or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

- 4.5 Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£75m
Total investments without credit ratings or rated below [BBB+]	£20m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below [AA+]	£15m
Total non-specified investments	£110m

- 4.6 In addition to the limits already set out in Tables 2 and 3, the limits set out in table 4 below are also proposed to further protect the security of the Authorities investments

Table 4: Additional Investment Limits

	Cash limit*
Any single organisation, except the UK Central Government	£10%
UK Central Government	Unlimited
Any group of organisations under the same ownership	£10%
Any group of pooled funds under the same management	£10% per manger
Financial instruments held in a broker's nominee account	£20% per broker
Foreign countries	£10% per country
Registered Providers	£10% in total
Unsecured investments with Building Societies	£20% in total
Loans to unrated corporates	£10% in total
Money Market Funds	£20% in total

*Cash limits are set as a percentage of the overall balance of the Council's investments as determined at the start of the month or more frequently if required. Should investments with a counterparty be above the cash limit as a result of cash limit being reduced due to lower cash balances, then no further investments will be made until the level is below the cash limit again.

- 4.7 Liquidity Management: The Authority maintains a detailed cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis, to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.
- 4.8 Current Account Bank: Following a competitive tender exercise held in 2012, the Authority's current accounts are held with the Royal Bank of Scotland group. Should the credit ratings fall below BBB+, for liquidity purposes the Authority may continue to deposit surplus cash with the group providing that investments can be withdrawn on the next working

day. Balances will be reviewed on a daily basis to assess their appropriateness.

4.9 Housing Development Company:

1. Delegate to the Leader of the Council and Cabinet Member for Housing Company Development & One Source Management, supported by a Senior Council Officer other than Group Director of Communities & Resources, to release funds through such loans needed to meet the requirements of the agreed business case.
2. Delegate to the Leader of the Council and Cabinet Member for Housing Company Development & One Source Management to agree to to Heads of Terms of the Shareholder Agreement and authorise the Group Director for Communities & Resources, in conjunction with the Director of Legal and Governance, the authority to negotiate and finalise the Shareholder agreement.

Treasury Management Indicators

5.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit rating	A-

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments by the next working day and within a rolling three month period, without additional borrowing.

	Target
Total cash available by the next working day	£5m
Total cash available within 3 months	£30m

5.2 Interest Rate Exposures: This indicator is set to control the Authority's exposure to interest rate risk on its debt portfolio. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of gross principal borrowed will be:

	2014/15	2015/16	2016/17
Upper limit on fixed interest rate exposure	100%	100%	100%
Upper limit on variable interest rate exposure	25%	25%	25%

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, the whole financial year. Instruments that mature during the financial year are classed as variable rate.

5.3 Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	Lower
Under 12 months	40%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	60%	0%
5 years and within 10 years	75%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. Due to the unlikelihood of any LOBO's being called they are treated as maturing on the maturity date rather than the potential repayment date.

5.4 Principal Sums Invested for Periods Longer than 364 days

The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2014/15	2015/16	2016/17
Limit on principal invested beyond year end	£75m	£50m	£25m

Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

6.1 Policy on Use of Financial Derivatives

Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

6.2 Policy on Apportioning Interest to the HRA

On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and

the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured and interest transferred between the General Fund and HRA at an appropriate rate which has been adjusted for credit risk.

6.3 Investment Training

The needs of the Authority's treasury management staff for training in investment management are assessed on a regular basis as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

6.4 Investment Advisers

The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our investment advisers.

6.5 Investment of Money Borrowed in Advance of Need

The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority's overall management of its treasury risks.

7. Housing Development Company

7.1. At its meeting of May 2015 Cabinet agreed to:

- Delegate to the Leader of the Council and Cabinet Member for Housing Company Development & One Source Management, supported by a

Council, 24 February 2016

Senior Council Officer other than Group Director of Communities & Resources, to release funds through such loans needed to meet the requirements of the agreed business case.

- Delegate to the Leader of the Council and Cabinet Member for Housing Company Development & One Source Management to agree to Heads of Terms of the Shareholder Agreement and authorise the Group Director for Communities & Resources, in conjunction with the Director of Legal and Governance, the authority to negotiate and finalise the Shareholder agreement.

- 7.2. The Council's draft capital programme includes a provision of £100m for Development and Regeneration projects. The equity investment and loans to be made for capital purposes to the company will be met from this provision. This level of planned expenditure and the consequential impact upon the Council's prudential borrowing is reflected in the TMSS.
- 7.3 Some aspects of the Housing Company's expenditure included within the approved business plan will not meet the statutory definition of capital expenditure (i.e. they will be treated as revenue spending in the company's accounts). Nevertheless, it is intended that these sums will be funded through the Council's Treasury Management arrangements and it is also intended that these sums will count towards the £100m provision referred to in 7.2. above for the purposes of financial control.
- 7.4. It is anticipated that the Housing Company loan(s) will include a working capital loan facility. The terms of this loan facility will require approval in accordance with the arrangements described in paragraph 7.1 above.

Financial Implications

8.1 The budget for investment income in 2016/17 is £0.96 million. This is based on an average investment portfolio of £160 million at an interest rate of 0.60%. There is also an additional income target of £0.3m as a result of investment in the new housing company established.

8.2 The budget for debt interest paid in 2016/17 is £7.5 million. This is based on an average debt portfolio of £210 million at an average interest rate of 3.6%. Of this figure, £170m is HRA debt, with a budget for debt interest paid of £5.8m.

8.3 If actual levels of investments and borrowing or actual interest rates differ from those forecast, performance against budget will be correspondingly

different. Variance from budget will be reported on a quarterly basis to the Audit Committee and on a bi annual basis to full Council.

REASONS AND OPTIONS

Reasons for the decision:

The statutory Codes set out that the Council ought to approve a Treasury Management Strategy Statement, the MRP Strategy and the Prudential Indicators.

Other options considered:

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, having consulted with the Cabinet Member for Financial Management believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties	Interest income will vary depending on the counterparties used	Lower chance of losses from credit related defaults, but any such losses will be greater
Invest in a wider range of counterparties	Interest will again vary depending on the counterparties used.	Increased risk of losses from credit related defaults, but any such losses will be smaller
Invest in deposits with a longer duration	Interest income will be higher	Increased risk of losses from credit related defaults and a reduction in liquidity
Invest in deposits with a shorter duration	Interest income will be lower	Decreased risk of losses from credit related

		defaults and an increase in liquidity
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain and there may be additional costs occurred from restructuring

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no direct financial implications arising from this report. Treasury management activities are considered as part of the overall budget strategy. Changes to the TMSS have no direct financial implications but are intended to better manage Investment risk in response to fluctuations in cash flow.

Legal implications and risks:

The Council has fiduciary duties toward its tax payers to act in good faith in the interests of those tax payers with the considerable sums of money at their disposal. The Strategies being proposed for approval seek to discharge those duties in a reasonable and prudent fashion and therefore there is a low risk of successful challenge.

Otherwise there are no apparent legal implications arising as a result of this Report.

Human Resources implications and risks:

There are no direct Human Resources implications arising as a result of this report

Equalities implications and risks:

There are no equalities implications within this report

BACKGROUND PAPERS

There are no background papers associated with this report

Appendix A – Existing Investment & Debt Portfolio Position

	22/12/2015 Actual Portfolio £m	22/12/2015 Average Rate %
Long Term Borrowing:		
PWLB – Fixed Rate	203.2	
PWLB – Variable Rate	0	
Local Authorities	0	
LOBO Loans	7.0	
Total Long Term Borrowing	210.2	3.59%
Short Term Borrowing		
Local Authorities	10.0	
Other	0.3	
Total Short Term Borrowing	10.3	0.47%
Investments:		
Short-term investments	217.7	
Long-term investments	10.0	
Total Investments	227.7	0.69%
Net Investments	7.2	

Appendix B - Prudential Indicators 2016/17

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The Authority's planned capital expenditure and financing may be summarised as follows.

Capital Expenditure and Financing	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	47.6	87.7	63.9	36.9
HRA	19.8	48.3	48.8	30.7
Total Expenditure	67.4	136.0	112.7	67.6
Capital Receipts	15.9	27.1	14.5	9.4
Government Grants	32.0	40.9	29.7	7.8
Reserves	0	5.9	6.4	5.4
Revenue	19.5	25.0	25.0	25.0
Borrowing	0	37.1	37.1	20.0
Leasing and PFI	0	0	0	0
Total Financing	67.4	136.0	112.7	67.6

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31.03.15 Actual £m	31.03.16 Revised £m	31.03.17 Estimate £m	31.03.18 Estimate £m	31.03.19 Estimate £m
General Fund	62.0	60.3	78.9	97.4	115.9
HRA	174.6	174.7	191.8	209.0	209.0
Total CFR	236.6	235.0	270.7	306.4	324.9

The CFR is forecast to rise by £89.9m over the next 3 years as capital expenditure financed by debt outweighs resources set aside for debt repayment. Of the £89.9m, £34.3 is in relation to the HRA and £55.6 is in relation to the GF

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31.03.15 Revised £m	31.03.16 Estimate £m	31.03.17 Estimate £m	31.03.18 Estimate £m
Borrowing	210.7	210.7	210.7	210.7

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	258.5	377.8	397.0	397.0
Other long-term liabilities	2.0	2.0	2.0	2.0
Total Debt	260.5	379.8	399.0	399.0

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	282.0	404.8	436.7	437.0
Other long-term liabilities	2.0	2.0	2.0	2.0
Total Debt	284.0	406.8	438.7	439.0

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	1.99	2.09	2.09	2.09
HRA	2.92	2.97	2.97	2.97

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the new capital programme.

Incremental Impact of Capital Investment Decisions	2016/17 Estimate £	2017/18 Estimate £	2018/19 Estimate £
General Fund - increase in annual band D Council Tax	£7.75p	£6.87p	£6.51p
HRA - increase in average weekly rents	£3.46p	£3.46p	£2.05p

Adoption of the CIPFA Treasury Management Code: The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition*.

Appendix C – Annual Minimum Revenue Provision Statement 2016/17

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum provision since 2008. The Local Government Act 2003 requires the Authority to have regard to the Department for Communities and Local Government's *Guidance on Minimum Revenue Provision* issued in 2012.

The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The CLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £2.9m and applied on a reducing balance basis.

For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets on a reducing balance basis, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Council, 24 February 2016

No MRP will be charged in respect of assets held within the Housing Revenue Account.

Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18

Based on the Authority's estimate of its Capital Financing Requirement on 31st March 2016, the budget for MRP has been set as follows:

	31.03.2016 Estimated CFR £m	2016/17 Estimated MRP £
Capital expenditure before 01.04.2008	38.0	0.9
Unsupported capital expenditure after 31.03.2008	13.0	0.3
Finance leases and Private Finance Initiative	0	0
Transferred debt	0	0
Total General Fund	51.0	1.1

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COUNCIL, 24 FEBRUARY 2016

REPORT OF THE DEPUTY CHIEF EXECUTIVE COMMUNITIES & RESOURCES

SUBJECT: MEMBERS' ALLOWANCES

SUMMARY

The Council is obliged to make a Members' Allowances scheme annually, before the 1st of April each year.

This report proposes no changes to the existing scheme as agreed at Council 25th February 2015, which established a reduction in the number of Special Responsibility Allowances.

In reviewing the scheme due regard was given to the June 2014 report of the Independent Remuneration Panel of London Councils and the allowances in the scheme were set with regard to their bands of recommendations.

RECOMMENDATIONS

It is recommended:

1. That the Members' Allowances scheme becomes effective from 1st April 2016 and the existing scheme be revoked with effect from the same date.

REPORT DETAIL

1. BACKGROUND INFORMATION – THE CURRENT SCHEME

- 1.1 The Local Authorities (Members' Allowances) (England) Regulations 2003 provide that a Local Authority shall make a scheme in accordance with these Regulations in respect of each year. Regulation 10 provides that such a scheme shall be made before the beginning of each year

commencing on 1st April. Such a scheme may be amended during the year, but only revoked and replaced with a new scheme with effect from the beginning of a year.

- 1.2 Under Regulation 19 of the 2003 Regulations, before an authority amends a scheme, it shall have regard to the recommendations made in relation to it by an independent remuneration panel.
- 1.3 The Council uses the London Council's Independent Review Panel in this regard and that panel has published a report, "*The Remuneration of Councillors in London 2014*", in June 2014. This report discusses the role of councillors and sets out recommended allowance levels. This includes special responsibility allowances.
- 1.4 The current level of allowances was agreed at Council on 25th February 2015 and incorporated the review of recommendations as agreed at an extraordinary meeting of the Council on 22nd October 2014.

Human Resource Implications and Risks:

None arising directly.

Legal Implications and Risks:

The 2003 Regulations provide for an allowance scheme to be made each year prior to, and with effect from, 1st April and the revocation of a scheme with effect from the same date.

The Regulations set out various detailed requirements in respect of:

- Publicity
- Categories of special responsibility allowances
- Basic allowances being the same for all members
- Co-optees allowances etc.

In addition, the Regulations provide that an Independent Remuneration Panel's report shall, as soon as reasonably practicable after it is received, be made available for public inspection and the main features of the report be published in one or more newspapers circulating in its area.

Regulation 19 provides that before a local authority makes or amends a scheme, the authority shall have regard to the recommendations made to it by an independent remuneration panel. This does not mean that a local authority has to adopt only those recommendations but it does mean that if an authority is going to depart from those recommendations it should objectively justify those departures and the rationale for them so that if the decision making of the authority is called in to challenge there are both reasoned and reasonable grounds for its decision taking into account all the material factors in issue.

Background Papers

None

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**Title: Deputy Chief
Executive
COMMUNITIES &
RESOURCES**

Telephone: 01708 432218

**CHERYL COPPELL
Chief Executive**

Background Papers

None

Members' Allowances Scheme

Agreed at the meeting of the Council on 24th February 2016:

The new Scheme is agreed with effect from 1st April 2016 and the revocation of the Members' Allowance Scheme (2015) is effective from 31st March 2016.

The Council of the London Borough of Havering in exercise of the powers conferred by the Local Authorities (Members Allowances) (England) Regulations 2003 hereby makes the following scheme:

- 1 This scheme may be cited as the Havering London Borough Council Members' Allowance Scheme. The new scheme shall have effect from 1st April 2016.
- 2 In this scheme, "councillor" means a councillor of the London Borough of Havering and "year" means the period ending on 31st March 2017 and any period of 12 months ending on 31st March in any year after 2017.

3 Basic allowance (Schedule 1)

Subject to paragraphs 7 and 11, for each year a basic allowance of £10,208 shall be paid to each councillor.

4 Special responsibility allowance (Schedule 1)

- (a) For each year a special responsibility allowance shall be paid to those councillors who hold the special responsibilities in relation to the Council that are specified in schedule 1 to this scheme.
- (b) Subject to paragraph 7, the amount of each such allowance shall be the amount specified against that special responsibility in that schedule.
- (c) When a councillor would otherwise be entitled under the scheme to more than one special responsibility allowance, then the entitlement shall instead be only to one of them, being the one attracting the higher rate.
- (d) Where a Member is also a member of another authority, that Member may not receive allowances from more than one authority in respect of the same duties.

5 Child and dependent care allowance

These expenses are expected to be met from the Basic Allowance.

6 Renunciation

A Councillor may, by notice in writing given to the Deputy Chief Executive Communities and Resources, elect to forego any part of his/her entitlement to an allowance under this scheme.

7 Part-year entitlements

- (a) The provisions of this paragraph shall have effect to regulate the entitlements of a councillor to basic and special responsibility where, in the course of a year, this scheme is amended or that a councillor becomes, or ceases to be, a councillor, or accepts or relinquishes a special responsibility in respect of which a special responsibility allowance is payable.
- (b) If an amendment to this scheme changes the amount to which a councillor is entitled by way of a basic allowance or a special responsibility allowance, then in relation to each of the periods:
 - (i) beginning with the year and ending with the day before that on which the first amendment in that year takes effect, or
 - (ii) beginning with the day on which an amendment takes effect and ending with the day before that on which the next amendment takes effect, or (if none) with the year.

The entitlement to such an allowance shall be to the payment of such part of the amount of the allowance under this scheme as it has effect during the relevant period as bears to the whole the same proportion as the number of the days in the period bears to the number of days in the year.

- (c) Where the term of office of a councillor begins or ends otherwise than at the beginning or end of a year, the entitlement of that councillor to a basic allowance shall be to the payment of such part of the basic allowance as bears to the whole the same proportion as the number of days during which his/her terms of office subsists bears to the number of days in that year.
- (d) Where this scheme is amended as mentioned in paragraph 7(b), and the term of office of a councillor does not subsist throughout the period mentioned in paragraph 7(b)(i), the entitlement of any such councillor to a basic allowance shall be to the payment of such part of the basic allowance referable to each such period (ascertained in accordance with that paragraph) as bears to the whole the same proportion as the number of days during which his/her term of office as a councillor subsists bears to the number of days in that period.

- (e) Where a councillor has, during part of, but not throughout, a year such special responsibilities as entitle him or her to a special responsibility allowance, that councillor's entitlement shall be to payment of such part of that allowance as bears to the whole the same proportion as the number of days during which he or she has such special responsibilities bears to the number of days in that year.
- (f) Where this scheme is amended, as mentioned in paragraph 7(b), and a councillor has, during part, but does not have throughout, the whole of any period mentioned in paragraph 7(b)(i) of that paragraph any such special responsibilities as entitle him or her to a special responsibility allowance, that councillor's entitlement shall be to payment of such part of the allowance referable to each such period (ascertained in accordance with that paragraph) as bears to the whole the same proportion as the number of days in that period during which he or she has such special responsibilities bears to the number of days in that period.

8 Travelling and Subsistence (Schedule 2)

- (a) Members can claim travelling expenses for travelling outside of the Borough on official Council business as set out in Schedule 2.
- (b) Members can claim subsistence expenses on official Council business when outside of the Borough as set out in schedule 2.

9 Claims and payments

- (a) Payments shall be made in respect of basic and special responsibility allowances, subject to paragraph 8(b), in instalments of one-twelfth of the amount specified in this scheme on the last working day of each month.
- (b) Where a payment of one-twelfth of the amount specified in this scheme in respect of a basic allowance or a special responsibility allowance would result in the councillor receiving more than the amount to which, by virtue of paragraph 7, he or she is entitled, then payment shall be restricted to such amount as will ensure that no more is paid than the amount to which he or she is entitled.
- (c) Payments in respect of Travel and Subsistence shall be made to the councillor on receipt of a claim form with supporting receipts/vouchers. Claims must be made within three months of the claim arising.

10 Pension Scheme

No Member in the scheme is entitled to apply for inclusion in the Pension Scheme.

11 Financial Limits

The Deputy Chief Executive Communities and Resources will arrange for the budget for members allowances to be monitored to ensure that budgetary issues are reported to Members.

(a) Increases in Allowances

Basic Allowances as quoted will be updated for 2016/17 by any 2016/17 increases as agreed under the annual Local Government Pay Settlement of the Joint Negotiating Committee for Chief Officers of Local Authorities or its replacement under the local pay agreement. The amounts so calculated are to be rounded up to be divisible for payment purposes.

The amended basic allowance will be found on the Internet once any annual % uplifts have been agreed.

The Travelling and Subsistence allowances will be increased in line with the increase in officer rates.

(b) Suspension of Basic and Special Responsibility Allowance

Where a Member is suspended, or partially suspended, from his/her responsibilities or duties as a Member of the Authority in accordance with Part III of the Local Government Act 2000, or Regulations made under that part, the part of Basic and Special Responsibility allowance payable to him/her in respect of the period for which he is suspended or partially suspended will be withheld by the Authority..

12 Mayor and Deputy

The Mayor and Deputy Mayor's allowance covers the cost of all Mayoral activities such as clothing, personal expenses and sundry expenses – including items such as attendance at dinners, raffle tickets, sponsorship and donations.

The Mayor and Deputy Mayor will be responsible for all such payments via the SRA, which will be taxed. The Council will meet the cost of:

- Havering Civic receptions, award pins and certificates at the civic award ceremony;
- Medals, certificates and frames in the event of there being any ceremony associated with Honorary Alderman/Freeman of the Borough awards;

- Gifts given on behalf of the Council in reciprocation or gifts initiated by the Council for promotional purposes;
- Maintaining and provisioning the beverage machine in the Parlour;
- Postage costs and all costs associated with the Mayoral transport, robes etc.

13 **Co-Optees and Independent Persons' Allowances**

The standard rate of allowance for statutory co-optees is £117 per meeting attended.

The Independent Person for standards of Members' Conduct will be paid an annual allowance of £1,000, in monthly instalments.

Co-optees *and Independent Persons* will be reimbursed for all travel costs in accordance with the above, whether the travel is within or outside the Borough, but will not be paid subsistence.

14 **Note**

- (a) The Council is required to keep a record of the payments made by it in accordance with this scheme.
- (b) The record is required to be available for inspection at all reasonable times free of charge by any local government elector for the borough who may make a copy of any part of it.
- (c) The Council is also required to arrange publication of the total sums paid in each year to each member in respect of basic and special responsibility allowances.
- (d) The Council is required to arrange publication of the Scheme when approved.

Schedule 1: Members' Allowances

Category of Allowance	Amount Per Member £
<u>Basic Allowance</u>	10,208
Special Responsibility Allowances:	
Leader of the Council	45,048
Deputy Leader of the Administration	31,420
Cabinet Members	28,780
Leader of Principal Opposition	14,418
Leader of Minority Opposition Groups	4,000
Mayor	12,000
Deputy Mayor	4,000
Overview and Scrutiny Board Chairman	14,418
Overview and Scrutiny Sub-Committee Chairmen	7,650
Licensing and Regulatory Services Committee Chairmen	14,418
Regulatory Services Committee Vice-Chairman	2,000
Licensing Committee Vice Chairmen	2,000
Audit, Pensions, Highways and Governance Committees Chairmen	7,650
Adjudication & Review Committee Chairman	2,000
Rainham & South Hornchurch Working Party Chairman	7,650

NOTES: The basic allowance will be uplifted each year in accordance with paragraph 11.

Schedule 2: Travel and Subsistence

Travelling expenses can only be claimed for travel outside of the borough on official Council business. The rules and entitlements for reimbursement of travel outside the Borough are the same as those for officers.

Subsistence allowances are only payable for official Council business outside the borough where the duties entail an overnight stay or working outside 'normal office hours'. Members will be reimbursed actual expenditure incurred up to the maximum of the rates set for officers.

Allowances are payable on the basis of expenditure incurred and receipts must be submitted to support claims for subsistence allowances and travel costs.

Travel and subsistence arrangements for key events will be set in line with the above. Taking account of the practicalities of arrangements however, these will be set out and documented by the Deputy Chief Executive Communities and Resources, prior to each event and be agreed with the Cabinet Member for Value.

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