

REPORT OF THE CABINET

7

SUBJECT: THE COUNCIL'S BUDGET 2014/15

The purpose of this report is to enable the Council to calculate and set the Council Tax for 2014/15.

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

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

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

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

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

Attached to this report are:

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

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

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provided in the Cabinet report marked as Appendix I. A separate report also covers the proposed Members Allowances scheme for 2014/15.

The HRA Capital and Revenue Budget for 2014/15 were also reported separately to Cabinet. At its meeting on 13th February 2013, Cabinet agreed a detailed HRA capital programme for 2014/15 totalling £43.781m. This was subsequently approved by Council at its meeting on 22nd February 2013. There are no proposed amendments to this programme of expenditure on HRA properties in 2014/15.

The HRA capital programme in 2014/15 and 2015/16 will also include further expenditure to support the building of new homes for rent or shared ownership to be held in the HRA. The constituent elements of this new build programme were approved by Cabinet at its meetings of 13th February 2013 and 16th October 2013, with subsequent approval of the budget allocation by Council on 22nd February 2013 and 27th November 2013.

There are no further approvals required with regard to this element of the Council's overall Capital Programme.

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

The effect of adopting these resolutions would be to set the Council Tax for a Band D property at £1,494.18

RECOMMENDATIONS

1. That the following as submitted in the report to Cabinet be approved:
 - a) The General Fund revenue budget for 2014/15, as set out in the revised Appendix E attached to this report.
 - b) The delegated schools' budget for 2014/15, as set out in Appendix E of the report to Cabinet.
 - c) The Capital Programme for 2014/15, as set out in Annexes 2, 3 and 4 of Appendix I of the report to Cabinet.
2. That, in accepting recommendation 1, Council is mindful of the advice of the Chief Finance Officer as set out in Appendix H of the report to Cabinet.
3. That it be noted that under delegated powers the Chief Finance Officer has calculated the amount of 80,183 (called T in the Act and Regulations) as its Council Tax base for the year 2014/15 in accordance with regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) made under Section 31B of the Local Government Finance Act 1992 as amended.
4. That the amount of £95,833,118 be now calculated as the Council Tax requirement for the Council's own purposes for 2014/15.

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5. That the following amounts be now calculated by the Council for the year 2014/15 in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended:

(a)	£448,784,486	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	(£352,951,368)	being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£95,833,118	being the amount by which the aggregate at 5(a) above exceeds the aggregate at 5(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
(d)	£1,195.18	being the amount at 5(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year.

6. That the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the amounts shown in the table below as the amounts of Council Tax for 2014/15 for each of the categories of dwellings.

Valuation Bands London Borough of Havering	
	£ p
A	796.78
B	929.59
C	1,062.38
D	1,195.18
E	1,460.77
F	1,726.37
G	1,991.97
H	2,390.36

7. That it be noted for the year 2014/15 the major precepting authority (the GLA) has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below as proposed by the Mayor and as due to be considered by the London Assembly at its meeting on 14th February 2014.

Valuation Bands Greater London Authority	
	£ p
A	199.33
B	232.56
C	265.78
D	299.00
E	365.44
F	431.89
G	498.33

H	598.00
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8. That, having calculated the aggregate in each case of the amounts at 6 and 7 above, the Council, in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2014/15 for each of the categories of dwellings shown below:

Valuation Bands	£ p
A	996.11
B	1,162.15
C	1,328.16
D	1,494.18
E	1,826.21
F	2,158.26
G	2,490.30
H	2,988.36

The effect of adopting this resolution would be to set the Council Tax for a Band D property at £1,494.18

8. That Council having considered the principles approved under the Local Government Finance Act 1992 by the Secretary of State concludes that the Council's basic relevant amount of Council Tax for 2014/15 is not excessive.
9. That any Council Tax payer who is liable to pay an amount of Council Tax to the Authority in respect to the year ending on 31st March 2015, who is served with a demand notice under Regulation 20(2) of the Council Tax (Administration and Enforcement) Regulations 1992 as amended and who makes payment to the Authority of the full balance of the estimated amount shown on that demand by 1st April 2014, may deduct a sum equivalent to 1.5% of and from the estimated amount and such reduced amount shall be accepted in full settlement of that estimated amount.
10. That Council agrees that the Capital Programme be expanded for schemes during the year which are funded via additional external funding under the authority of the Cabinet Member Value and the relevant service area Cabinet Members.
11. That Council approves the Treasury Management Strategy Statement, Prudential Indicators, and the Minimum Revenue Provision Statement for 2014/15.

REPORT DETAIL

As set out in the reports to Cabinet of the 12th February 2014 and the attached Annexes.

APPENDIX E

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

2013/14 £		Estimate 2014/15 £	
167,525,853	Havering's Expenditure	165,596,130	
2,000,000	Service Expenditure	2,000,000	
169,525,853	General Contingency	167,596,130	
	Havering's Own Expenditure		
	Levies		
11,653,000	East London Waste Authority	11,990,000	Final
172,822	Environment Agency (Thames)	171,317	Final
17,367	Environment Agency (Anglia)	17,679	Final
260,569	Lee Valley Regional Park Authority	252,415	Final
318,236	London Pensions Fund Authority (LPFA)	313,839	Final
12,421,994	Sub Total – Levies	12,745,250	
(12,374,328)	Unringfenced Grant	(14,785,716)	
169,573,519	Sub Total – Total Expenditure	165,555,664	
	External Finance		
(45,378,456)	Revenue Support Grant	(38,889,716)	
(9,032,069)	Business Rates Top-up	(9,208,018)	
(20,741,507)	National Non Domestic Rate	(21,632,207)	
(75,152,032)	Sub Total – External Finance	(69,729,941)	
477,000	Collection Fund 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		The Collection Fund		Estimate 2014/15	
£	£ p	Expenditure	£	£ p	
94,898,487	1,195.18	Precepts	95,833,118	1,195.18	
24,058,503	303.00	London Borough of Havering	23,974,717	299.00	
20,741,507	261.22	Greater London Authority (Final)			
		London Borough of Havering Retained Business Rates (Final)	21,632,207	269.79	
13,827,671	174.15	Greater London Authority - Retained Business Rates (Final)	14,421,472	179.86	
34,569,179	435.38	Central Government - Retained Business Rates (Final)	36,053,679	449.64	
274,180	3.45	Cost of NNDR collection	272,168	3.39	
188,369,527	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			
79,401		COUNCIL TAX per Band D property	119,807,835	1,494.18	
		Council Tax Base	80,183		
					Council Tax percentage change (0.3)%
Valuation as at 1/4/91		Council Taxes Per Property Band			Change
	£ 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	1,331.71	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	1,831.10	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)	

BUDGET AND CORPORATE PLAN AND COUNCIL TAX 2014/15

SUPPLEMENTARY INFORMATION

A. THE GREATER LONDON AUTHORITY AND LEVIES

The Greater London Authority precept proposed by the Mayor was advised as being £299.00 per Band D property (1.3% decrease). The London Assembly was due to consider this budget and precept on 14th February 2014. Confirmation of formal approval to the budget has now been received and the proposed Band D amount has been agreed.

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

B. FINAL LOCAL GOVERNMENT FINANCIAL SETTLEMENT 2014/15 AND PROVISIONAL 2015/16

1. Introduction

1.1. On 5th February 2014, Parliamentary under Secretary of State at the Department for Communities and Local Government, Brandon Lewis MP, made a written statement to Parliament concerning the final local government finance settlements 2014/15 and the provisional 2015/16 allocations. This briefing note highlights key issues of note and some comparative information.

2. Headlines

2.1. The Secretary of State announced that councils will face an average reduction in spending power of 2.9% and that no authority would experience a decrease of more than 6.9%. In a similar manner to the previous years, the government's headlines focus on comparative figures concerning a local authority's "revenue spending power"

2.2. From the introduction of localisation of business rates in 2013, the formula grant methodology is now fixed until the next reset in 2020/21. The various indicators and data sets are fixed based on the 2013/14 formula grant calculation which includes data from the 2001 census.

2.3. As originally announced in the 2013 Autumn Statement, local government was exempt from any further cuts as local authorities have already seen reductions from the previous Autumn Statement and Spending Round (SR2013) which results in a further reduction of £16m to Havering's Revenue Support Grant (RSG) by 2015/16.

2.4. The final settlement reveals no material changes from the provisional settlement announced in December. The only change was in relation to the returned capitalisation as this increased by £9k from earlier estimates.

3. National Control Total and Spending powers

3.1. The average spending power reduction nationally has been stated as 2.9% (1.8% 2015/16) with Havering's comparable reduction in 2014/15 as 0.85% and an increase in 2015/16 of 1.1%. Although 2014/15 shows relatively low reductions in funding level and 2015/16 an actual increase, the figures presented are not a true reflect of the cuts facing local government as they do not compare like for like. For example, the figures include a number of estimates, shared funding and additional burdens being placed on local authorities. For example the figures include:

- Estimates in regards to the New Homes Bonus
- No account of the top-slice in New Homes Bonus
- £15m grant of "pooled funding from NHS" and
- Additional burdens in relation to Adult Social Care.

3.2. Table 1 below shows the reduction in formula funding from 2013/14 to 2015/16 following the reductions announced at the 2012 Autumn Statement and the 2013 Spending Round. The amount of funding available for local authorities has reduced by £2.5bn in 2014/15 and by a further £3.1bn in 2015/16.

Table 1- Spending Control Total for 2013-14 to 2015-16

	2013/14 £000's	2014/15 £000's	2015/16 £000's
Departmental Control Totals	26,256	23,786	20,651
Reduction in Funding		(2,470)	(3,135)
Percentage Reduction		(9.4%)	(13.2%)

4. The Formula Funding – Havering

4.1. The Settlement Funding Assessment is used to determine both Havering's Revenue Support Grant (RSG) and Business Rate Baseline (BRB). This comprises of the current four-block formula grant model which has been frozen since last year's settlement and incorporates £31.2m of rolled in grants. This equates to a final Settlement Funding Assessment (SFA) for 2014/15 of £69.667m (£60.754m for 2015/16) compared to a 2013/14 equivalent of £76.665m. As business rates is uprated in line with inflation or for 2014/15 by the 2% cap announced in the Autumn statement, all of the funding adjustments only effect Havering's RSG.

4.2. The methodology used in allocating the reductions in departmental spending has also changed. The £31.2m of rolled in grant have been accounted for separately with various level of reductions being applied to each grant. Appendix A shows the reduction in funding and notably the significant decrease to Havering's RSG allocation.

4.3. In order to compare like for like, appendix A shows a comparison of Havering's settlement funding allocation since 2013/14. When compared to the 2013/14 grant allocation, Havering's RSG will have reduced by £16m by 2015/16. As part of the 2014/15 calculation, the Council Tax Support (CTS) grant which

was introduced in 2013/14 has now been completely rolled up into the formula grant and has been scaled using the same methodology as the core grant.

- 4.4. The reduction in core RSG grant is predominantly due to the reductions placed on local authorities through the Autumn Statement in 2012 and the Spending Round in 2013. Due to the formula being locked in and the 2% increase in business rates, each authority's core RSG allocation is being scaled by 33%.
- 4.5. The amount of New Homes bonus removed from the formula grant has also been adjusted. Previously it was announced that £200m would be removed from the departmental control totals. Following the release of the provisional allocations in November, the total amount required is less than the amount to be removed from the control totals. As a result, £100m was not needed therefore returned to the control totals mitigating the reduction in grant allocation in both 2014/15 and 2015/16.
- 4.6. Table 2 shows the list of grants which forms part of Havering's Settlement Funding Assessment. The most notable reduction is the decrease of Early Intervention funding by approximately 7.7% in 2014/15 and by a further 8.5% in 2015/16.
- 4.7. In addition, the 2013/14 council tax freeze grant has also been rolled into the settlement funding assessment and now potentially faces reductions. The 2011/12 grant allocation which is already part of the settlement funding allocation is beginning to be reduced slightly even without being fully integrated into the formula. This also excludes the 2012/13 allocation which has been removed completely.

Table 2. Analysis of grants incorporated into the Settlement funding Assessment

	Settlement 2013/14 £000's	Final Settlement 2014/15 £000's	Provisional Settlement 2015/16 £000's
Council Tax Freeze Funding 11/12	2,680	2,668	2,667
Council Tax Freeze Funding 13/14		1,098	1,098
Early Intervention Funding	6,646	6,131	5,607
Homelessness Prevention	400	394	394
Lead Local Flood Authorities Funding	132	130	130
Learning Development & Public Reform	7,822	7,896	7,893
Returned Capitalisation		90	
Total	17,680	18,407	17,789

- 4.8. The formula grant system has consistently penalised Havering since its inception. Compared to other authorities in London, Havering receives one of the lowest grant-per-head allocations despite being one of the largest boroughs in London with the highest proportion of elderly population. The indicators and data sets do not reflect the demographics pressures affecting the authority which has resulted in Havering having to increase its council tax to compensate. Appendix B shows the grant per head allocations for London, clearly showing the amount of funding Havering receives compared to other London authorities.

5. Business Rate Baseline – Havering

5.1 As announced in the Autumn Statement, business rates will be capped at 2% next year. As of yet, no decision has been made in relation to how the extension to the small business rate reliefs will be funded. Table 3 below shows how the 2% cap affects Havering's Business Rate Baseline and Top-up

Table 3 – Effects of the 2% cap in 2014/15 and estimated increase in Business Rate in 2015/16.

	Settlement 2013/14 £000's	Settlement 2014/15* £000's	Settlement 2015/16** £000's
Business Rate Baseline	30,189	30,777	31,627
Top-Up	9,033	9,208	9,462
Target Business Rates	21,156	21,569	22,165
Safety Net	27,925	28,468	29,254

* 2014/15 - 2% cap

** 2015/16 - Assuming inflationary increase of 2.7%

6. Pooling

6.1 In October 2013, Havering applied to enter into a pooling arrangement with Thurrock Borough Council, Basildon Borough Council and Barking & Dagenham. As part of the settlement announcement, this has been formally approved. As a result, Havering will be able to share in the growth generated by the pool as a whole.

6.2 Table 4 below shows the make-up of the authorities within the pool. As part of the process, the pool will be a tariff authority paying a 4% levy to central government. Thurrock will lead of the administration of the pool and will make the necessary transaction with DCLG.

Table 4 - 2014-15 Key Information for pools.

Local authorities within pool	Thurrock	Basildon	Havering	Barking and Dagenham	Total for pool
	£000's	£000's	£000's	£000's	£000's
Baseline funding level	29,574	5,077	30,777	51,386	116,815
Tariffs and Top-Ups	(23,224)	(25,467)	9,208	34,346	(5,137)
Levy Rate	0.44	0.50	0.00	0.00	0.04
Safety Net Threshold	27,356	4,696	28,468	47,532	108,054

PROVISIONAL GRANT SETTLEMENT 2013/14 & 2014/15 - TRANSFERS

	Settlement 2013/14	Settlement 2014/15	Settlement 2015/16
	£000	£000	£000
Bal B/f	53,296	57,888	51,260
<u>Transferred into formula</u>			
Council Tax Support Funding	13,548		
LACSEG	(4,978)		
Floor	(3,978)		
Scaling		<u>(6,628)</u>	<u>(8,296)</u>
	<u>57,887</u>	<u>51,260</u>	<u>42,964</u>
<u>Included as part of the Settlement funding Allocation</u>			
Council Tax Freeze Funding 11/12	2,680	2,668	2,667
Council Tax Freeze Funding 13/14	1,098	1,098	1,098
Early Intervention Funding	6,646	6,131	5,607
Homelessness Prevention	400	394	394
Lead Local Flood Authorities Funding	132	130	130
Learning Development and Public Reform	7,822	7,896	7,893
Returned Capitalisation		90	
Total Transfers	18,778	18,407	17,789
<u>Provisional Grant</u>	76,665	69,667	60,753
Of which relates to Business Rates	30,189	30,777	31,627
Payment via Revenue Support Grant	46,476	38,890	29,126

2014/15 SETTLEMENT FUNDING PER HEAD OF POPULATION

Authority	Grant Per Head £s
City of London	4,365.50
Barking and Dagenham	611.56
Barnet	329.85
Bexley	315.67
Brent	559.19
Bromley	246.60
Camden	812.51
Croydon	403.02
Ealing	450.48
Enfield	468.97
Greenwich	645.38
Hackney	881.50
Hammersmith and Fulham	663.82
Haringey	632.42
Harrow	326.17
Havering	293.67
Hillingdon	343.41
Hounslow	385.45
Islington	812.49
Kensington and Chelsea	650.86
Kingston Upon Thames	271.93
Lambeth	723.25
Lewisham	675.82
Merton	359.38
Newham	709.66
Redbridge	378.71
Richmond Upon Thames	245.42
Southwark	789.07
Sutton	389.91
Tower Hamlets	856.34
Waltham Forest	536.54
Wandsworth	469.96
Westminster	805.75

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

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

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

Amounts of gross expenditure

The gross expenditure of—

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

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

Amounts of council tax requirement

The council tax requirement of—

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

for the relevant year and the preceding year.

Statements concerning gross expenditure and council tax requirement

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

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

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

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

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		2013/14 £	2014/15 £
	Amounts of Gross Expenditure		
	Aggregate of the items which are attributable to the services administered by the Authority during the year	448,440,793	448,784,486
excluding	allowances for contingencies	2,000,000	2,000,000
	and contributions to financial reserves	499,579	791,538
	Gross Expenditure	<u>445,941,214</u>	<u>445,992,948</u>
	Amounts of Council Tax Requirement		
	LBH element of the Council Tax Band D for a Property	1,195.18	1,195.18
multiplied by	the Council Tax Base	<u>79,401</u>	<u>80,183</u>
	Council Tax Requirement	<u>94,898,487</u>	<u>95,833,118</u>
	Statements concerning Gross Expenditure and Council Tax Requirement		
	Gross Expenditure	445,941,214	445,992,948
less	Council Tax Requirement	<u>94,898,487</u>	<u>95,833,118</u>
		<u>351,042,727</u>	<u>350,159,830</u>
	Reason for Difference		
	Gross income	278,867,274	283,228,822
	Retained Business Rate	20,741,507	21,632,207
	Business Rate Baseline (Top-Up)	9,032,069	9,208,018
	Revenue Support Grant	45,378,456	38,889,716
	Council Tax (Deficit)/Surplus	-477,000	913,000
	Business Rates (Deficit)/Surplus	<u>0</u>	<u>-920,395</u>
		353,542,306	352,951,368
	Less contingencies and contribution to reserves	<u>-2,499,579</u>	<u>-2,791,538</u>
		<u>351,042,727</u>	<u>350,159,830</u>

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

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

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

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

The Department for Communities and Local Government (DCLG) will be amending the Council Tax and Non-Domestic Rating (Demand Notices) (England) Regulations 2003 to provide revised text for the explanatory notes that authorities are required to send with demand notices. The revisions are being made to reflect the changes announced in the Autumn Budget Statement. DCLG has issued the revised draft text of the explanatory notes that they are proposing for inclusion in demand notices under the amending regulations, although they have advised that they are not expecting the final version to differ from this.

The payment of business rate bills is automatically set on a 10-monthly cycle. However, the Government has announced that it will legislate to allow businesses to ask for their business rate bills to be spread over 12 months to help with cash flow. The Government is putting in place regulations that will, with effect for the 2014/15 financial year, allow businesses to require their local authority to enable payments to be made through 12 monthly instalments, by making a request to the authority.

D. CALCULATION OF CHANGE IN HAVERING'S EXPENDITURE

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

Change in Council's Expenditure

	£m
2013/14 Budget	169.6
2014/15 Budget	165.5
Net Decrease	-4.1
Budget Pressures	2.0
Inflation	2.4
Increase in Levies	0.4
Provisions & Other Issues (including Grant & Funding Changes)	-4.6
Sub Total	0.2
Efficiencies/Savings	-4.3
Net Total	-4.1

E. REFERENDUMS RELATING TO COUNCIL TAX RISES

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

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A Council Tax referendum will be required in 2014/15 if the increase in the basic relevant amount of Council Tax set by an authority exceeds the Council Tax excessiveness principle which applies to that year. The Secretary of State has proposed that, for that year, an authority will be required to seek the approval of their local electorate if, compared with 2013/14, an increase in that amount exceeds 2% for local authorities.

As the Council's own Council Tax level, taking into account levies, remains unchanged, and as this then enables the Council to take advantage of the latest Council Tax freeze grant, this is within the level determined by the Secretary of State. This level was set out in the final settlement release and has been retained at the current level of 2%, although there was considerable speculation this was to have been reduced.

The level of Council Tax recommended to Council cannot therefore be considered to be excessive.



DRAFT MINUTES OF A CABINET MEETING
Havering Town Hall, Romford
12 February 2014
(19.30 – 21.10)

Present:

Councillors Clarence Barrett, Keith Darvill, Paul McGeary, Pat Murray, Michael Deon Burton, Lyndon Thorpe and Robby Misir also attended.

Three members of the public were present.

The decisions were agreed with no vote against.

111 MINUTES

The minutes of the meeting held on 22 January 2014 were agreed as a correct record and were signed by the Chairman.

112 THE COUNCIL'S FINANCIAL STRATEGY – SETTING OF FEES & CHARGES FOR 2014/15

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

The report outlined the context within which the 2014/15 budget was being set and identified the Council's overall policy direction, statutory duties and financial strategy.

The Council's budget needed to reflect the level of funding allocated to it by the Government. Since the General Election, the Government had made a series of announcements, with the most recent being the Autumn Budget Statement, which preceded the announcement of the provisional Local Government Settlement. Last year saw the introduction of fundamental and complex changes to the funding regime for local authorities, probably the biggest in 20 years. Whilst this reflected the localisation of responsibilities, it had also brought increased financial risk, and this had to be reflected as part of a robust budget setting process.

In anticipation of the changes that these various announcements had brought about, and in response to the Emergency Budget announced in 2010, Cabinet previously agreed a range of savings proposals in July 2010, and again in July 2011, designed to deliver savings approaching £36m. These proposals were now largely implemented, with the final year of this programme being 2014/15.

The provisional Local Government Financial Settlement had been announced on 18th December. Details were included in the previous report to Cabinet. Consultation ended on 15th January and the final settlement had been expected two weeks later.

In the light of the on-going financial climate, and with the prospects for “more of the same” for the foreseeable future, information on a small number of budget pressures proposals had been released for formal consultation in January and as part of the process, was also submitted to the joint Overview and Scrutiny Committee. The results of this consultation were set out in the report. The report set out the factors being recommended for inclusion within the 2014/15 budget.

The Cabinet Member stated that the current position was that there would be no increase to the Havering element of the Council Tax which would enable the Council to take advantage of the latest Council Tax freeze grant on offer.

Final confirmation of the Greater London Authority (GLA) precept was expected at the meeting of the London Assembly on 14th February, which was after the date of the Cabinet meeting. The Mayor of London had proposed a small reduction in the current precept, as previously advised to Cabinet, and this had been the subject of a similar consultation process. Those changes to the GLA position were reported at the Cabinet meeting and an update would be provided for the forthcoming Council meeting.

On the assumption that the proposal was approved by the London Assembly, there would be a small overall reduction in Council Tax. The band D figure would then reduce to £1,494.18.

Reasons for the Decision

The Council is required to set a budget for 2014/15 and, as part of that process, undertake relevant consultation in respect of the proposals included within the budget.

Alternative Options Considered

There are no alternative options in so far as setting a budget is concerned. However, there are options in respect of the various elements of the budget. These are considered in preparing the budget and cover such things as alternative savings proposals, the totality of budgetary pressures and different levels of Council Tax.

The Cabinet Member emphasised the challenging financial circumstances that the Council found itself in, particularly as further savings were required in the next financial year and beyond.

Cabinet decided that in view of the need to balance the Council’s policies, statutory requirements, government initiatives, inspection regimes and Council Tax levels, to:

1. Consider the advice of the Chief Finance Officer as set out in Appendix H when recommending the Council budget.

Council (Council Tax and Budget), 26 February 2014

2. Consider the comments received during the consultation exercise, which were set out in the report from the Joint Overview and Scrutiny Committee, which was attached as Appendix J to the report, when recommending the total Council budget.
3. Approve the following budgets for 2014/15:
 - the Council's draft General Fund budget as set out in Appendix E, formulated on the basis of:
 - an ELWA levy based on the anticipated budget and levy increase
 - the budget items shown at Appendix F, and
 - the other assumptions set out in the report
 - the delegated schools' draft budget, the capital programme as set out in Annexes 2, 3 and 4 of Appendix I, and delegate to the Chief Executive and Group Directors to implement the 2014/15 capital and revenue proposals once approved by Council unless further reports or Cabinet Member authorities were required as detailed.
4. Delegate to the Chief Executive and Group Directors to make any necessary changes to service and the associated budgets relating to any subsequent specific grant funding announcements, where delays might otherwise adversely impact on service delivery and/or budgetary control, subject to consultation as appropriate.
5. Agree to make a one-off cash investment in the Pension Fund, as set out in Section 3.17 of the report, and delegate to the Leader and the Cabinet Member for Value, in consultation with the Group Director Resources, the final amount, which would be subject to the year-end position.
6. Approve the schedule of Fees and Charges set out in Appendix L, with any recommended changes in year being implemented under Cabinet Member delegation.
7. Agree that if there were any changes to the GLA precept and/or levies, that the Group Director Resources (in the absence of the Chief Executive) be authorised to amend the recommended resolutions accordingly and report these to Council on 26th February 2014.
8. To Delegate authority to the Cabinet Member for Individuals to approve the draft submission of the Better Care Fund application to NHS England by 14th February 2014, and the final submission on 4th April 2014.
9. To authorise the Chief Executive to make minor amendments to the Corporate Plan, as set out in the "Plan on a Page" agreed by Cabinet in January 2014.

In addition, Cabinet:

10. **Recommends to Council**, subject to recommendation 3 above, the following:
 - The General Fund budget for 2014/15

- The Council Tax for Band D properties and for other Bands of properties, all as set out in Appendix E, as revised and circulated for the Greater London Authority (GLA) Council Tax.
- The delegated schools' budget for 2014/15, as set out in Appendix E.
- The Capital Programme for 2014/15 as set out in Annexes 2, 3 and 4 of Appendix I.

11. **Recommends to Council** to pass a resolution as set out in section 8.4 of the report to enable Council Tax discounts to be given at the existing level

113 **HRA BUDGET FOR 2014/15 AND HRA CAPITAL PROGRAMME 2014/15 – 2015/16**

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

The report set a budget for the Council's Housing Revenue Account (HRA) and HRA Capital Programme. From 2012 the position of the HRA had changed from previous years because of the introduction of a regime, known as "Self Financing". An update to the HRA Business Plan was provided.

The HRA remained a ring-fenced account that was used to manage the Council's own housing stock. The proposed budget would enable the Council to manage the stock to a reasonable standard and to complete the Council's Decent Homes Programme. It further set rents, service charges and other charges for Council tenants for the year 2013/14.

Reasons for the Decision

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

Alternative Options Considered

There were no alternative options insofar as setting a budget was concerned. There were, however, options in respect of the various elements of the budget. These were considered in preparing the budget and covered such things as the rent and service charge increase, budget growth and capital programme proposals.

Cabinet agreed:

1. The Housing Revenue Account Budget as detailed in Appendix 1 to the report.
2. That the average rent for existing tenants in Council properties owned by the London Borough of Havering be increased by £5.06, from £85.74 to £90.80 (5.90%) with effect from 7 April 2014, in line with the Government's current policy to restructure rents. This would mean in effect, that rents were increased as set out in the table below:

3.

	Rent 2013/14 – 52 weeks	Rents 2014/15 52 weeks	Increase (£)	% increase
Bedsit	£66.61	£70.55	£3.94	5.92%
1 Bed	£71.91	£76.61	£4.70	6.54%
2 Bed	£84.61	£89.60	£4.99	5.90%
3 Bed	£102.05	£107.66	£5.61	5.50%
4 Bed	£115.65	£121.77	£6.12	5.29%
5 Bed	£127.66	£134.13	£6.47	5.07%
Average Rent	£85.74	£90.80	£5.06	£5.90%

4. That rents for new lettings from 7th April 2014 would be set at formula rents.
5. That the rent-free weeks for 2014/15 be w/c 25 August 2014 the two weeks commencing 22 December 2014, and the week commencing 30 March 2015.
6. That tenants' service charges and heating and hot water charges for 2013/14 should be increased or decreased as follows:

Service Charges reviewed and recommended	2013/14 Weekly Charge – 52 weeks	2014/15 Weekly Charge – 52 weeks	Increase (decrease)	% increase (decrease)
Caretaking	£3.33	£3.18	(0.15)	(4.50)
Internal Block Cleaning	£1.02	£1.21	0.19	18.63
Bulk Refuse Collection	£0.45	£0.46	0.01	2.22
CCTV - Mobile Service	£0.55	£0.42	(0.13)	(23.64)
CCTV - Static Service	£1.38	£1.38	0.00	0.00
Neighbourhood Wardens	£0.83	£0.78	(0.05)	(6.02)
Door Entry	£1.36	£1.36	0.00	0.00
Ground Maintenance	£2.39	£2.61	0.22	9.21
Sheltered Cleaning	£2.93	£3.27	0.34	11.6
TV access	£1.32	£1.38	0.06	4.55
Heating	£9.52	£8.97	(0.55)	(5.78)
Hot Water	£6.02	£6.37	0.35	5.81

7. That the service charge for homeless households accommodated in the Council's hostels should be increased by 3.7% to £24.85 a week.
8. That charges for high and medium demand garages were increased by 3.7% and that rents for low demand garages should be frozen.
9. That support charges for mobile support for older people were increased by 3.7% as follows:

Service	Weekly support charge in 2013/14 – 52 weeks	Weekly support charge in 2014/15 – 52 weeks
Support – low level	£5.28	5.48
Support – medium level	£10.56	10.95
Support – high level	£13.21	13.70

10. That the Careline support charge be increased by 3.7% as follows:

Service	Weekly support charge in 2013/14 – 52 weeks	Weekly support charge in 2014/15 – 52 weeks
Careline – sheltered tenants	£4.23	4.39
Careline – community users	£4.51	4.68

11. That Telecare support charges be increased by 3.7% as set out below:

Service	Weekly support charge in 2013/14 – 52 weeks	Weekly support charge in 2014/15 – 52 weeks
Telecare – base unit plus two sensors	£6.57	6.81
Additional Telecare sensor	£1.09	1.13

12. To maintain the transitional arrangements to correct the undercharging, by £4.18 increase plus inflation a week, of tenants in the former Hornchurch mobile support pilot scheme, whereby the full charge would be gradually increased over the five year period 2012/13 to 2016/17 inclusive for the 13 tenants paying for this service; for 2014/15. This amounted to an increase to the weekly charge (52 weeks) of £0.87p.

114 TREASURY MANAGEMENT STRATEGY STATEMENT, PRUDENTIAL INDICATORS AND MINIMUM REVENUE PROVISION STATEMENT FOR 2014/15

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

In February 2011 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code).

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

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

- The borrowing and investment strategies
- Treasury Management indicators

- Prudential Indicators
- A Minimum Revenue Provision Policy (how residual capital expenditure was charged to revenue over time)

Treasury Management Reports to Audit Committee – This would provide an update on the prudential and treasury indicators and would include information on the current treasury position.

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

Reasons for the decision:

The statutory Codes set out that the Council ought to approve a Treasury Management Strategy Statement, the MRP Strategy and the Prudential Indicators for 2014/15.

Other options considered:

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

Cabinet Recommends that Council approve the Treasury Management Strategy Statement, the Prudential Indicators and the Annual Minimum Revenue Provision statement for 2014/15.