



# CABINET

<b>8.00 pm</b>	<b>Wednesday 9 September 2015</b>	<b>Council Chamber - Town Hall</b>
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Members 9: Quorum 5

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 Meg Davis

Children and Learning

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

**Andrew Beesley  
Committee Administration Manager**

**For information about the meeting please contact:  
Grant Soderberg tel: 01708 433091  
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**Webcast**

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which is not in camera range.**

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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.

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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 ANNOUNCEMENTS**

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

### **2 APOLOGIES FOR ABSENCE**

(if any) - receive

### **3 DISCLOSURES OF PECUNIARY INTEREST**

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

### **4 MINUTES (Pages 1 - 8)**

To approve as a correct record the minutes of the meeting held on 8 July 2015, and to authorise the Chairman to sign them.

### **5 THE COUNCIL'S FINANCIAL STRATEGY 2015-16 (Pages 9 - 22)**

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**MINUTES OF A CABINET MEETING**  
**Council Chamber - Town Hall**  
**Wednesday, 8 July 2015**  
**(7.30 - 8.45 pm)**

**Present:**

Councillor Roger Ramsey (Leader of the Council), Chairman

Councillor Damian White

Councillor Robert Benham

Councillor Wendy Brice-Thompson

Councillor Meg Davis

Councillor Osman Dervish

Councillor Clarence Barrett

Councillor Ron Ower

**Cabinet Member responsibility:**

Housing

Environment

Adult Social Services and Health

Children and Learning

Regulatory Services and Community  
Safety

Financial Management

Housing Company Development  
and OneSource Management

Apologies were received from Councillor Melvin Wallace

Councillors Ray Morgon, Jeffrey Tucker, Ian de Wulverton, Keith Darvill and David Johnson also attended.

There were no members of the public present, but a representative of the press was in attendance.

There were no disclosures of pecuniary interest.

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

The Leader opened the meeting by reminding Cabinet that this was the Group Director of Children, Adults and Housing, Joy Hollister's last Cabinet meeting and, on behalf of Members, he wished her well in her future career and thanked her for all she had done whilst in Havering.

## 5 MINUTES

The minutes of the meeting held on 17 June 2015 were agreed as a correct record and were signed by the Chairman.

## 6 APPROVAL OF THE ROMFORD DEVELOPMENT FRAMEWORK

*Councillor Osman Dervish, Cabinet Member for Regulatory Services and Community Safety, introduced the report*

Cabinet was reminded that approval for the Romford Development Framework to guide the future development of the town over the next 20 years was sought. It would provide support to the Council to enable it to have more control over the quality of design and materials of the built form and clearly articulate its ambitions, preferences and improve engagement with prospective developers/landowners if adopted.

The Framework set out an ambitious but realistic physical vision for the town and the mechanism by which it would be delivered. It proposed six strategic objectives which sought to ensure Romford capitalised on the town centre's significant potential for economic growth – with the aim of delivering thousands of high quality new homes and jobs, attracting more shoppers and leisure visitors, and capitalising on property demand and value growth driven by the arrival of Crossrail in 2018/19.

The development Framework took a holistic view of the town centre and its key character areas rather than solely concentrating on the individual development opportunities. Character areas had been developed and the Framework provided specific guidance and principles for each of these which sought to control and influence new development in the individual areas.

More detailed proposals for each of the character areas and key opportunity sites had been underpinned by urban design analysis, viability appraisal and analysis of development constraints, to ensure that any barriers to delivery could be overcome within the requisite timescales. This analysis had provided the basis for the development of a town centre-wide Framework designed to strengthen Romford's identity, helping Romford over time to become more legible, coherent and prosperous.

Proposed guidance on development densities provided opportunities for residential led, mixed-use schemes providing high quality urban living for a new economically active community, whilst new social infrastructure brought forward in parallel with development would better serve the needs of existing residents in the town centre and beyond.

The Framework was broadly consistent with national and Mayoral planning policy and it would be taken forward as part of the evidence base of, and, subject to Member approval, be incorporated, as appropriate, in the emerging new Havering Local Plan. It would not be subject to public consultation nor adopted as a formal statutory planning document but would be taken into account as a material planning consideration by development management planners in pre-application discussions and / or the consideration of planning applications.

### **Reasons for the Decision**

It was recommended that Members approve the Development Framework. The Framework was intended to form part of the evidence base for the new Havering Local Plan, superseding the Havering Local Development Framework and the Romford Area Action Plan (2008) and, to that end, 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. It would also serve as a marketing tool for the town as well as a guide to developers.

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.

### **Alternative Options Considered**

Not to publish the Romford Development Framework. This option was considered and rejected as there was a need to have a clear and comprehensive set of principles that could be discussed with developers. The current Romford Action Plan did provide policy guidance and the Framework built on current policy but with an increased emphasis on high quality design.

Cabinet:

- (1) **Approved** the Romford Development Framework (which was a background paper to this report) and **agreed** that the Romford Development Framework should be a material planning consideration when considering development proposals.
- (2) **Agreed** to work proactively with developers and key stakeholders to bring forward developments that met the aspirations of the Framework and to take forward the actions proposed in the Framework.

## **7 LOCAL IMPLEMENTATION PLAN ANNUAL SPENDING SUBMISSION 2016/17**

*Councillor Robert Benham, Cabinet Member for Environment, introduced the report*

Cabinet was reminded that The Council made an annual Local Implementation Plan (LIP) Spending Submission to Transport for London

(TfL) for funding transportation initiatives. This was the major source of funding for transport for the Council.

The Submission had to be consistent with the Mayor of London's Transport Strategy, the Council's own adopted Local Implementation Plan strategy document and its approved 2014/15 to 2016/17 Three Year Delivery Plan. The Delivery Plan formed an important context for the submission for 2016/17 and, as in previous years, included the 'core' elements of the current year's submission.

TfL had informed the Council that Havering's indicative LIP funding for 2016/17 was **£2.822m** and later this year it must tell TfL in detail how it planned to spend this.

The report recommended that Cabinet's approval of the detailed and full LIP Submission (including its Principal Road Maintenance and Bridge Strengthening bids) should be delegated to the Lead Member for Environment prior to it being submitted to TfL in October 2015.

TfL was expected to confirm the funding for the proposed programme in the 2016/17 submission in late 2015 and, as in previous years, Members would be advised about the outcome.

This report confirmed that the Council would continue to explore additional opportunities for funding transport programmes/policies to supplement those from the LIP allocation such as other TfL funding streams (e.g. TfL Major Schemes funding, Bus Stop Accessibility Programme and the Mayor's Air Quality Fund), as well as other external funding sources and contributions from development proposals.

Additionally - and separate from the main TfL LIP funding stream - the Council would continue to develop public realm proposals for the areas around the stations at Romford, Gidea Park and Harold Wood as a result of funding secured through the Crossrail Complementary Measures funding package.

The report also explained that the Council was also starting to progress a Major Scheme Step-One funding application for public realm improvements to the A1306 in Rainham and was preparing a funding submission for the Mayor's Air Quality Fund.

**Reasons for the decision:**

The LIP Funding Submission was a statutory requirement submitted annually to TfL in order to secure funding for a range of initiatives in the Borough with a focus on transport but also encompassing public realm, safety and the environment. Without the LIP funding, it was extremely unlikely that the Council would have the resources to take these forward.

**Other options considered:**

There were no alternatives if the Council wished TfL to confirm its LIP funding award to Havering for 2016/17.



Cabinet

1. **Noted** the context provided by Havering's LIP strategy and its 2014/15 – 2016/17 Three Year Delivery Plan for the preparation of the Havering funding submission for 2016/17 (as set out in paragraph 2 of the report).
2. **Endorsed** the content of Havering's approved 2016/17 LIP Programme (as outlined in Appendix A to the report) as the basis of the Council's 2016/17 Spending Submission.
3. **Agreed** that the approval of Havering's full final LIP Funding Submission for 2016/17 be delegated to the Cabinet Member for Environment.
4. **Approved** that the Council sought other opportunities for investment in transportation initiatives from TfL including potential Major Scheme applications outside the LIP Annual Spending Submission process and those would be delegated to the Leader Member for Environment as necessary.

## 8 **ONESOURCE DELEGATIONS**

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

Cabinet was reminded that upon the establishment of the oneSource Joint Committee and the implementation of joint services, both Councils had delegated similar functions to the Joint Committee. These separate delegations had been reviewed and brought together into a single scheme of delegation suitable for approval by both Councils. The joint scheme of delegation would make it easier for both Councils and for the Joint Committee to appreciate the precise extent of what was delegated and what had been retained.

### **Reasons for the decision:**

To enable oneSource to operate more efficiently by having the same functions delegated by both Councils in similar terms.

### **Alternative Options Considered**

None. The only alternative option had been not to delegate afresh and for matters to continue on the current basis.

Cabinet **accepted** the report and **agreed** that the executive functions in Appendix 3 to the report be delegated to the oneSource Joint Committee; and **Referred to Council for approval** the remaining functions listed in Appendix 3 to the report which should also be delegated to the oneSource Joint Committee.

9 **CORPORATE PERFORMANCE REPORT: ANNUAL (2014/15)**

*Councillor Clarence Barrett Cabinet Member for Financial Management, introduced the report*

The report before Cabinet set out the Council's performance against the corporate performance indicators and annual targets for 2014/15 according to the five Living Ambition goals of the previous year's Corporate Plan (Environment, Learning, Towns & Communities, Individuals and Value).

The report identified where the Council was performing well (**Green**) and not so well (**Amber** and **Red**). The "RAG" ratings for 2014/15 were:

- **Red** = more than **10%** off the annual target and where performance had *not improved* compared to the same quarter last year
- **Amber** = more than **10%** off the annual target and where performance had *improved or been maintained* compared to the same quarter in the previous year
- **Green** = on or within **10%** of the annual target

Where the RAG rating was 'Red', corrective action had been included in the report. This highlighted what action the Council was taking to address poor performance, where appropriate.

Also included in the report was a Direction of Travel (DoT) column to compare:

- Short term performance – with the previous quarter (Quarter 4 / annual 2014/15 with Quarter 3 2014/15)
- Long term performance – with the previous year (annual 2014/15 with annual 2013/14)

**Reasons for the decision:**

To provide Cabinet Members with an update on the Council's performance against the Corporate Performance Indicators and annual targets in line with best practice.

**Alternative Options Considered**

N/A.

Cabinet:

**Reviewed** the performance indicators set out in Appendix 1 to the report and **noted** the corrective action that was being taken where necessary.

**Agreed** the proposed amendments to the performance targets for various corporate performance indicators set as part of the Corporate Plan and detailed in the report.

**Noted** the content of the Demand Pressures Dashboard attached at Appendix 2 to the report.

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**Chairman**

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## **CABINET** **9 September 2015**

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<b>Subject Heading:</b>	<b>The Council's Financial Strategy</b>
<b>Cabinet Member:</b>	<b>Cllr Roger Ramsey</b>
<b>CMT Lead:</b>	<b>Andrew Blake-Herbert</b>
<b>Report Author and contact details:</b>	Group Director Communities & Resources Mike Board Corporate Finance & Strategy Manager 01708 432217 mike.board@onesource.co.uk
<b>Policy context:</b>	The Council is required to approve an annual budget and to establish a financial strategy and this report forms the initial phase of that process.
<b>Financial summary:</b>	This report sets out the process for developing the medium term financial strategy for the Council
<b>Is this a Key Decision?</b>	No
<b>Is this a Strategic Decision?</b>	No
<b>When should this matter be reviewed?</b>	October 2016
<b>Reviewing OSC:</b>	Value

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

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

## **SUMMARY**

This report sets out the Council's medium term financial strategy to manage the implications of funding reductions and cost pressures over the next three years.

It sets out the process for bridging the funding gap with a view to achieving a balanced three-year budget.

It reviews the cost pressures faced by the Council and updates the financial model as reported to the Council in February 2015 when setting the Council Tax requirement for 2015-16.

It considers the implications for the local government financial settlement (LGFS) arising from the recent budget statement and sets out the timetable for updating the financial strategy over the coming months.

It also explains the process and timescales for identifying further cost savings and income generation proposals that are required to meet the funding gap.

All proposals will be subject to full and proper consultation, before any final decisions are made.

## **RECOMMENDATIONS**

Cabinet is asked to:

1. Note the original and currently projected budget gap and the assumptions upon which these have been based, and the risks associated with them.
2. Agree the draft Medium Term Financial Strategy, covering the period from 2016/17 to 2018/19, set out in this report.
3. Note that there is a range of risks and assumptions made as part of the development of this strategy and that updates will be provided to Cabinet should these vary.
4. Note that any alternative proposals from Overview & Scrutiny or opposition groups will need to be subject to a robust review before they can be considered for inclusion in the Council's budget and therefore must be submitted by 25<sup>th</sup> September prior to the next meeting of Cabinet on 21<sup>st</sup> October in order to be considered as part of the consultation process.
5. Note that a range of corporate strategies will be impacted by the budget strategy and these will need to be updated and approved accordingly.
6. Review the initial proposal to maintain a core capital programme of around £4.9m a year subject to a detailed review of available receipts.

7. Agree to receive a further report in October where savings and income generation proposals will be considered prior to agreeing a final list of proposals for formal consultation with the local community, stakeholders, other interested groups, staff and unions.
8. Note the advice of the Section 151 Officer in setting a robust budget.

<b>REPORT DETAIL</b>
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**1. STRATEGIC APPROACH**

- 1.1 In the report to Cabinet in February 2015, the Council set out a financial strategy which balanced the budget for 2015-16 and 2016-17 but required further savings of £5.8m to be found in 2017/18 and 2018/19.
- 1.2 Given the impact on the Council's budgets of demographic growth, and an ageing population, it is essential that the Council sets out a long-term strategy for bridging the financial gap. This report represents the start of that process.
- 1.3 The first step has been to review the progress to date in delivering the 2015-16 budget. All of the savings identified and agreed need to be fully delivered for the budget strategy to balance. Failure to do so can result in further cost pressures and a requirement to identify the means of funding them.
- 1.4 The second step was to consider and review the impact of cost pressures and corporate assumptions on the MTFS in future years.
- 1.5 The third step is to try and understand the implications for Havering of national announcements and indicative information around austerity, including the Chancellors recent budget announcements. The report considers the implications and risks for the Local Government Financial Settlement, although the 2016-17 settlement is not expected to be released until late December 2015 and will inform the finalisation of the budget process.
- 1.6 The final step has been to update the financial model in order to produce a revised savings target for the three year period to 2018-19.
- 1.7 Officers are currently developing a range of savings options to bridge the gap with the intention of presenting these to Cabinet on 21<sup>st</sup> October 2015.

**2. REVIEW OF 2015-16**

- 2.1 The Council approved a balanced budget in 2015-16 as part of its four year MTFS strategy as set out in the Council Tax report approved in February 2015. In establishing the starting point for the consideration of the 2016-17 budget it is necessary to review the latest budget monitoring position for 2015-16 to determine whether the Council is on track to deliver its out-turn in line with budget.

- 2.2 The first monitoring report of 2015-16 has indicated a potential in-year overspend against service department budgets of £6.7 million. This does not reflect any allocation from central contingencies, such as demographic growth. Neither does it reflect any alternative proposals which are expected to be developed to alleviate these pressures.
- 2.3 The 2015/16 forecast outturn as reported for period 3 is set out in the table below.

Directorate	Revised Budget	Forecast Outturn	Forecast Outturn Variance
	£'000	£'000	£'000
Communities & Resources	66,994	66,426	(568)
Public Health	2	2	0
Childrens, Adults & Housing	92,466	100,075	7,609
oneSource Non-Shared	333	(33)	(366)
<b>Sub total</b>	<b>159,795</b>	<b>166,470</b>	<b>6,675</b>
Contingency	2,000	2,000	0
<b>Revenue Total</b>	<b>161,795</b>	<b>168,470</b>	<b>6,675</b>
Dedicated Schools Budget	0	0	0
<b>oneSource shared</b>	<b>3,391</b>	<b>3,391</b>	<b>0</b>
<b>Grand Total</b>	<b>165,186</b>	<b>171,861</b>	<b>6,675</b>

- 2.4 The principle variances underlying the period 3 forecast rest in both Childrens and Adults services. Further analysis of the causes of the variances is being undertaken but Cabinet will be aware of the continued pressures of demographic growth in this area. There are also risks associated with the timing and delivery of savings proposals agreed as part of the 2015/16 budget strategy. Some of these risks may be mitigated by corporate measures outlined below but these variances will require careful management.
- 2.5 As Cabinet will be aware the demographic growth provision built into the budget is held corporately until it is demonstrated that it is needed. The remaining sum of £2.4 million is retained corporately and may be released to meet increased pressures identified in year, once it is clear if there are any mitigating actions the service can take.
- 2.6 Cabinet will also recall that a number of other budgets are retained centrally for specific purposes and are not released until their need can be demonstrated. The largest of these is the central contingency for contract inflation totalling approximately £1 million. It may be appropriate to release this as a partial offset against pressures and will be considered as part of the on-going budget monitoring process.
- 2.7 Central provision also exists for £1.4 million in un-ringfenced grants which relate to Childrens and Adults services. Officers will be asked to consider whether these grants can be used to mitigate the overspend, although the release of these budgets will be dependent upon the approval of a spending plan.



- 2.8 The overall budget also includes a general contingency of £2 million. This was established to ensure that the Council's budget is robust, and able to provide financial stability to enable adverse in-year variances to be overcome. The level of this budget is re-assessed annually as part of the budget-setting process. In accordance with previous practice any allocations from contingency will not be considered until all other measures have been explored. This contingency is designed to enable the Council to resolve any in-year issues that cannot otherwise be contained within approved budgets. It is not however available to fund permanent, on-going changes; these need to be resolved as part of the formal budget-setting process. Cabinet will also be aware that the contingency is due to be reduced to £1 million in 2016/17 as set out in the MTFS.
- 2.9 Members will note that the level of potential overspend could be covered from the demographic growth and central budget provisions identified in notes 2.3 to 2.6 above. However, CMT are reviewing progress in implementing savings plans and expect alternative proposals to be put in place in order to bridge the gap and minimise the call on contingency. The position will continue to be reviewed as part of the budget development process and reported to Cabinet at regular intervals. Whilst appreciating the heightened level of risk, CMT still expect the 2015-16 out-turn to be delivered in line with budget; however it does raise the prospect of additional costs pressures materialising during 2016-17 and beyond.

### **3. PROSPECTS FOR THE LOCAL GOVERNMENT FINANCIAL SETTLEMENT**

- 3.1 The Government is expected to announce the Local Government Financial Settlement in December 2015 at which point the MTFS model will be adjusted to reflect the latest financial position. Any changes in the strategy will be reported to Cabinet in January 2016 and will also be reflected in the final budget report to Council.
- 3.2 The MTFS model reflects officers best estimate of the settlement based upon previous announcements and indicative information. However, the settlement remains highly complex and the continued pressure on the level of public spending make it all the more difficult to predict. Officers will continue to review the position and advise Cabinet of material changes in the model throughout the development of the MTFS and 2016-17 budget.
- 3.3 Following the General Election in May 2015 the new Conservative Government has made a number of announcements;
- 3.4 There are initial in year 2015/16 savings requirements relating to Public Health, £200m is to be taken back nationally, and they are currently consulting on how this will happen, the impact to Havering is likely to be in the region of £700k.
- 3.5 There have been announcements about a delay to part of the implementation of the Care Act, in respect of the element relating to self funders. Councillors will remember that this was always flagged as a risk in the budget, but a significant element of this risk has now been moved back, although there are still others relating the Care Act.

3.6 The Chancellor produced the first budget which contained a number of announcements of relevance to Local Government. These include:

- £17bn of cuts to welfare and tax avoidance.
- Real terms cuts to unprotected departments of £20bn by 2019/20 – who are being asked to work up what 25% and 40% cuts would look like.
- Local Government funding reductions to be phased over three years; 2016/17 to 2018/19.
- Increase in the minimum wage, to £9 by 2020.
- Social housing rents to be reduced by 1% a year for four years from 2016.
- Local Government pay increases capped to 1% per annum for four years.

3.7 At this stage it is extremely difficult to model the precise impact for Local Government. Further detail will be required to understand the specific funding streams affected and how and when they will change. More detail is expected to be available when the Government issues its Autumn statement in early December with the provisional settlement planned to be released later in that month. However, it is clear is that further cuts in Local Government funding are inevitable and action needs to be taken now to adapt the Council's financial strategy.

#### **4. ADDITIONAL PRESSURES AND THE MTFS MODEL 2016-17 TO 2018-19**

4.1 Based upon the financial modelling carried out on the Council's behalf by LGFutures, and from our own analysis of the Government's budget announcements it is considered prudent to provide for further reductions in Havering's grant funding of approximately £8.3m over the current MTFS cycle.

4.2 Given the on-going pressures on services faced by the Council the provision for demographic growth has also been increased by a further £2m for the purposes of financial modelling, over the same time period.

4.3 After taking these matters into consideration the savings gap determined through the MTFS model has been re-stated below. Cabinet will note that while the strategy remains on track for 2015-16 and 2016-2017 the level of savings likely to be required in the final two years are significant.

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Savings gap</b>	<b>0</b>	<b>0</b>	<b>7.5</b>	<b>8.5</b>	<b>16.0</b>

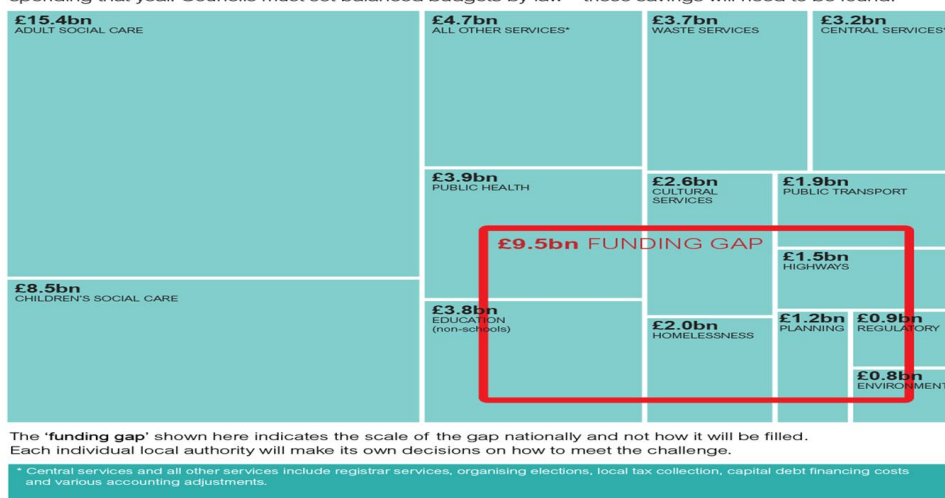
4.4 In arriving at a revised savings gap no account has been taken of any additional pressures reported at period 3 of the current year beyond the need to increase the provision for demographic growth. Where in-year budget variances give rise to on-going pressures service departments will be expected to bring forward additional proposals to bridge the gap. This would in effect increase the savings beyond the £16m outlined in the table.

**5. BRIDGING THE GAP**

- 5.1 Proposals are currently being formulated to bridge the funding gap identified in Para 4.3 above. Officers have been working on a number of different initiatives to identify potential savings proposals. These involved various individual service reviews, some Council wide ones, as well as looking at some significant income generations schemes. There is a increased focus on demand management and trying to hold down some of the cost pressures that the Council is facing. Proposals to manage costs pressures are expeted to be brought forward for consideration by Cabinet during the Budget cycle. On top of this staff have also been engaged through the big ideas programme to generate potential savings proposals.
- 5.2 A number of staff have now been placed in to, “hot house” groups to work up the suggestions that came forward to see if any of them have the potential to be taken forward in a meaningful way. There are four groups of these looking at options under the following headings:
- Digital inclusion
  - Commercialisation / income generation
  - New technology
  - Efficiency savings
- 5.3 The process for identifying and testing these proposals is to be completed by the end of September and full details of each of the options will be included in the report to Cabinet on 21<sup>st</sup> October 2015.
- 5.4 Councillors or Groups are also being asked to put forward any alternative budget proposals for consideration. As requested by the Leader and covered in the last full Council meeting, officers have been running a number of budget sessions; firstly on the overall position referenced in this report and then on the specific service areas and what they actually do and what could be done differently.
- 5.5 The feedback on these sessions appears to have been very positive and the aim of these was to support Councillors in their understanding of the services and their costs to enable alternative budget proposal to be put forward. The deadline for these, so there is time for them to be considered before the production of the October cabinet report is end of play on the 30<sup>th</sup> September 2015.
- 5.6 The chart below from the Local Government Association shows the potential savings required nationally from local government. The red box representing the level of savings required which could be placed anywhere on the chart shows the size and scale of the likely savings and that there will be no easy options to close the financial gap faced.

## MEETING THE GAP

Local government faces a **funding gap** of **£9.5 billion** by 2019/20. This is more than 17 per cent of projected spending that year. Councils must set balanced budgets by law – these savings will need to be found.



## 6. IMPLICATIONS FOR COUNCIL TAX

- 6.1 In setting the 2015-16 budget, and given the scale of cost reductions required the Council approved an increase in Council Tax of 1.99% and proposed to make further increases in Council Tax for the remaining three years of the MTFs. Cabinet will be mindful that increases of 2% or more will almost certainly be subject to approval through a public referendum. For the purposes of preparing the model it has been assumed that increases of 1.99% per annum will be implemented. The alternative to this approach is to identify further reductions. Cabinet believe they have pushed the efficiency and organisational changes to the limit of its appetite for risk. However, this is a matter that will be further considered in the October report and during discussions with Overview and Scrutiny and in the budget consultation period.

## 7. CONSULTATION AND ALTERNATIVE BUDGET PROPOSALS

- 7.1 The additional savings and income generation proposals will be considered by Cabinet on 21<sup>st</sup> October along with an update to the MTFs strategy. These proposals will subsequently be considered by Overview & Scrutiny, and will be subject to consultation prior to inclusion in the draft MTFs and Council Tax setting report for 2016/17.
- 7.2 Given the overall scale of the budget gap should any of the proposals be rejected, either at the joint Overview and Scrutiny meeting or Cabinet meeting, alternative proposals will need to be put forward. These proposals will also need to be the subject of a robust review process, including, where appropriate equalities impact assessments.

## 8. EXPENDITURE AND PERFORMANCE

- 8.1 LGFutures recently carried out an analysis of Council spending based upon statutory Government returns relating to the 2014/15 budget. In doing so they were able to make comparisons of Havering's expenditure against two distinct groups:

- Nearest Neighbour Group (NN) – 16 authorities with similar demographic and socio-economic characteristics (mainly outer London boroughs)
  - Comparable English Authorities (CEA) Group – 123 authorities with similar functions and responsibilities.
- 8.2. The detailed report has provided an analysis of Havering's budgets as compared with similar authorities. Havering's lower spending is a reflection of national funding restrictions which have been discussed at some length in previous reports. However, it does enable comparisons to be made at service level and most interestingly highlights areas of service expenditure which appear higher than that of our comparable authorities.
- 8.3 The key findings of the report were as follows:
- Overall Havering's total unit costs were 11.9% lower than its NN average and 21% below the CEA average.
  - Adults and Children's Social Care account for over 50% of budgeted expenditure and therefore have the greatest influence on overall unit costs.
  - Havering has lower unit costs in Adult Social care but higher than average unit costs for Children's Social Care.
  - For most other services Havering's unit costs were below the NN and CEA average.
  - For 2014/15 Havering's total unit costs are within the lowest 13% of its NN group and lowest 3% of its CEA group.
  - Its unit costs for Children's Social Care are within the highest 13% of its NN group and highest 10% of its CEA group.
- 8.4 The findings will be of help at a time when the Council is seeking to develop additional budget proposals to bridge the gap in the MTFs. However, Cabinet should also be mindful that the analysis was based upon the 2014/15 data and will not reflect the impact savings agreed as part of the 2015-16 budget process.

## **9. SPECIFIC BUDGET ISSUES**

9.1 There are a small number of specific issues which have a significant impact on the budget, which are addressed below. These have been highlighted in previous reports to Cabinet, but are raised here so Cabinet is aware of them in the context of the development of the future budget strategy.

### **9.2 Freedom Pass**

The Council's current contribution to the concessionary fares scheme stands at just below £8m. Havering has seen lower rises than other boroughs, due to our comparative usage figures, and this is reflected in the proposed future strategy. An increase of £300k per year is included in the model. There remains a risk that a significant rise in usage could affect Havering's contribution, particularly now TfL has become responsible for more stations.

**9.3 Levies**

There are a number of levies raised on Havering, the largest of which is East London Waste Authority (ELWA). The overall levies budget is just under £14m, of which the biggest element, ELWA, is around £13m. The ELWA levy is predominantly made up of the Shanks contract. The budget strategy is based on the most recent forward plan for the Authority. Going forward there are risks associated with waste tonnages, as the levy reflects these, so a disproportionate rise will affect the distribution between the constituent Councils.

**10 IMPACT ON COUNCIL STRATEGIES**

10.1 The budget strategy and the savings proposals to be considered by Cabinet at the October meeting may impact on a number of strategies previously agreed by the Council, through either Cabinet or Cabinet member delegation. On the assumption that Cabinet agrees the proposals, after considering the views of the joint Overview & Scrutiny Committees, these proposals will be subject to a formal consultation process. Depending upon the nature of the approved savings proposals it may be necessary to undertake a concurrent review of any strategies affected and to submit these for approval, and any necessary consultation process, over the coming months. Cabinet is asked to note this.

**11. CAPITAL PROGRAMME**

11.1 The report to Cabinet in February 2015 included an indicative programme for 2016/17 as set out in the table below.

Description	2016/17 £000's
Parks, Libraries, Leisure & Cemeteries	1000
Street Environment	2000
Protection of Assets and Health and Safety	500
IT Infrastructure	1000
Regeneration	100
Disabled Facilities Grant (Council element)	300
Total	4900

11.2 The current core programme is funded exclusively from capital receipts generated from the disposal of assets. The projected budget gap makes no allowance for any cost arising from prudential borrowing. Should there be insufficient receipts to finance capital spend, it would either need to be reduced to fit within the available receipts, or funded through borrowing; the latter measure would then need to be taken into account as part of the overall budget strategy, as it would increase the existing budget gap.

11.3 A further review of available receipts is currently underway and once completed, an assessment will be taken of the overall sum available. From this, proposals for a long term core capital programme will be drawn up for consideration as part of the formal budget setting cycle during January and February. This will include detailed schemes within each element of the core programme. As part of this, the potential to generate additional receipts from

the disposal of surplus properties will be identified, should this be needed to continue to deliver a similar programme in future years.

- 11.4 At this stage, Cabinet is asked to agree in principle to an overall core annual programme of £4.9m for 2016/17. This will enable officers to draw up detailed schemes for later in the budget setting cycle.

## **12. BUDGET ROBUSTNESS**

- 12.1 The Council is required to set a balanced budget, taking into account a range of factors, including appropriate consultation and equality impact assessments. A key factor is to ensure that Cabinet are made aware of the advice of the Council's Chief Finance Officer (CFO) in making decisions relating to the Council's budget.
- 12.2 The Local Government Act 2003 sets out requirements in respect of Financial Administration, and in particular to the robustness of the budget and the adequacy of General Fund reserves. The Act requires the CFO to report to an authority when it is making the statutory calculations required to determine its Council tax or precept. The Act also suggests the advice should be given prior to the formal statutory calculation. This advice has therefore been given to both Cabinet in formulating proposals and to members of Overview and Scrutiny in considering the proposals, as part of previous budget setting cycles.
- 12.3 The advice of the CFO was set out at some length in the report to Cabinet in February 2015, in Appendix H of that report. Cabinet is asked to be mindful of this advice in reviewing proposals as they are brought forward for consideration during the budget development process when these are subsequently scrutinised by the Overview & Scrutiny Committee, and in then considering any alternative proposals. In particular, the need to set a balanced budget within the context of a medium term financial strategy is a prime responsibility for the CFO.

## **REASONS AND OPTIONS**

### **Reasons for the decision:**

It is essential that the Council's financial strategy takes due account of Government plans and any other material factors where these are likely to have an impact on the Council's financial position. This report sets out the process for developing the Council's budget strategy for the next three years and reflects the expected continued Government approach of reduced levels of funding.

### **Other options considered:**

None. The Constitution requires this as a step towards setting the Council's budget.

## **IMPLICATIONS AND RISKS**

### **Financial implications and risks:**

The Council's budget process will ensure that financial implications and risks are fully met. There are continuing risks with the potential impact on funding arising from both the Budget and Comprehensive Spending Review (CSR) announcements, as highlighted in both this and the previous report to Cabinet. The steps already taken by the Council should mitigate this, but it is evident that a longer term approach now needs to be considered, as the potential scale of the future budget gap could prove to be even bigger than the gap the Council is currently addressing.

There are considerable risks in the medium to longer term, with the continuing economic uncertainty as well as the likely impact of further funding changes. There are also considerable uncertainties stemming from the Care Act and the Children & Families Act, and although the Government has given an undertaking that new burdens will be funded, it remains to be seen what effect these will have locally and whether there will be any adverse financial impact. The Council therefore needs to maintain a prudent approach over its financial management and the budget setting process. It is essential that the Council puts a strategy in place to deal with the further reductions in Government funding.

The Council is required to set a balanced budget and the proposals that are made as part of the budget development process will need to be robustly reviewed, challenged and scrutinised, and consulted on wherever appropriate. The advice of the Section 151 Officer must be taken due account of within the budget setting process and that applies to all budget proposals, whenever they are put forward. This will mean a much more robust process will have to be applied to any alternative proposals put forward to those being made by the Administration; this could potentially necessitate formal consultation with the local community. All such proposals will be reviewed by the Section 151 Officer before they can be considered by Cabinet and Council.

### **Legal implications and risks:**

The Council is subject to a number of duties in relation to revenue, capital and procurement. For instance, as a Best Value Authority the Council is under a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." s 3 Local Government Finance Act 1999. The Council is also under an implied duty to set a balanced budget. Otherwise there are no apparent specific legal risks in adopting the recommendations set out in the report, providing appropriate consultation is carried out at all stages.

### **Human Resources implications and risks:**

The Council continues to work closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner.



All savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy and associated guidance.

**Equalities implications and risks:**

This report sets out the Council's medium term financial strategy to manage the implications of funding reductions and cost pressures over the next three years, so that it is able to operate with a balanced budget and ensure the continued running of the most valued, and statutory, public services.

The Council faces significant challenges in achieving a balanced budget, not only in terms of funding reductions, but also in terms of the rising demand for services, brought about by Havering's increasing older demographic, as well as major national policy pressures such as the implications of the Care Act.

Proposals are currently being developed to bridge the funding gap and will be considered by Cabinet in October. Where proposals affect staff, service users, or indeed the wider population, they will need to be thoroughly analysed for disproportionate negative impact, with mitigating actions identified to minimise any negative impact. All proposals will be subject to consultation with Councillors, staff, service users and the general public as appropriate before any final decisions are made.

**Other Risks:**

There are no particular other risks arising, other than a very short timescale to properly analyse the LGFS announcements whenever they eventually occur. This is being planned for but much of the detail will have to await the final announcements and publication.

**BACKGROUND PAPERS**

There are none.

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