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REVENUE BUDGET STRATEGY

The Council will ensure that there is an effective Medium Term Financial Strategy in place to drive forward the financial planning process and resource allocation. The financial strategy will be determined by priorities set out in the Council's Living Ambition vision and detailed in its Corporate Plan.

The Council is clear about, and remains committed to, its *Living Ambition*, the long-term vision for the future of the borough, which is to provide Havering's residents with the highest possible quality of life, in a borough that thrives on its links to the heart of the capital, without ever losing the natural environment, historic identity and local way of life that makes Havering unique.

Underpinning the *Living Ambition* are five key goals: Environment, Learning, Towns and Communities, Individuals and Value, with a number of strategic objectives under each Goal. The Council is committed to allocating resources in a way that will support the achievement of these objectives.

The Council recognises the pressures on its budget, and while seeking to protect and enhance front-line services as far as possible, will aim to contain these pressures within existing resources. Cabinet Members will examine all budget pressures and seek reductions where possible.

The Council will wherever possible seek new funding and explore new ways of working. The Council will continue to look at new methods of service delivery to improve services to the public and the value for money that they provide, including working in connection with a range of other organisations and groups.

By becoming an increasingly 'connected council', Havering will continue to seek to improve efficiency and deliver better value for money. In particular, the Council will aim to identify efficiencies that will not impact on the delivery of key services to local people. Its focus will be on identifying ways to reduce the cost to tax payers of running those services.

The Council will ensure that, given the severe financial pressures it has already faced and is continuing to face, growth will only be supported in priority areas, and only where these are unavoidable. However, the Council will expect the Government to ensure that adequate funding is made available to fund any additional costs arising from new burdens placed on Havering, or from services transferred to it.

The Council will ensure that the most vulnerable members of its community are protected, will continue to lead in the development of social cohesion, and will ensure that the services provided and resources allocated reflect the diverse nature and needs of our local community and our responsibilities to the local environment.

The Council will lobby to ensure that the Government provides adequate funding to take on any new responsibilities and to illustrate the impact of the low funding basis for Havering and its residents, but will ensure that, in broad terms, its spending is in line with the basis on which the Government allocates grant funding, and that

spending levels will be realigned against any reductions in funding. The Council will therefore continue to reduce its spending where the Government removes funding, in line with the relevant level of reduction.

The Council will engage with its local community, its partners and individual stakeholders in developing financial plans, and will reflect on the outcome of its consultation process in the identification of priorities and the allocation of resources.

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

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

The Council will seek to ensure that sufficient financial resources are available to enable it to deliver a long-term savings plan within the constraints of funding available to it from both local taxpayers and the Government, and will seek to utilise any unallocated funds with that purpose in mind.

The Council will adopt a prudent capital programme designed to maintain and where possible enhance its assets, in line with the Living Ambition.

The Council will finance capital expenditure through a combination of external funding and receipts from the sale of assets that are deemed surplus to requirements, and will only apply prudential borrowing as a last resort, unless a business case can be made to finance investment through borrowing, or where there is an income or savings stream arising from the investment.

The overarching objective of the Council's financial strategy remains to deliver high quality, value for money services to our community, whilst ensuring that the cost of those services is compatible with the level of funding provided to it by the Government.

CAPITAL BUDGET STRATEGY

The capital budget strategy sets out the Council's approach to capital investment over the medium term. It has been developed in consultation between senior officers, Members and the Council's key strategic partners and is integrated with Havering's *Living Ambition*, set out in the Council's Corporate Plan.

The Council will ensure it engages with the local community and wider stakeholders in developing its financial plans.

The Council has adopted a prudent capital programme in line with the *Living Ambition* designed to:

- protect, maintain and develop existing assets and infrastructure – the backlog of repairs to existing assets such as school buildings, office accommodation, and infrastructure assets such as roads and paths;
- develop new facilities for which there is significant public demand or upgrading assets to meet the expectations of local people, and obtaining value for money from the use of our assets and resources;
- support the delivery of the Council's transformation programme and further initiatives to improve efficiency and effectiveness e.g. through the adoption of new technology to release revenue savings or improve service delivery to the community.

The Council will seek to continue to improve efficiency and value for money, in particular to:

- maximise asset utilisation;
- ensure assets are fit for purpose and health and safety compliant;
- facilitate and promote community use;
- explore alternative management arrangements e.g. leases to community groups;
- explore opportunities for innovative ways to procure and deliver capital projects to maximise the resources available;
- consider the wider aspects of capital projects, for example whole life asset costs, equality and diversity, and environmental implications;
- investigate shared usage/ownership arrangement with other local authorities, partners and stakeholders.

As well as the above, the Council's approach to capital asset management includes the review of existing assets in terms of suitability for purpose, alternative and future use, and maintenance requirements. The aim for the Council to rationalise its asset portfolio and only hold assets that support the delivery of its goals, offer value for money or in some other way are important for community, heritage or other significant social purpose.

The capital budget strategy is intrinsically linked to the revenue budget strategy. The revenue implications of capital expenditure and funding decisions are explored and accounted for on an ongoing basis. These are reflected as appropriate and include the consideration of the challenging financial climate which the Council faces.

The Council will finance capital expenditure through a combination of:

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

Each funding stream is considered in terms of risk and affordability in the short and longer term.

The current and future economic climates have a significant influence on capital funding decisions. As a result planned disposals are kept under regular review to ensure the timing maximises the potential receipt where market conditions are not favourable.

Capital expenditure will only be permitted where funding streams have been identified and confirmed. Prudential borrowing will only be used as a last resort, unless a business case can be made to finance the investment from an income or savings stream.

Every effort is made to maximise grant funding, leverage opportunities and other external funding opportunities, where they are consistent with the Council's *Living Ambition* vision, goals and other specific strategies. Use of grant funding will however only be made where the cost to the Council is minimised or where this – both capital and revenue – can be contained within existing resources.

Where expenditure is to be financed through capital, this will only occur where funds have been realised. Neither capital receipts generated through disposals nor S106 contributions are committed until they are actually received. This is due to the complex conditions and timing issues that can be associated with them.

The Council is also continuing to attract private investment into Council facilities through exploration of potential partnership and outsourcing arrangements.

This funding approach has been made with reference to the Council's current and longer term financial position, the prudential code, the current and projected economic climate, and the Council's asset management strategy as set out in the Corporate Asset Management Plan.

The capital programme will be reviewed on an annual basis. This will consider items such as new funding opportunities and Member priorities. In year changes e.g. the

availability of additional external funding, will be made on an ongoing basis as part of routine programme management. These will be implemented with regard to the Council's Constitution and agreed procedures.

GOVERNMENT GRANT & ASSOCIATED MATTERS

LOCAL GOVERNMENT FINANCIAL SETTLEMENT 2014/15 BRIEFING

The Department for Communities and Local Government were expected to issue the final Local Government Finance Settlement for 2014/15 during the first two weeks February, following the close of consultation on the provisional settlement on 15th January 2014.

This is potentially too late for inclusion in this report, therefore supplementary information will be provided to Cabinet to reflect the final settlement and any changes from those contained in the provisional one.

A detailed analysis of the provisional announcement was contained in the January report to Cabinet. The main points affecting local government in general, and Havering in particular, are summarised in the body of this report.

One issue highlighted in particular in the January report was the impact of scaling. This is covered in detail below.

Effects of Scaling

Introduction

On the 18th of December 2013, the Department for the Communities and Local Government released exemplifications of the 2014/15 and 2015/16 financial settlement. Similar to previous year's settlements, the use of scaling on Havering's Settlement Formula Assessment (SFA) has been used to reduce Havering funding in line with the control totals placed on local government. This paper is designed to show the effects of scaling on two non-ringfenced grants, one of which has been rolled into the SFA and the other to demonstrate the potential effects of scaling.

Council Tax Support Grant

Council Tax Support (CTS) replaced Council Tax Benefit (CTB) as part of the localisation agenda in 2013, with the aim to support those on low incomes with their council tax bills. Prior to CTS, funding was provided to local authorities to cover the full costs of these benefits. When CTS was localised to local authorities, the DWP reduced the grant by 10% as part of their cost cutting measures, leaving Havering with decision on how to find the £1.5m shortfall. In addition to this reduction, the exemplifications provided from DCLG as part of the 2014/15 settlement shows how CTS has been rolled up into the core formula grant and now faces reductions as a result of scaling.

As part of the scaling process, the CTS grant has had to be split between RSG and business rates in order to roll the grant into the formula and apply the appropriate

level of reductions. The table below shows the reductions as a result of scaling summarised from the DCLG's "settlement breakdown" exemplification.

Table 1 – impact of scaling on Council Tax support funding

	RSG	Business Rates	Total
2013/14	8,135,525	5,412,342	13,547,867
Scaling / Inflation (25.3%) / 1.95%	(2,063,055)	105,432	(1,957,622)
2014/15	6,072,470	5,517,774	11,590,244
% (Reduction) / Increase	(25.36%)	1.95%	(14.45%)
Scaling / Inflation (32.2%) / 2.76%	(1,958,290)	152,295	(1,805,995)
2015/16	4,114,180	5,670,069	9,784,250
% (Reduction) / Increase	(32.25%)	2.76%	(15.58%)
Total (Reduction) / Increase	(4,021,344)	257,727	(3,763,617)
Total Percentage (Reduction) / Increase	(49.43%)	4.76%	(27.78%)

Excluding the effects of the 10% reduction placed on local authorities, Havering faces a 27.78% (£3.7m) reduction in Council Tax Support within Havering's Settlement Funding allocation. This is a significant reduction in funding which Havering is not able to cover.

Council Tax Freeze

The council tax freeze grants have been awarded to authorities for keeping their council tax increase at or below 0%. Following the 2014/15 settlement release, the original 2011/12 council tax freeze grant has started to be reduced. This raises concerns over the existence of the grant in future year as these have the possibility to be reduced further, rolled into the formula facing similar level of reductions as Council Tax Support or removed completely. Annex 1 shows the current loss in council tax freeze grant and the potential loss of grant if the council tax freeze grant faced the same level of scaling as included in 2014/15 and 2015/16 settlements.

Havering had the option to increase its council tax and benefit further by the growth in its taxbase however with the offer of an unringfenced grant to cover a freeze Havering council opted not to increase its council tax. With the possibility of reductions or removal of any of the freeze grants, raises the question over the financial viability of the grants any further that will be on offer.

Conclusion

Since the council tax support was localised Havering by 2015/16, will have seen a reduction in funding of £5.2m including the initial 10% cut passed on from the DWP. As a result of such a large reduction in funding, Havering will be given no option but to redesign the scheme to reduce eligibility as the sums involved are too large to self-fund. The overall impact although difficult to predict however this has the potential to increase the demand in other benefits and further hardship for those most in need. The impact of rolling the council tax freeze grant into the formula could have significant impact of service delivery for Havering. Currently, we have seen a small

reduction in Havering's original 2011/12 council tax freeze grant and the removal of the 2012/13 allocation however with the potential the levels of scaling we are currently seeing, Havering freeze grants could reduce significantly giving no option for significant council tax rises in future years.

Table 2 - Reductions in Council Tax Support in 2014/15 and 2015/16 settlement as a result of scaling.

	2011/12 Freeze Grants 2.5%	2013/14 Freeze Grant 1%	2014/15 Freeze Grant 1%	2015/16 Freeze Grant 1%	Total
2013/14 grant	2,680,191	1,097,611	1,103,729	1,103,729	5,985,260
Scaling based on 14/15 reduction	(387,288)	(158,605)	(159,489)	(159,489)	(864,870)
Scaling based on 15/16 reduction	(357,234)	(146,297)	(147,113)	(147,113)	(797,757)
Total Reduction	(744,522)	(304,902)	(306,601)	(306,601)	(1,662,627)
Potential Grant if scaled	1,935,669	792,709	797,128	797,128	4,322,633

Table 3 – Reductions / loss in Council Tax Freeze grants to date.

	2011/12 Freeze Grants 2.5%	2012/13 Freeze Grants 2.5%	2013/14 Freeze Grant 1%	2014/15 Freeze Grant 1%	2015/16 Freeze Grant 1%
Year 1	2,680,191	1,083,187	1,097,611	1,103,729	1,103,729
Year 2	2,668,209	0	1,097,611	1,103,729	1,103,729
Year 3	2,667,316	0	1,097,611	1,103,729	1,103,729
Total Reduction	12,875	1,083,187	0	0	0

APPENDIX C

SPECIFIC GRANTS

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC RINGFENCED 2014/15 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2014/15 £000's	TOTAL RSG AND BUSINESS RATES 2014/15 £000's
CHILDREN ADULTS AND HOUSING	ADULTS	DOH	NHS for Social Care Grant (Better Care Fund from 2015/16)	0.00	0.00	3,599.51	4,609.38	
CHILDREN ADULTS AND HOUSING	ADULTS	DOH	Local Reform and Community Voices	0.00	0.00	176.14	181.64	
CHILDREN ADULTS AND HOUSING	ADULTS	DOH	Guaranteed Income Payments for Veterans Grant 2012/13	0.00	0.00	1.48	0.00	
CHILDREN ADULTS AND HOUSING	ADULTS	DOH	Learning Disability and Health Reform Grant	0.00	0.00	0.00	0.00	7,896.08
CHILDREN ADULTS AND HOUSING	CHILDRENS SERVICES	DFE	Social Work Improvement Team	158.62	0.00	0.00	0.00	
CHILDREN ADULTS AND HOUSING	CHILDRENS SERVICES	DCLG	Troubled Families	0.00	0.00	530.00	0.00	
CHILDREN ADULTS AND HOUSING	CHILDRENS SERVICES	DFE	Early Intervention Grant	0.00	0.00	0.00	0.00	6,130.74
CHILDREN ADULTS AND HOUSING	CHILDRENS SERVICES	YJB	Youth Offending Team	299.56	0.00	0.00	0.00	
CHILDREN ADULTS AND HOUSING	CHILDRENS SERVICES	DFE	Adoption Improvement Grant	104.75	0.00	390.89	0.00	
CHILDREN ADULTS AND HOUSING	CHILDRENS SERVICES	YJB	Children on Remand - New	0.00	0.00	74.23	0.00	
CHILDREN ADULTS AND HOUSING	CHILDRENS SERVICES	DFE	SEN Funding	0.00	0.00	75.00	0.00	
CHILDREN ADULTS AND HOUSING	BUSINESS AND PERFORMANCE	DOH	Zero based Review of Adult Social Care	0.00	0.00	59.06	0.00	
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	DFE	Dedicated Schools Grant	124,971.35	0.00	0.00	0.00	

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC RINGFENCED 2014/15 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2014/15 £000's	TOTAL RSG AND BUSINESS RATES 2014/15 £000's
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	DFE	Dedicated Schools Grant -New alloc for 2 year olds from 13/14	0.00	0.00	2,119.82	0.00	
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	DFE	Education Services Grant	0.00	0.00	3,510.60	3,326.22	
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	YPLA	YPLA Teachers Pay Grant	57.80	0.00	0.00	0.00	
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	YPLA	YPLA Pupil Premium Grant	5,051.55	0.00	0.00	0.00	
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	YPLA	LSC Havering College of Adult Education	181.77	0.00	0.00	0.00	
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	YPLA	LSC Havering Adult Education Central Office(FLIF/TTG funding)	1,086.50	0.00	0.00	0.00	
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	DCLG	Extended Rights to Free Travel	0.00	0.00	37.00	0.00	
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	DFE	HIAS Development Projects	36.84	0.00	0.00	0.00	
CHILDREN ADULTS AND HOUSING	LEARNING AND ACHIEVEMENT	DFE	Schools	426.69	0.00			
				132,375.42	0.00	10,573.73	8,117.23	14,026.82
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	CULTURE AND LEISURE	ARTS COUNCIL	Havering Music School	276.06	0.00	0.00	0.00	
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	CUSTOMER SERVICES		Births Deaths and Marriages	7.07	0.00	0.00	0.00	

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC RINGFENCED 2014/15 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2014/15 £000's	TOTAL RSG AND BUSINESS RATES 2014/15 £000's
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	ECONOMIC DEVELOPMENT		Environmental Stewardship	25.67	0.00	0.00	0.00	
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	HOUSING AND PUBLIC PROTECTION	DCLG	Homelessness Grant	0.00	0.00	0.00	0.00	394.02
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	POLICY AND COMMUNITY MANAGER	MOPAC	Mayors Funding for DIP and Community Safety	0.00	0.00	213.40	0.00	
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	REGENERATION POLICY AND PLANNING	DCLG	Community Rights to Bid	0.00	0.00	7.86	7.86	
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	REGENERATION POLICY AND PLANNING	DCLG	Community Rights to challenge new burdens - New	0.00	0.00	8.55	8.55	
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	REGENERATION POLICY AND PLANNING	DCLG	Flood Funding	0.00	0.00	77.53	77.53	130.03
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	STREETCARE	DCLG	Waste Collection - Green Rewards	0.00	0.00	462.76	399.46	
CULTURE COMMUNITY & ECONOMIC DEVELOPMENT	STREETCARE	DCLG	Waste Collection Campaign	0.00	0.00	127.04	126.50	
				308.80	0.00	897.13	619.89	524.04

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC RINGFENCED 2014/15 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2014/15 £000's	TOTAL RSG AND BUSINESS RATES 2014/15 £000's
PUBLIC HEALTH	PUBLIC HEALTH	DOH	Healthy Lives for Healthy People - Public Health Funding	8,833	9,717	0.00	0.00	
				8,833.40	9,716.74	0.00	0.00	-
RESOURCES	EXCHEQUER SERVICES	DCLG	Localisation Support for CT Transitional Grant Scheme	0.00	0.00	366.81	0.00	
RESOURCES	EXCHEQUER SERVICES	DWP	Rent Allowances	44,444.54	0.00	0.00	0.00	
RESOURCES	EXCHEQUER SERVICES	DWP	Disc Hsg Pay and App Imple	582.76	0.00	0.00	0.00	
RESOURCES	EXCHEQUER SERVICES	DWP	Rent Rebates	31,192.95	0.00	0.00	0.00	
RESOURCES	EXCHEQUER SERVICES	DWP	CT Support and HB Admin Grant	1,380.49	1,290.48	17.15	0.00	
RESOURCES	EXCHEQUER SERVICES	DWP	Housing Benefit Transitional Grant	0.00	0.00	91.06	0.00	
	EXCHEQUER SERVICES	DWP	Housing Benefit Welfare Reform Grant	0.00	0.00	20.76	0.00	
RESOURCES	EXCHEQUER SERVICES	DWP	Recession Funding	68.31	0.00	0.00	0.00	
RESOURCES	EXCHEQUER SERVICES	DCLG	Implementation of new CT Scheme	0.00	0.00	123.06	119.93	
RESOURCES	LEGAL AND DEMOCRATIC SERVICES	DCLG	Electoral Registration	0.00	0.00	9.99	0.00	
RESOURCES	EXTERNAL FINANCE	DCLG	Council Tax Freeze Grant Year 1	0.00	0.00	0.00	0.00	2,668.21

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC RINGFENCED 2014/15 £000's	SPECIFIC UNRING-FENCED GRANT 2013/14 £000's	SPECIFIC UNRING-FENCED GRANT 2014/15 £000's	TOTAL RSG AND BUSINESS RATES 2014/15 £000's
RESOURCES	COLLECTION FUND	DCLG	Business Rates	0.00	0.00	0.00	0.00	23,576.45
RESOURCES	RETURNED CAPITALISATION FUNDING	DCLG	Returned Capitalisation Funding 14/15					81.15
			TOTAL INCLUDING RSG, BUS RATES AND RET CAPITALISATION FUNDING	219,189.64	11,007.22	16,067.95	14,302.47	69,657.85

Note 1 : various grants have now been rolled into RSG/business rates, but are shown in the table above against their point of origin. The total of £69.658m corresponds with the overall funding figure shown in paragraph 3.2.5

Note 2 : the NHB figure for 2013/14 includes an additional sum for the distribution of a surplus. The figure for 2014/15 is the Government's assessment but a lower figure has been included in the budget, as set out in section 3.7.

LEVIES

The levies are as follows:

	2013/14 £000	2014/15 £000	% Increase (Decrease)	Estimated/ Provisional/ Final
East London Waste Authority	11,653	11,990	2.7%	Provisional
Environmental Agency (Thames)	173	173	0.05%	Provisional
Environment Agency (Anglian)	17	17	0.01%	Provisional
Lee Valley Regional Park	273	274	5.0%	Estimated
London Pension Fund Authority	319	334	4.7%	Estimated
	12,422	12,788	3.0%	

Note 1 : the ELWA levy is subject to approval by board at its meeting on 10th February 2014. Any amendment to the levy will be advised to Cabinet and reflected in the subsequent report to Council

Note 2 : all other levy figures are either provisional sums or estimates calculated using the same percentage figure pending confirmation from the levying body. A figure of 5% had been used for planning purposes and this is still reflected in the last two levies, the details of which are awaited

Note 3 : all levies will be affected by the change in calculation of the Council Tax base

COUNCIL TAX STATEMENT AND SUPPORTING INFORMATION**1. Collection Fund**

The Council is required to maintain a collection fund. Into this fund is paid all income from the Council Tax payers, and National Non Domestic Rate Payers (NNDR). From April 2013, it also includes Council Tax support payments. The precept set by the Greater London Authority and the requirements of the Council (which includes the levies) and paid from the Fund.

The balance on the fund estimated at 31st March 2015 has to be distributed to the GLA and Havering to reduce their individual elements of the Tax.

2. Band D equivalent and the Council Tax Base

The “Band D equivalent” is the number of properties in the Council’s area, equated to relate properties in all bands of the Council Tax to a Band D property, and is the basis of the figure used by the Government to allocate external finance.

The Council Tax base is this figure, after allowing for likely variations during the year in the number of properties on the register and likely losses on collection. The Council Tax base has been approved by the Group Director Resources under delegated powers and is 80,183 and it is this figure that is used to calculate the Council Tax.

APPENDIX E

LONDON BOROUGH OF HAVERING
PROVISIONAL COUNCIL TAX STATEMENT – 2014/15 BUDGET

2013/14		Estimate 2014/15	
£	Havering's Expenditure	£	
167,525,853	Service Expenditure	165,061,106	
2,000,000	General Contingency	2,000,000	
169,525,853	Havering's Own Expenditure	167,061,106	
	Levies		
11,653,000	East London Waste Authority	11,990,000	Provisional
172,822	Environment Agency (Thames)	172,904	Provisional
17,367	Environment Agency (Anglia)	17,368	Provisional
260,569	Lee Valley Regional Park Authority	273,597	Estimated
318,236	London Pensions Fund Authority (LPFA)	334,148	Estimated
12,421,994	Sub Total – Levies	12,788,017	
(12,374,328)	Unringfenced Grant	(14,302,473)	
169,573,519	Sub Total – Total Expenditure	165,546,650	
	External Finance		
(45,378,456)	Revenue Support Grant	(38,880,702)	Provisional
(9,032,069)	Business Rates Top-up	(9,208,018)	Provisional
(20,741,507)	National Non Domestic Rate	(21,632,207)	Provisional
(75,152,032)	Sub Total – External Finance	(69,720,927)	
477,000	Council Tax Deficit/(Surplus)	(913,000)	
	Business Rates Deficit/(Surplus)	920,395	
94,898,487	Havering's Precept on the Collection Fund	95,833,118	

2013/14		<u>The Collection Fund</u>		Estimate 2014/15	
£	£ p	Expenditure	£	£ p	Precepts
94,898,487	1,195.18	London Borough of Havering	95,833,118	1,195.18	
24,058,503	303.00	Greater London Authority (Provisional)	23,974,717	299.00	
20,741,507	261.22	London Borough of Havering Retained Business Rates (Provisional)	21,632,207	269.79	
13,827,671	174.15	Greater London Authority - Retained Business Rates (Provisional)	14,421,472	179.86	
34,569,179	435.37	Central Government - Retained Business Rates (Provisional)	36,053,679	449.64	
274,180	3.45	Cost of NNDR collection	272,168	3.39	
188,369,528	2,372.38	Total Expenditure	192,187,361	2,396.86	
		Total Income			
(69,412,537)	(874.20)	National Non-Domestic Rate	(72,379,526)	(902.68)	
118,956,990	1,498.18	NNDR receivable	119,807,835	1,494.18	
79,401		COUNCIL TAX per Band D property	80,183		
		Council Tax Base			
					Council Tax percentage change (0.3)%
		Council Taxes Per Property Band			Change
Valuation as at 1/4/91	£ p		£ p	£ p	
Under £40,000	998.78	Band A	996.11	(2.67)	
£40,000 - £52,000	1,165.26	Band B	1,162.15	(3.11)	
£52,001 - £68,000	1,331.72	Band C	1,328.16	(3.55)	
£68,001 - £88,000	1,498.18	Band D	1,494.18	(4.00)	
£88,001 - £120,000	1,831.11	Band E	1,826.21	(4.89)	
£120,001 - £160,000	2,164.04	Band F	2,158.26	(5.78)	
£160,001 - £320,000	2,496.97	Band G	2,490.30	(6.67)	
Over £320,000	2,996.36	Band H	2,988.36	(8.00)	

APPENDIX E

PROVISIONAL SCHOOLS BUDGETS 2014/15

(Net of estimated academy recoupment)

2013/14 £		2014/15				Total £
		Early Years Block £	Schools Block £	High Needs Block £	Additions & Adjustment s £	
9,449,384	Early Years	8,106,819	0	0	2,985,123	11,091,942
74,228,099	Primary Schools	0	73,722,389	1,941,605	0	75,663,994
22,119,583	Secondary Schools	0	15,390,847	419,264	0	15,810,111
5,428,474	Special Schools	0	0	5,811,071	0	5,811,071
2,560,142	Pupil Referral Service	0	0	2,620,029	0	2,620,029
1,059,709	Academy SEN funded by LA	0	0	831,040	0	831,040
114,845,391	Estimated Total DSG to Education Providers	8,106,819	89,113,236	11,623,009	2,985,123	111,828,187
11,442,553	Centrally Retained	406,181	3,958,764	6,704,991	168,877	11,238,813
11,442,553	Estimated Total DSG to be Retained Centrally	406,181	3,958,764	6,704,991	168,877	11,238,813
126,287,944	Total DSG Allocation	8,513,000	93,072,000	18,328,000	3,154,000	123,067,000

Note 1: The Dedicated Schools Grant is allocated in sub blocks.

Note 2: The above figures are net of £70,050,000 which is recouped by the DFE for academies. This is based on the number of academies as at 31st October 2013

Note 3: Allocations to special schools and the pupil referral service are estimated

Note 4: Final figures will be published in the section 251 statement by 31st March 2014

APPENDIX F

SCHEDULE OF REVENUE BUDGET ITEMS

Detail	Description	Head of Service Lead	2014/15
			£000's
CULTURE, COMMUNITY & ECONOMIC DEVELOPMENT			
Streetcare	Parking income is not expected to reach the levels assumed in the budget and therefore this has to be assumed to be an ongoing budget pressure.	Bob Wenman	200
Streetcare	Savings from street lighting contract awarded by Council in 2013, initially £157k, rising to £213k in 2015/16	Bob Wenman	-157
Corporate & Customer Transformation	The Council has made a major investment in new technology to improve customer service and provide access to many services 24/7. The new portal, implemented in partnership with Waltham Forest, is now live albeit later than planned due to technical difficulties. This will greatly increase the level of automated customer transactions which will lead to further savings once embedded.	Caroline Woolf	200
Regulatory	Income from building control functions has reduced significantly over the last year or so, driven in particular by general economic conditions and the state of the housing market. This seems unlikely to be reversed and so represents a permanent budget pressure.	Patrick Keyes	300
CHILDREN'S, ADULTS & HOUSING			
Children's	Remand Framework shortfall of funding given the additional pressure on the services in this area	Kathy Bundred	250
Children's Learning & Achievement	Impact of Children & Families Bill on Special Educational Needs , as set out in paragraphs 5.52 to 5.62 of January report	Kathy Bundred Mary Pattinson	Included in demographic growth provision

	RESOURCES			
Exchequer Services	HB/CTS Admin Grant reduction in allocation from central government	Jeff Potter		158
Legal & Democratic Services	Electoral Registration increased costs due to additional legislative requirements	Ian Burns		35
Corporate	Utilities contractual increase in price updated to reflect latest information available	Corporate		119
PRESSURES				1,262
SAVINGS				-157
OVERALL TOTAL				1,105

**VIREMENT AND CONTINGENCY RULES
PART 4 : RULES OF PROCEDURE
CONSTITUTION OF LONDON BOROUGH OF HAVERING**

Virements

Virement is the ability to meet increased expenditure or reduced income under one service's budget head from savings in another. Virements may be used for both revenue and capital budgets.

Any decisions taken by the Executive shall not exceed those budgets allocated to each relevant budget head. Members do not have authority to create budgets.

Approval of virements must comply with the limits laid down in the Financial Procedure Rules (FPR).

Budget virements are required when a change to Council policy and/or service delivery requires resources to be reallocated, or when additional resources are received, or to meet any anticipated budgetary shortfalls.

All virements, whether revenue or capital, are subject to the following authorisation process as set out in the FPR, under Financial Planning and Financial Management, Section 6 of the FPR:

- (a) Virements in excess of £1 million will require Cabinet approval.
- (b) Virements between £250,000 and up to £999,999 will require approval by the relevant Cabinet Members.
- (c) All other virements will need to comply with procedures specified by the Group Director Finance & Commerce.

The cumulative value of virements for the year should be considered when deciding whether the various thresholds have been reached. The Group Director Resources will take the final decision as to whether a number of smaller virements need to be grouped together for threshold calculation purposes.

Use of Contingency Funds

The Group Director Resources may set up a central contingency fund. There will only be one such fund for the entire Council.

The Group Director Resources is authorised to release sums from the contingency if:

- (a) the amounts are not greater than £25,000, and
- (b) the item is deemed by them as unforeseen and a relevant use of the contingency, or
- (c) if the item is urgent (e.g. an emergency or threat to life) and there is insufficient time to consult with the relevant Cabinet Member.

The relevant Cabinet Member can release all other sums from the contingency if:

- (a) the item is deemed by the Group Director Resources as unforeseen and a relevant use of the contingency, or
- (b) the item is urgent (e.g. an emergency or threat to life) after consultation with the Group Director Resources.

The Chief Executive has power to incur expenditure from the Contingency Fund without any further approval in exercise of their powers under paragraph 3.2 of part 3 of the Constitution to incur expenditure in connection with an emergency or disaster within the borough.

The Group Director Resources will also provide for a level of contingency for capital projects that is appropriate in their view, taking into account the level of risk associated with the capital programme. Sums will be released in accordance with the capital virement rules set out in the Financial Procedure Rules.

LOCAL GOVERNMENT ACT 2003
BUDGET ROBUSTNESS & OPPORTUNITY COST OF RESERVES

1. BACKGROUND

- 1.1 The Local Government Act 2003 sets out requirements in Part 2 in respect of Financial Administration. This paper sets out the requirements of the Act in respect of the robustness of the budget and the adequacy of reserves. It also considers the opportunity cost of holding reserves.
- 1.2 Section 25 requires the Chief Financial Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its council tax or precept. The authority is required to take the report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.
- 1.3 Section 26 gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget. The minimum would apply to “controlled reserves”, as defined in regulations. The intention in defining controlled reserves would be to exclude reserves that are not under the authority’s control when setting its call on council tax, for example the balance on the housing revenue account and schools balances. There may also be a case for excluding other types of reserve. Regulations to define controlled reserves would only be made in conjunction with regulations setting a minimum.
- 1.4 It was made clear throughout the parliamentary consideration of these provisions that section 26 would only be used where there were grounds for serious concern about an authority. The Minister said in the Commons standing committee debate on 30 January 2003: “The provisions are a fallback against the circumstances in which an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty. Only in such circumstances do we envisage any need for intervention.” There is no intention to make permanent or blanket provision for minimum reserves under these provisions.
- 1.5 If the need to apply a minimum to an authority were identified, the minimum would be set after considering the advice of the CFO to the authority and any views expressed by the auditor. The authority would be consulted on the level to be set.
- 1.6 Any minimum set under section 26 applies to the allowance to be made for reserves in the budget. There is nothing to prevent the reserves being used during the year even if as a result they fell below the minimum. However, if in preparing the following year’s budget it was forecast that the current year’s reserves would fall below the minimum the CFO would need to report to the authority under section 27.

2. REPORT OF CFO ON ROBUSTNESS OF THE ESTIMATES

2.1 The budget has been prepared using the Medium Term Financial Strategy from 2009 as its starting point. This Strategy has been embellished through:

- The revenue and capital budget strategy statements, which are included as part of this report
- The forecast position as set out in the Cabinet reports of July 2010 and 2011
- The schedule of savings proposals set out in those reports
- The outcome and forecast impact on the Council of the CSR as reported to Cabinet in December 2010
- The subsequent LGFS announcements for 2012/13, 2013/14 and 2014/15
- The schedule of savings proposals set out in the subsequent reports to Cabinet in February 2011, 2012 and 2013
- A variety of announcements concerning the new funding system
- The Autumn Budget Statements 2012 and 2013.

2.2 As the development of the budget for 2014/15 has progressed, the position has been the subject to reviews with Heads of Service, Group Directors, Cabinet Members and the Cabinet Member for Value.

Due consideration has also been given to the over-arching strategy above along with the delivery of corporate priorities in undertaking these reviews and this is reflected in the detailed budget proposals.

All the proposals have been developed alongside service planning.

Furthermore:

- a) In respect of pressures, the Council has reviewed its pressures alongside those identified by the LGA and London Councils to provide a cross check/challenge
- b) In respect of savings, the proposals have been risk assessed against an agreed set of criteria which will ultimately inform in-year monitoring
- c) A review of legislation takes place on an ongoing basis as part of the budget development process to assess possible implications
- d) Financial modelling related to the new funding system and its impact on Havering's budget has been under constant review and refinement, especially with the ABS and subsequent LGFS announcements.

2.3 At a more detailed level, each budget is being built having due regard of:

- staffing changes incorporating proposed restructures
- inflation
- existing budgets
- the proposals for budget adjustments and savings
- the impact of changes to specific grants.

2.4 The budget includes a contingency that will provide a reasonable level for unforeseen issues that could arise during the year. This has had due regard to

a risk assessment. Further information on the basis of this is set out later in this statement.

- 2.5 A review of all 2013/14 significant budget variances has taken place to assess any impact on the 2014/15 budget outside of the proposals in order to:
- (a) Ensure action plans are in place where a possible adverse variance could occur
 - (b) Ensure use of any possible additional favourable variance is considered in the context of the overall strategy
 - (c) Inform the risk assessment of contingency and reserves.
- 2.6 It is however also evident that the robust approach taken in previous years, in maintaining the contingency sum, and in holding reserves at the minimum level recommended, has enabled the Council to successfully manage in the past a major call on financial resources from one of our key services. This has been achieved without any noticeable impact on front-line services during the year. Whilst this is not a tenable long-term approach, the approach to resolving this problem in-year strengthens the argument to sustain appropriate levels of reserve funds as part of the Council's financial strategy.
- 2.7 The budget has been drawn up to provide financial stability and a platform for 2014/15 and future years. The proposals include a number of specific efficiency savings for which plans have been prepared and are in the process of being implemented over time. The Council's financial strategy will continue to roll forward having regard to the pressures, issues and priorities of Havering.

3. THE ADEQUACY OF RESERVES

- 3.1 Councils need balances so that they can deal with unforeseen calls on resources without disrupting service delivery. It is the responsibility of each authority to set its level of reserves based on local conditions, but taking into account national factors. Although advice can be sought from the external auditors it is not their responsibility to prescribe the appropriate level. In setting the level, the Authority should take into consideration the advice of their Chief Finance Officer (CFO), taking into account all local relevant circumstances.
- 3.2 In previous years, the Audit Commission's Comprehensive Area Assessment (CAA) has taken account of both the level of financial reserves and the identification and management of variances, in assessing an authority's use of resources. The Audit Commission also expects a good authority to review their reserves on an annual basis.
- 3.3 The Strategy agreed by Council in July 2009 set out that the minimum level for the authority will be £10m. This Strategy has been maintained since that time. As is the norm, a full review has taken place as part of the budget setting process. The risk assessment is attached at Annex 1 and the CFO's advice is that the minimum level of reserves, and the provision of the contingency sum, should remain at their current levels, consistent with the level set in previous years.

- 3.4 The working balances as at 31 March 2013 amounted to £12m; above the minimum amount recommended by the MTFS and the revenue budget strategy, but set at a level to ensure greater financial robustness given the uncertain financial climate that has existed for some time and remains the prospect for the foreseeable future. Whilst Members may regard this as a considerable level of reserves, these reserves support any issues on both revenue and capital and the Capital Programme's reliance on the delivery of capital receipts has remained.
- 3.5 After taking account of the most recent projection in the current year, it is anticipated that the Council's general reserves will continue to be at the current level of £12m at 31 March 2014.
- 3.6 Members will be aware that the working balances provide protection against unforeseen events that could impact on the authority. Reserves have to be used carefully. They can be used only once. Decisions to use reserves to fund on-going spending or hold down Council Tax increases can only apply for one year. In the following year, either additional budget reductions have to be made or additional Council Tax increases are required. There is a significant risk of future financial instability if significant levels of balances are used to fund on-going spending or reductions in Council Tax. This is particularly the case when the Government has made it clear that they intend to retain a tough Council Tax capping regime, which will limit Council Tax rises in future years to pay for one-off use of balances.
- 3.7 As a general rule, the Council should only plan to use reserves to fund one-off spending where the reserves exceed the recommended level. Where the Council decides to use balances to fund on-going spending or reductions in Council Tax, they should indicate how they plan to make up the budget shortfall in future years. All Members must be mindful of their stewardship responsibility to the Council.
- 3.8 Having regard to the above and the current year's projected outturn, no use of general reserves/working balances or change to the existing financial provision within the contingency or special reserve is therefore recommended. This is consistent with the revenue budget strategy statement recommended for approval by Council as part of this report.
- 3.9 The Council maintains earmarked funds for specific purposes and their use is planned and approved for specific purposes, often to conform with accounting policies, manage arrangements across financial years, or to fund known future commitments. The most significant are for the following:
- (a) Insurance Reserve, which is part of the Insurance Self Funding Arrangement to meet future liabilities incurred but not yet claimed
 - (b) Strategic Reserve for corporate transformation – these funds are used for the various transformation programmes across the Council – as well as priority projects and bridge funding for schemes such as the Property Strategy and the Leisure contract cash flow.
- 3.10 Other reserves continue to be expended/planned in accordance with the approvals/purpose. A review has taken place of these as part of the budget finalisation.

3.11 The working balances of the HRA are also subject to a risk assessment; this will be included in the report to Cabinet on the HRA budget for 2014/15.

4. OPPORTUNITY COST OF RESERVES

- 4.1 Holding general reserves to meet unexpected events or emergencies is a necessary requirement. However, there are opportunity costs and benefits of holding cash balances, which can be measured in different ways, depending on what these resources were alternatively to be used for. For example, holding cash gives a financial benefit in contrast to using the cash to fund capital expenditure. The financial benefit would be the difference between the investment return and the total borrowing cost. At the current time, these are in fact broadly neutral, but a cost of around 4% will be incurred in respect of a provision to repay debt.
- 4.2 On this basis, for every £1 million of cash held, the purely financial benefit could be deemed to be £30k per annum or approximately £300k per year for balances of £10 million. This is dependent on prevailing money market conditions, which in the current economic climate can fluctuate significantly. Using the balances to repay debt earlier would not achieve a matching saving given the costs around early redemption and the similarity in short-term lending rates and long-term borrowing rates. For information, £1m equates very approximately to 1% on the Council Tax.
- 4.3 If, however, this is considered in the context of using these balances to fund one off expenditure, then the opportunity cost is the improvements that would accrue from that expenditure. This might for example be improvements in services, increased performance or some other measure. Such items have been considered by officers during the course of developing the MTFs, but these have not generally been included within the final proposals or the detailed budget given the broad financial constraints within which Havering is operating.
- 4.4 Should these items be included within the budget, they would obviously provide a basis for additional and/or improve services; with the need to appreciate that reserves exist for various reasons, and once expended, either have to be replenished, or the funding terminated. This is the opportunity that is being missed by holding general reserves. However this is only relevant if those items match the Council's priorities and Medium Term Financial Strategy.
- 4.5 It is important that in considering the level of working balances that the issue of the opportunity costs and benefits of such an approach is also considered and that Members weigh up the potential benefits against the risks. The other important factor in making this judgement is to consider is that balances can as indicated only be spent once, and can realistically only be used to support one off expenditure, or to allow time for management action to be implemented.
- 4.6 As stated above, the use of significant levels of balances to fund ongoing spending or reductions in Council Tax can pose material financial risks, especially the Council's ability to generate funds through Council Tax is limited by the capping regime. This could mean that any need to replenish balances

could impact on front line services. Hence the level of reserves held overall is a balance between the risks facing the Council and the need to protect the Council and Council Tax payers from the short and longer term potential impact of these risks and the opportunity costs of holding those balances. The previous advice that the £10 million minimum level of balances is a prudent and appropriate level at this time given the risks being faced by the Council must be stressed.

5. REVIEW OF RESERVES AND CONTINGENCY

- 5.1 As indicated earlier in this report, the assessment of the sums required for reserves and contingency purposes has been subject to a review. This review takes into account the various risks facing the Council, the level of risk, the actions taken to mitigate risk, and the financial assessment of the risk. The review has also included consideration of the Corporate Risk Register, with the objective of ensuring that all such risks having a potential financial impact are covered in the reserves and contingency assessment.
- 5.2 The outcome of this review is set out in Annex 1 to this Appendix. This shows each risk and the detail associated with it, and includes a cross-reference to the Corporate Risk Register. Each risk is evaluated in term and a financial assessment is made of the potential costs arising and the degree of likelihood, which in turn drives the sum for which provision is being made.
- 5.3 The Corporate Risk Register is kept under review by the Corporate Management Team, so any changes are then reflected when the reserves and contingency assessment is updated.

6. SPECIAL BUDGET PROVISIONS

- 6.1 As set out in section 3.15 of the report to Cabinet in February 2012, it was recommended that a Special Corporate Budget Provision was created. The reasons for this were detailed in the report. Following a risk-based assessment, this provision was increased as part of the 2013/14 budget. An additional Provision to cover the potential impact of the localisation of business rates and Council Tax support was also created.
- 6.2 Based on the outcome of a review of the current financial position, these provisions are no longer felt to be required. There is sufficient scope within the overall budget, the contingency fund, and existing balances and reserves, to remove these from the budget. These provisions have therefore been removed accordingly.

**RISK ASSESSMENT FOR RESERVES / CONTINGENCY 2014/15
REVIEWED AT 21 JANUARY 2014**

Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assessment of Risk (counter measures in place)	Contingency		Reserves	
				Value of Assessment £000	Value Having Regard to Risk £000	Value of Assessment £000	Value Having Regard to Risk £000
1. Reduction in Grant Funding CR8 Financial Challenges CR4 Business Growth	GDR	Grant levels do not materialise and/or are reduced or cut, eg further withdrawal of Specific Grants, further reductions to Revenue Support Grant, reduced funding following changes to funding system, further reductions within CRS period, leading to need to scale down/cease services.	Medium to High	Addressed as part of budget strategy and detailed budget development		2,000	1,000
2. Reduction in Income Levels CR4 Business Growth CR8 Financial Challenges	GDR/ GDCC&ED/ GDCAH	Income levels do not materialise and/or debts are not collected at forecast levels, e.g. (a) Increasing arrears (b) Falling income (c) Falling recovery rates.	Medium	500	250	2,000	1,000
3. Increased service demand, changes in demography CR5 Change Management CR10 Social Care and Public Health	CE/ GDCAH/ GDR/ GDCC&ED/ GDPH	Demand led services increase over budget assumptions, e.g. Children's placements, Adult's social care, homelessness, benefits. Changes in property base leading to changes in population in overall terms and in	Medium	1,000	500	5,000	2,500
				Long term addressed as part of budget strategy and detailed budget development			
4. Savings Shortfall CR5 Change Management CR8 Financial Challenges	CE/ GDR	Major savings/efficiency programmes are not delivered in accordance with plans, e.g. efficiency programmes fail to achieve expected savings, unable to deliver full value of savings, within expected timescales	Medium	1,000	500	Addressed as part of budget strategy and detailed budget development	
5. Workforce Issues CR1 Workforce Planning	CE/ GDR	Workforce issues, e.g. (a) Vacancies/cover needs resulting in higher cost (b) Support to statutory officers	Low to Medium	Addressed as part of budget strategy and detailed budget		2,500	1,250

Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assessment of Risk (counter measures in place)	Contingency		Reserves	
				Value of Assessment £000	Value Having Regard to Risk £000	Value of Assessment £000	Value Having Regard to Risk £000
		(c) Equal pay matters (d) Disputes (e) Recruitment/retention (f) Succession Planning (g) Single Status		development			
6. Management of Capital Programme CR4 Business Growth & Investment CR5 Change Management	GDR	Changes in Capital Programme/cash flow assumptions, e.g. (a) Capital receipts are not forthcoming in time (b) Receipts do not materialise at all (c) Interest rate market works against Havering (d) Interests from Capital Programme slippage	Medium	500	250	2,500	1,250
7. Supply Chain Resilience CR7 Partnerships, Shared Services & Contractor Arrangements	GDCC&ED	Increase in costs or financial risks in partnership arrangements (including shared services/service collaboration). Failure in key supplier, eg financial failure, liquidation, failure in supply chain	Medium	500	250	2,500	1,250
8. Budget Management CR8 Financial Challenges CR10 Health and Social Care CR2 Community Engagement & Communications CR6 Business Continuity & Emergency Planning	GDR	Arrangements for budget and financial management, e.g. unexpected overspends, increase in costs above rate of inflation such as pay awards, contracts, utility bills, variances not identified by monitoring system. Business continuity, eg flu pandemic, terrorism, network virus, legionella outbreak, adverse weather	Medium	1,000	500	3,500	1,750
				Long term addressed as part of budget strategy and detailed budget development			
9. New Legislation CR8 Financial Challenges CR10 Health and Social Care CR2 Community Engagement & Communications	CE/ GDR GDCA&H	New legislation including changes in funding arrangements for social care lead to changes in demand/changes in service entitlement that are not matched by compatible funding increases from Government, leading to a greater cost falling on Havering	Medium	Addressed as part of budget strategy and detailed budget development		2,500	1,000
TOTAL POTENTIAL				4,500	2,250	22,500	11,000

Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assessment of Risk (counter measures in place)	Contingency		Reserves	
				Value of Assessment £000	Value Having Regard to Risk £000	Value of Assessment £000	Value Having Regard to Risk £000
ASSESSMENT HAVING REGARD TO RISK LIKELIHOOD – MINIMUM LEVEL REQUIRED			Overall Medium Risk		2,000		10,000

CE = Chief Executive GDR = Group Director Resources GDCC&ED = Group Director Culture, Community & Economic Development	GCAH = Group Director Children's, Adults & Housing GDPH = Group Director Public Health ACEL&DS = Assistant Chief Executive Legal & Democratic Services
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CAPITAL PROGRAMME

1. BACKGROUND

- 1.1 Capital expenditure is expenditure on acquiring or enhancing tangible or intangible fixed assets. This is usually land or buildings, but can be equipment in some instances. All expenditure that is considered to be capital should be accounted for as capital and not charged to revenue.
- 1.2 The Asset Management Plan and Capital Strategy detail the Council's approach to capital investment. These documents set out the use of capital resources and areas of funding. They also discuss how this investment has contributed to the achievement of the Council's goals and vision and how this is planned to develop over the medium term.
- 1.3 Among these key activities is the management of existing assets. Without this it is likely that revenue maintenance costs would increase as assets deteriorate. Capital resources are also required to facilitate investment in projects seen to be a priority by our local community, e.g. Streetcare.
- 1.4 The capital programme has historically been funded largely by capital receipts. The main other funding streams have been:
- Town and Country Planning Act (S106 Agreements) – these are planning gains received from developers in recognition of the additional services that will be required as a result of development schemes. These can relate to a number of areas including education provision, highways improvements and public realm enhancements - services look to use these funds to supplement existing programmes.
 - Grant – largely Education / Transport for London and specific to the schemes.
 - Borrowing where it is either on an invest to save basis or where the investment supports a savings stream, and can be repaid.
- 1.5 Other funding streams are:
- Prudential Borrowing – having regard to appropriate indicators the Council is able to borrow resources to fund capital expenditure. Before doing so it must be assured that sufficient revenue funds are available to meet the ensuing revenue implications arising from capital expenditure. The Council is required to set aside a Minimum Revenue Provision (MRP) of 4% in respect of the increased borrowing requirement plus the resulting interest charge. Very broadly, increased borrowing of £1m will incur a revenue liability of £76,000 per annum over 25 years.
 - Revenue Contributions to Capital – revenue resources can be used to fund capital expenditure when these are deemed to be available.
 - Capital Allowances – most notably in relation to the maintenance of the Council's housing stock

- External Funding – opportunities to maximise external funding are taken whenever these are consistent with the aims and objectives of the Council. Major funding bodies include the Heritage Lottery Fund, Sport England and the European Social Fund. Many of these schemes require the Council to contribute match funding to the delivery of project and careful consideration is given to how this can be achieved. There are also grant funding streams – often non-ringfenced – which are allocated by Government departments. These generally have a broad purpose but are available for deployment through local investment decisions
- Supported Borrowing – central government allocates grant to support a certain level of borrowing. However, as a floored authority the Council is unable to take up any opportunities for additional supported borrowing as no actual grant is received.

2. CURRENT STRATEGY

- 2.1 It is well known that outside of specific capital grants, the Council's main funding in the past has been capital receipts generated via disposals and some contributions from S106 agreements. This approach has been adopted to reduce pressure on the revenue budget and hence Council Tax. Targets were set and agreed by Council for the receipts to be generated.
- 2.2 It had become apparent that this could not continue indefinitely, as the potential to realise large receipts has reduced. Not only has the quality and number of sites reduced, but it has been further affected by the economic climate. This has significantly reduced the potential value of the remaining sites and has added a further complication as to the most appropriate time to market disposals. If sales are delayed until the market recovers, significantly larger receipts may be generated. However, it is not possible to predict with any degree of certainty when, or even if, this will occur.
- 2.3 With this in mind, the Council has been planning for other funding streams, if it is to have a realistic capital programme to meet its needs. All potential funding opportunities have been explored, e.g. S106 agreements, external grants, but it had been assumed that increased borrowing would need to be the major source of funding.
- 2.4 In the short term this will be needed to bridge the timing gap, to ensure that best value is achieved in the disposal of its surplus assets. In the longer term as disposal opportunities are exhausted, borrowing is likely to be the major source of funding for capital expenditure, outside of any capital grants.
- 2.5 Any borrowing creates a liability in revenue whilst the loan is repaid. This will normally be over 25 years, but will depend on the asset being purchased. As a direct charge funded through Council Tax, borrowing levels have to be managed through the budget process along with other budgetary pressures. In conjunction with the appropriate repayment period, borrowing needs to be included as part of the Council's long term financial strategy. It must be considered that as borrowing levels increase over consecutive years that borrowing costs will also incrementally increase. Appropriate revenue provision would need to be made to address this.

- 2.6 Local Authorities are required to comply with the Prudential Code when carrying out their treasury strategy for borrowing. This is a professional code of practice to support authorities in taking their decisions on capital investment in fixed assets. In essence, this ensures that capital investment plans are affordable, prudent and sustainable. Any level of borrowing determined by the Council would need to comply with this code.
- 2.7 Changes in the cost of prudential borrowing through the Public Works Loans Board were announced as part of the CSR. Given the current financial climate and this increase in costs, it is now felt that the Council's budget strategy should not incorporate the use of prudential borrowing, with minor exceptions. It is therefore proposed that the Capital Programme for the foreseeable future should rely on the use of capital receipts and Section 106 receipts and any sources of external funding only.
- 2.8 This broad approach is felt to be sufficient to finance a core programme until the end of financial year 2014/15, subject to the generation of the anticipated level of capital receipts. It will be necessary to consider the approach beyond that further into the future, when the long term funding streams for local government become clearer, and as part of the development of the longer term budget strategy from 2015/16 onwards.

3. PROPOSED CAPITAL PROGRAMME BLOCK ALLOCATION

- 3.1 Given that it is now proposed that the core programme is based on the application of receipts and external funding as the prime sources of finance, the overall programme has been assembled in the context of the expected level of receipts. This review has also taken into account anticipated levels of grant funding as well as the timing of receipts. The principle of a block allocation for specific programme areas has been used to generate an overall indicative programme.
- 3.2 It is now proposed for the indicative core programme for the next year to be as follows:

	2014/15 £000
Total	3,900

- 3.3 A detailed schedule of schemes within the 2014/15 programme has been drawn up, based on assessed needs and within the context of the individual core elements of the programme. This is set out in Annex 2.

4. SCHOOLS EXPANSION PROGRAMME

- 4.1 The capital programme also includes the expansion of primary schools. A report was submitted to Cabinet on 20th November 2013 identifying a shortfall of 11 Forms of Entry (FE) for September 2015/16 and outlining proposals to address Primary Rising Rolls.
- 4.2 Without detailed proposals it is difficult to estimate the costs of additional classrooms as the needs at each site will be different. Previous estimates based on £1,750,000 per FE (7 classrooms) identified likely costs of £19.2m. However,

an initial review of the schemes identified has shown that, unlike previous schemes, in many cases ancillary works such as the provision of additional hall, office, kitchen, playground space is required thus increasing costs to around £2 million per form of entry and in some cases due to site specific issues even higher. Latest cost estimates are in the region of £24.3m.

- 4.3 In addition costs of £4.480m are also required to deliver additional places for September 2014. This is a combination of bulge classrooms, remodelling works in schools and further permanent expansions, subject to consultation and statutory notices. It should be noted that 1 of the 11 FE originally proposed for September 15 has now been brought forward a year.
- 4.4 Although the Mawney primary school is due to be rebuilt as part of the Priority Schools Building Programme (PSBP), it will initially need to be relocated to enable the building works to take place. The relocation costs are estimated at £2m. An additional £800k will be required to fund an expansion at the Mawney to provide one additional FE. Further analysis of the options for this site are being looked at with a view to reducing costs. If it is necessary to temporarily relocate the school it may be possible to use this facility to meet demand in future years.
- 4.5 Finally, although Hacton primary school is due to be rebuilt as part of the PSBP programme, the Education Funding Agency (EFA) have indicated that a contribution will be required to re-provide the Hearing Impairment Unit in the new school building, costs are estimated to be £500k. Further negotiations are underway with the EFA.
- 4.6 Total costs are therefore expected to be in the region of £29.2m. With total grant funding of £21.1m available (13/14 unallocated basic need grant of £2.1m plus £4.4m and £14.6m for 14/15 and 15/16 respectively) there is a further £8m required to fund the programme of works.
- 4.7 Options for funding the gap are:
- S106 contributions
 - Tariff
 - Receipts
 - Additional Grant, although this is unlikely
 - Successful Free school applications, again unlikely in the timescale.
- 4.8 At this stage it is difficult to forecast the amount and timing of any S106 contributions although the Council are expecting to receive some significant contributions in the coming years. Tariff is also difficult to forecast accurately although the Council currently has £1.8m of unallocated tariff. There is a possibility that free school applications will be successful in the borough thus reducing the Councils requirement to deliver further free school places but it is unlikely that any will be agreed in time for the September 15 places. The EFA have also indicated that any future successful free schools will have their capital funding provided by reducing the Councils basic need allocation. It is also possible that the government will announce further grant allocations but this is seen as unlikely.
- 4.9 It is therefore suggested that the shortfall is funded from a combination of section 106/tariff in the first instance with any balance being covered from capital

receipts. The exact details will be finalised by the Director of Resources in conjunction with the Lead Member for Value. It should be noted that the use of receipts will have an impact on any future capital programme.

- 4.10 In order to deliver the building works for September 2015 it will be necessary to add the 2015/16 grant to the 2014/15 Capital Programme. The Council will manage the cash flow implications of this, any loss of interest is expected to be minimal at this stage.
- 4.11 It should be noted that an initial review has shown that all of the 2016/17 grant will be needed toward Phase 3 of the expansion programme, delivering school places (both primary and secondary) for September 2016.

Associated Revenue Implications

- 4.12 The revenue implications for schools are that, in creating an additional class from September 2014, additional resources will be incurred particularly for teaching and support staff. From the financial year 2015/16 the schools will receive additional funding through their budget shares as the pupils will be on roll at the date of the pupil census that is used to calculate funding. For the period September 2014 to March 2015, however, additional resources will need to be provided. These will be met from a pupil growth contingency held within the Schools Budget (funded by the Dedicated Schools Grant) as agreed by the Schools Funding Forum. A similar situation will arise for those places created from September 15.
- 4.13 The demand for increased funding to be held as a pupil growth contingency from a ring-fenced DSG is likely to result in less funding being available for distribution to schools putting at risk the ability of schools to maintain current levels of expenditure. Schools are, however, guaranteed through DFE financial regulations to not have their funding reduced by greater than 1.5% per pupil.

Revenue Implications for the Local Authority

- 4.14 It should be noted that an increase in school admissions across the Borough may also have a 'knock-on effect' on other LA budgets such as special educational needs, home to school transport, etc. The details of this are currently being quantified and any pressures arising will be addressed through the appropriate channels. As mentioned previously, the DSG allocation to Havering will be increased from 2015/16 reflecting increased pupil numbers. Most of this will be allocated to schools but there may be some available to fund other pupil related pressures.

Risks

- 4.15 There are a number of risks associated with the primary expansion programme as follows:
- Variation in demand for school places from that forecast, either leading to a requirement for further spend and/or places being delivered which aren't filled. Given that past trends has shown a higher than anticipated increase the latter is unlikely

- Increased costs either as detailed schemes are progressed, as a result of the tendering process or due to additional demand
- There may be insufficient funding to bridge the shortfall in which case the contingency plan would be to utilise borrowing however this would result in additional revenue costs to the Council and that would increase the projected budget gap for the next 4 years which already stands at around £60 million. Every effort will therefore be made to keep this to a minimum.

5. EXTERNAL/GRANT FUNDING

- 5.1 The table only covers those schemes reliant on funding generated by the Council. There are other funding streams, as indicated above, and these are generally through a grant, which means there is no revenue cost to the Council. Such funding sources mean that the overall scale of the Programme is larger than that covered solely by the table.
- 5.2 Information on external funding sources has in the past tended to be provided after the setting of the budget. Whilst such funding increases the scale of spend, there is no overall net increase, as the costs are matched by external resources, principally grant funding.
- 5.3 The major areas where external funding is received are Streetcare (principally funding from Transport for London, TfL), schools, and regeneration – though the last of these tends to come via different sources over time, the other two have tended to be a single announcement.
- 5.4 Details of TfL funding have already been announced and the Council has been allocated a sum of around £3.1m for 2014/15.
- 5.5 In addition, the Council has been notified of capital grants for education purposes. These are the 2014/15 and 2015/16 Local Authority Capital Maintenance and Basic Need grants and the information received to date indicates a broad sum for this, but also indicates that this grant is neither ring-fenced to specific workstreams within education, nor time-bound, ie funding may run beyond next year. In anticipation of the actual announcements, and the previous report to Cabinet on the expansion of schools, which is covered in the previous section, detailed programmes have been drawn up and these are set out in Annex 3.
- 5.6 It is proposed that a detailed programme will be developed for external sources of funding, in line with any specific provisions relating to that funding, where details of the funding have yet to be identified. This will be reflected in future capital monitoring reports. A number of grant funded areas have already been announced and these are listed at Annex 4.
- 5.7 Officers already have delegated authority to accept grant funding on behalf of the Council and any such funding can usually only be applied for specified purposes. Approval has been sought through this report for any schemes resulting from the provision of external funding to be included within the Capital Programme under the authority of officers, to ensure an efficient process is in place.

CAPITAL PROGRAMME
OVERALL FORECAST SPEND – GENERAL FUND CAPITAL

	Revised Capital Budget	Actuals (previous years)	Current Year Actuals	Total Actuals	Forecast Current Year	Forecast Next Year 2014/15	Forecast Next Year +1 2015/16	Total Forecast Outturn	Expected Over/ (Under) Spend
Culture, Community & Economic Development	62,418,943	31,430,754	10,870,797	42,301,551	22,360,006	8,436,841	87,112	62,314,713	-104,230
Children, Adults & Housing Resources	78,687,502	30,040,838	11,919,512	41,960,350	35,035,346	11,111,214	2,081,157	78,268,555	-418,947
	162,155,262	125,045,316	9,939,088	134,984,404	19,760,038	16,071,785	1,172,867	162,050,006	-105,256
Total	303,261,707	186,516,908	32,729,397	219,246,305	77,155,390	35,619,840	3,341,136	302,633,274	-628,433

ANNEX 2

DETAILED CAPITAL PROGRAMME 2013/14 AND 2014/15
CORE PROGRAMME AND SPECIFIC SCHEMES

Core Havering Programme	2014/15 £'000
Parks, Libraries, Leisure & Cemeteries	1,000
Street Environment	2,000
Protection of Assets and Health and Safety	500
Regeneration	100
Disabled Facilities Grant (Council element only)	300
Total	3,900
Disabled Facilities Grant (grant funded element - estimated)	655
Total	4,555

Note 1 : the detailed schemes included within this sum are set out on the following pages.

Note 2 : the following scheme is to be added to the current year programme:

Capital Scheme Name	Scheme Description	Third Tier Manager	Amount £	Projected Cost			Funding Sources		
				2013/14	2014/15	2015/16 and beyond	Capital Receipts £	Grants & S106 £	Other External £
2013/14									
Corporate buildings	Purchase of Former Ardleigh Green Baptist Church	Gary Green	250,000	250,000	0		250,000		
Totals			250,000	250,000	0	0	250,000		

Capital Scheme Name	Scheme Description	Third Tier Manager	Forward Programme Block	Amount £	2014/15	Funding Sources		
						Capital Receipts £	Grants & S106 £	Other External £
2014/15 Core Programme								
Crematorium Asset Renewal	Implementation of Priority Condition Survey Work / Chapel of Meditation Renovation/ Programmed Renewal of Crematoriums (and associated ductwork)	Louise Edmonds	Parks, Libraries, Leisure & Cemeteries £415k	210,000	210,000	210,000		
Bereavement Services Premises Renewal	Implementation of Priority Condition Survey Work (Buildings, Paths, Boundary Walls Programmed Renewal)	Louise Edmonds	Parks, Libraries, Leisure & Cemeteries £415k	45,000	45,000	45,000		
Cemetery Asset Renewal	Implementation of Priority Condition Survey Work/Romford Chapel Stonework Renovation	Louise Edmonds	Parks, Libraries, Leisure & Cemeteries £415k	165,000	165,000	165,000		
Crematorium Improvements	Vase Blocks Front Garden as Show Garden/Electronic Book of Remembrance	Louise Edmonds	Parks, Libraries, Leisure & Cemeteries £415k	55,000	55,000	55,000		
Cemetery Improvements	Conversion of Romford Chapel to Hall of Remembrance and Visitor facility	Louise Edmonds	Parks, Libraries, Leisure & Cemeteries £415k	25,000	25,000	25,000		
				500,000	500,000	500,000		

Capital Scheme Name	Scheme Description	Third Tier Manager	Forward Programme Block	Amount £	2014/15	Funding Sources		
						Capital Receipts £	Grants & S106 £	Other External £
2014/15 Core Programme								
Parklands Bridge	Restoration of Parklands Bridge	Martin Stanton	Parks Libraries Leisure and Cemeteries	80,000	80,000	80,000		
Playground Replacement / repairs	Replacement and repairs to equipment in playgrounds	Martin Stanton	Parks Libraries Leisure and Cemeteries	60,000	60,000	60,000		
Allotment investment	Urgent works required on allotment sites	Martin Stanton	Parks Libraries Leisure and Cemeteries	15,000	15,000	15,000		
Heritage buildings	Restoration and upkeep of historic buildings	Martin Stanton	Parks Libraries Leisure and Cemeteries	30,000	30,000	30,000		
Public Rights of Way and Countryside	Fencing and path works	Martin Stanton	Parks Libraries Leisure and Cemeteries	10,000	10,000	10,000		
Depots H&S investment	Urgent works to deal with Health and Safety issues at the depots	Martin Stanton	Parks Libraries Leisure and Cemeteries	10,000	10,000	10,000		
Langtons Gardens restoration match funding	HLF Bid match funding to restore Langtons Gardens	Martin Stanton	Parks Libraries Leisure and Cemeteries	50,000	50,000	50,000		
Customer access points	Install customer access points in Libraries	Martin Stanton	Parks Libraries Leisure and Cemeteries	35,000	35,000	35,000		
Libraries redecoration programme	Urgent redecoration and carpet replacement works in Libraries	Ann Rennie	Parks Libraries Leisure and Cemeteries	20,000	20,000	20,000		
Book fund investment	Book purchase for the new libraries in Rainham and Harold Hill	Ann Rennie	Parks Libraries Leisure and Cemeteries	40,000	40,000	40,000		
Public realm improvements	Installation of public realm culture improvements	Ann Rennie	Parks Libraries Leisure and Cemeteries	20,000	20,000	20,000		
Hornchurch Arts	Signage for the Arts Offer	Guy Selfe	Parks Libraries Leisure and Cemeteries	10,000	10,000	10,000		
Queen's Theatre	Essential repair and maintenance works at the Queen's Theatre	Guy Selfe	Parks Libraries Leisure and Cemeteries	20,000	20,000	20,000		
Parks Investment	Improving the quality of the environment in parks across the Council	Guy Selfe	Parks Libraries Leisure and Cemeteries	70,000	70,000	70,000		
Hornchurch Athletics Stadium Floodlights	Sinking fund for the floodlights replacement at Hornchurch Athletics Stadium			30,000	30,000	30,000		
				500,000	500,000	500,000		

Capital Scheme Name	Scheme Description	Third Tier Manager	Forward Programme Block	Amount		Funding Sources		
				£	2014/15	Capital Receipts £	Grants & S106 £	Other External £
Proposed capital schemes, subject to change								
Highways								
Footways	Various highway footway improvement schemes	Chris Layton		500,000	500,000	500,000		
Footway Slurry seal Programme	Various highway footway improvement schemes	Chris Layton		200,000	200,000	200,000		
Carriageways	Various highway carriageway improvement schemes	Chris Layton		600,000	600,000	600,000		
Anti-Skid	Anti skid surface areas in connection with above works	Chris Layton		25,000	25,000	25,000		
Street Lighting						0		
Street Lighting	Street Lighting replacement programme	Chris Layton		250,000	250,000	250,000		
Center Island Bollards	Center Island bollard conversion / removals	Chris Layton		25,000	25,000	25,000		
Lamp Column painting	Large scale painting programme on main routes	Chris Layton		20,000	20,000	20,000		
Other						0		
Gidea Park station scheme, Phase 3	Station & shopping area improvement scheme part funded by TFL	Chris Layton		70,000	70,000	70,000		
Small scale shopping centre scheme, TBA	Small scale shopping area improvements	Chris Layton		25,000	25,000	25,000		
large scale shopping centre scheme, TBA	Local area improvement scheme	Chris Layton		75,000	75,000	75,000		
Subway enhancements	Completion of 2 year subway enhancement programme around town centre	Chris Layton				0		
Tree pit upgrades, remove grates & trip hazards	Removal of metal grates and replacement with resin bonded non trip materials	Chris Layton		20,000	20,000	20,000		
Litter Bins	Purchase of replacement & or additional litter bins	Paul Ellis		25,000	25,000	25,000		
Parking						0		
Car parks, bays white lining	Re lining of car parking bays	David Pritchard		15,000	15,000	15,000		
Car parks, small scale improvements	Shrub beds, litter bins and fencing	David Pritchard		20,000	20,000	20,000		
Waste						0		
Waste enforcement initiatives	Increased waste enforcements initiatives that contribute towards containment of tonnage from illegal fly tipping	Paul Ellis		20,000	20,000	20,000		
Environmental Maintenance						0		
Dangerous Tree Replacement Programme	Removal of dangerous trees arising from storm damage, disease and or accidents	Paul Ellis		50,000	50,000	50,000		
Shrub Bed Replacement schemes	Removal of high maintenance shrub beds that cause sight line problems	Paul Ellis		60,000	60,000	60,000		
				2,000,000	2,000,000	2,000,000		

SCHOOLS CAPITAL PROGRAMME 2014/15

Capital Scheme Name	Scheme Description	Third Tier Manager	Forward Programme Block	Amount £	Funding Sources				
					2014/15	2015/16 and beyond	Capital Receipts £	Grants & S106 £	Other External £
UNIVERSAL INFANT FREE MEALS									
School Kitchen Works	Block allocation to fund works in school kitchens required to deliver the increased offer of Free School Meals - Maintained Schools			536,417	536,417			536,417	
School Kitchen Works	Block allocation to fund works in school kitchens required to deliver the increased offer of Free School Meals - Voluntary Aided Schools			106,325	106,325			106,325	
				642,741	642,741			642,741	
Funded by:									
Universal infant free school meals capital 2014-15								642,742	

NURSERY EXPANSIONS									
Nursery Expansion Programme	Expansion of Nursery Education in Suttons/Mawney/Hacton (as part of PSPB Programme)				422,000	422,000			422,000
Funded by:									
Nursery Education grant									422,000

SCHOOL MAINTENANCE PROGRAMME									
Various Schools/ PRU's/ Children's Centres	Emergency Repairs	Joanne Hunter			409,998	409,998			409,998
Various Schools *	Urgent / Unplanned Hygiene Water Works Programme	Joanne Hunter			175,000	175,000			175,000
Various Schools *	Education Capital Projects - Asbestos Removal	Joanne Hunter			400,000	400,000			400,000
Various Schools	DDA works	Joanne Hunter			100,000	100,000			100,000
Crownfield	Replace Gas Fired Boiler (KS2 Building)	Joanne Hunter			120,000	120,000			120,000
Scotts Primary	Replace Gas Fired Boiler	Joanne Hunter			120,000	120,000			120,000
Clockhouse Primary	Replace Gas Fired Boiler (KS2 Building)	Joanne Hunter			120,000	120,000			120,000
Mead Primary Inf & Junior Buildings	Replace Gas Fired Boiler	Joanne Hunter			130,000	130,000			130,000
Engayne	Replace Gas Fired Boiler	Joanne Hunter			120,000	120,000			120,000
Newtons	Upgrade Electrical Distribution	Joanne Hunter			140,000	140,000			140,000

PRIMARY EXPANSION PROGRAMME									
New expansions added to Sept 2014 delivery programme									
Broadford Primary	Permanent expansion from September 2014, subject to consultation and statutory notices	Joanne Hunter		550,000	550,000			550,000	
Upminster Infant	Bulge	Joanne Hunter		100,000	100,000			100,000	
Benhurst Primary	Permanent expansion from September 2014, subject to consultation and statutory notices	Joanne Hunter		1,000,000	1,000,000			1,000,000	
Newtons Primary	Permanent expansion from September 2014, subject to consultation and statutory notices	Joanne Hunter		1,350,000	1,350,000			1,350,000	
Crowlands Primary	Permanent expansion from September 2014, subject to consultation and statutory notices	Joanne Hunter		920,000	920,000			920,000	
Mawney	Providing KS2 accommodation to accommodate current Y3 bulge	Joanne Hunter		50,000	50,000			50,000	
St. Edwards C.E.	Bulge	Joanne Hunter		100,000	100,000			100,000	
Pinewood Academy	Bulge	Joanne Hunter		10,000	10,000			10,000	
RJ Mitchell	Bulge	Joanne Hunter		50,000	50,000			50,000	
Scotts Primary	Bulge	Joanne Hunter		100,000	100,000			100,000	
Hornchurch Planning Area - 1FE required	Bulge contingency	Joanne Hunter		250,000	250,000			250,000	
				4,480,000	4,480,000		-	4,480,000	-

SEPT 2015 DELIVERY PROGRAMME									
Scott's	Permanent expansion of 1 FE			2,000,000	1,000,000	1,000,000		2,000,000	
RJMitchell	Permanent expansion of 1 FE			2,500,000	1,250,000	1,250,000		2,500,000	
Upminster I&J	Permanent expansion of 1 FE			2,000,000	1,000,000	1,000,000		2,000,000	
Hornchurch Planning Area	Permanent expansion of 2 FE			4,000,000	2,000,000	2,000,000		4,000,000	
Parsonage Farm	Permanent expansion of 1 FE			2,000,000	1,000,000	1,000,000		2,000,000	
Romford Planning Area	Permanent expansion of 2 FE			5,000,000	2,500,000	2,500,000		5,000,000	
Mawney	PSPB - Contribution towards expansion, plus £2m relocation costs			2,800,000	1,400,000	1,400,000		2,800,000	
Hacton	Contribution towards reproviding Hearing Impairment Unit			500,000	250,000	250,000		500,000	
Collier Row Planning Area - 2FE required				4,000,000	2,000,000	2,000,000		4,000,000	
				24,800,000	12,400,000	12,400,000	-	24,800,000	-
		TOTAL		29,280,000	16,880,000	12,400,000	-	29,280,000	-
Funded By									
unallocated 13/14 programme								2,143,500	
14/15 Basic Need Grant								4,451,633	

15/16 Basic Need Grant								14,624,076	
TBC	For the purposes of the report it has been assumed that sufficient funding will be available from s106/tariff/grant etc to fund the programme in full.							8,060,791	
								29,280,000	

CAPITAL PROGRAMME 2014/15
GRANT FUNDED AREAS

PROGRAMME AREA	ESTIMATED FUNDING
TFL Programme for 2014/15 (announced on 20 th December):	
Annual Spending Submission for Corridors, Neighbourhoods, and Supporting Measures	2,189,000
Schemes for the Local Transport Funding "pot"	100,000
Romford Major Scheme (Victoria Road and The Battis)	200,000
Principal Road Maintenance schemes	567,000
Note : details still awaited for the Borough Cycling and Bridge Strengthening and Assessment Programmes	
Adults PSS Community Capacity Grant 2014/15	552,000

Note 1 : it has been confirmed that the Early Years and Aiming High capital grants have now ceased, with the last year being 2012/13.

DRAFT OVERVIEW & SCRUTINY COMMITTEE MINUTES

**MINUTES OF A MEETING OF THE
JOINT (ALL) OVERVIEW & SCRUTINY COMMITTEE
Havering Town Hall, Romford
Thursday 23 January 2014 (7.30pm – 9.05pm)**

Present:

COUNCILLORS

Conservative Group	Jeffrey Brace, Wendy Brice-Thompson, Pam Light, Robby Misir, Barry Oddy, Frederick Thompson, Melvin Wallace and Keith Wells
Residents' Group	June Alexander, Clarence Barrett, Gillian Ford, Linda Hawthorn, Ray Morgon, John Mylod, Linda Van den Hende and John Wood
Labour Group	Keith Darvill+, Pat Murray and Denis O'Flynn
Independent Residents Group	Michael Deon Burton
UK Independence Party Group	Lawrence Webb+, Ted Eden and Fred Osborne

+Substituting for Councillor Paul McGeary.

+Sunstituting for Councillor Sandra Binion.

Cabinet Members in attendance: Councillors Michael White (Leader of the Council) Steven Kelly (Deputy Leader) Roger Ramsey and Paul Rochford.

All decisions were taken with no votes against.

The Chairman reminded Members of the action to be taken in an emergency.

1 MEMBERSHIP AND CHAIRMAN OF MEETING

With the agreement of all Overview and Scrutiny Committee Members present, the Chair was taken at this special meeting by Councillor Pam Light.

2 CHAIRMAN'S ANNOUNCEMENTS

The Chairman advised all present of action to be taken in the event of emergency evacuation of the town hall becoming necessary.

3 **APOLOGIES FOR ABSENCE AND ANNOUNCEMENT OF SUBSTITUTE MEMBERS (IF ANY)**

Apologies for absence were received from the following Members:

Children and Learning Overview and Scrutiny Committee:

Councillor Sandra Binion (substituted by Councillor Lawrence Webb)

Councillor Nic Dodin (Substituted by Councillor John Mylod)

Margaret Cameron (co-opted Member – non-voting)

Ian Rusha (co-opted Member – non-voting)

Crime & Disorder Committee:

Councillor Osman Dervish (substituted by Councillor Wendy Brice-Thompson)

Councillor Roger Evans (substituted by Councillor Frederick Thompson)

Councillor Georgina Galpin (substituted by Councillor Barry Oddy)

Councillor David Durant

Environment Overview and Scrutiny Committee:

Councillor Lynden Thorpe (substituted by Councillor Barry Oddy)

Councillor Barbara Matthews

Councillor David Durant

Health Overview and Scrutiny Committee:

Councillor Nic Dodin (substituted by Councillor John Mylod)

Councillor Peter Gardner (substituted by Councillor Frederick Thompson)

Towns & Communities Overview and Scrutiny Committee:

Councillor Osman Dervish (substituted by Councillor Frederick Thompson)

Councillor Garry Pain (substituted by Councillor Melvin Wallace)

Councillor Linda Trew (substituted by Councillor Jeffrey Brace)

Value Overview and Scrutiny Committee:

Councillor Rebecca Bennett (substituted by Councillor Barry Oddy)

Councillor Billy Taylor

Councillor Damian White (substituted by Councillor Jeffrey Brace)

Councillor Sandra Binion (substituted by Councillor Lawrence Webb)

4 **DECLARATIONS OF INTEREST**

There were no disclosures of interest.

5 THE COUNCIL'S FINANCIAL STRATEGY

The Leader of the Council, Councillor Michael White, explained that the Council had been required to find approximately £40 million of savings over the last four years. The Leader thanked officers for their hard work in delivering these savings. Front line services, for example weekly refuse collection, had been protected while the back office had been transformed through initiatives such as Shared Services. There had also been more than 80 restructures across the Council.

The latest financial settlement meant that further cuts would be required in the coming years although this was in line with projections for this period. Specifically, £6.5 million of funding would be lost in 2014/15 with a further £9.8 million lost in 2015/16. This would of course be challenging but the Council had been very robust in meeting savings targets. The Council should also be proud of there not having been a rise in Council Tax over the last five years.

It was felt that the funding cuts in 2014/15 could be covered in Havering without major service cuts or tax increases. Work was currently underway on the next financial strategy from 2015/16. This was estimating a potential budget gap of around £60 million which would be a challenge for the new Council.

The Government austerity programme would continue until at least 2017/18 and a further Comprehensive Spending Review was expected. Government policy to ensure an average 1% annual increase in public sector pay also impacted on the Council.

The introduction of local level business rates had not generated any additional income for the Council as the Council was only allowed to keep 30% of this revenue. A proposal to pool business rates with some neighbouring Councils would however allow the minimisation of risk. The leader also felt the use of the Council pension fund to invest in the local infrastructure could be explored further.

There was a 10% shortfall from the Government on Council Tax benefits although it was thought that a revision of the Council Tax base in Havering should deliver more money. A new homes bonus of £2.4 million for 2014/15 would allow some one-off investments such as that in Harrow Lodge Park.

There had been a rise in NHS funding to support social care but this was pooled with the Clinical Commissioning Groups (CCGs). New legislation affecting education and care for people under 25 years and the care of elderly people would also have a financial impact. This was also the case with the rise in numbers of properties and pupils in Havering and the rising numbers of very elderly people would lead to a heavy demand on social care services.

In conclusion, the Leader emphasised that the Council wished to protect front line services and this was in line with the Living Ambition strategy. Efficiencies had been made in all areas of the Council, for example the partnership with London Borough of Newham. Further savings would however be needed and it would be necessary to ask which Council services did not need to continue in their current form and which could be delivered in a better way in order to keep the budget under control.

Having received the presentation from the Leader of the Council, the Overview and Scrutiny Committees noted:

1. The financial position of the Council.
2. That the report was formally consulting them on the proposed Corporate budget adjustments and that this was the opportunity to scrutinise the budget proposals.

Answers to questions raised by Members on specific items of the budget are shown in the appendix to the minutes.

Chairman

ASSESSMENT OF IN-YEAR VARIANCES

The period 6 monitoring report identifies a number of variances and as part of the budget-setting process, these have been analysed to determine whether there is any potential ongoing impact on 2014/15. This analysis is set out below:

Service	Forecast Outturn Variance £'000	Major Elements of Variance £'000	Impact on Future Budgets
Streetcare	226	Overspend of £475k on parking, due to income shortfalls, offset by a number of underspends across difference services	£200k for shortfall in parking income included within new schedule of items for 2014/14
Customer Services	289	Delayed delivery of savings from transformation programme	Will be partly delivered in 2014/15 but residual balance of £200k included in new schedule of items
Regulatory	364	Overspend of £300k due to shortfall in income from building control	Included within new schedule of items for 2014/15
Adults	419	Older People's residential and nursing placements £396k and Learning Disabilities £175k, offset by various underspends	These are felt to be containable within existing budgets, overall demographic growth, and Better Care Funding
Learning & Achievement	13	Overspend on Special Educational Needs of £512k, offset by range of underspends	These are felt to be containable within existing budgets and overall demographic growth
Children's	710	Mainly due to overspends in Placements £202k and Leaving Care Services £242k	These are felt to be containable within existing budgets and overall demographic growth
Asset Management	-375	Income from commercial properties transferred from the HRA £597k, offset by £239k overspend across various transport accounts	The commercial property income is being included in the 2014/15 budget, as set out in the February 2013 Cabinet report
Exchequer	-551	Underspend of £300k from housing subsidy plus underspend of £253k on emergency assistance scheme	The underspend on the emergency assistance scheme is likely to be carried forward, as funding for this ceases in 2015/16

SCHEDULE OF FEES AND CHARGES