

Report of the Chief Executive on the Proposed Amendments to the Budget

ADVICE IN RESPECT OF RESIDENTS GROUP BUDGET AMENDMENTS

The Council Procedure Rules state (Constitution, Part 4 Rules of Procedure, rule 11):

Rule 11.9(a)

"An amendment to a motion/report at the annual Council tax setting must be submitted to the Chief Executive no later than 6 clear days before the Council tax setting meeting, and must be such that the amendment would, if passed, in the view of the Chief Finance Officer enable a robust budget to be set".

Rule 11.9(b)

"Upon receipt of such amendment, the Chief Finance Officer shall consider whether it meets the "robust budget" test, and:

- (i) If it does meet the test, the Proper Officer shall include it on the agenda for the meeting.
- (ii) If it does not meet the test but the Chief Finance Officer considers that, duly altered, it will do so, that officer shall consult the proposers and, if they accept the alteration(s), the Proper Officer shall include it, as altered, on the agenda for the meeting.
- (iii) If it does not meet the test and the Chief Finance Officer considers that, whether or not altered, it will not do so, that officer shall refer the amendment to the Proper Officer who shall proceed with it as an improper amendment under Rule 11(3)(b)."

These amendments are acceptable for consideration in accordance with the Procedure Rules as stated above subject to Council having regard to the comments set out below.

The impact of the proposal would have no net overall effect on the proposed Council Tax level, as there is no net overall addition to the proposed Budget Requirement. This would therefore mean that Council Tax at Band D would remain as follows:

	£	%
Havering	1,195.18	0.0%
GLA	299.00	(1.3)%
Total	1,494.18	(0.3)%

If the budget amendment was agreed, the Council resolution would remain as stated in the Council papers.

On specific matters:

- (i) RA1 Interest Receivable; interest rates available to the Council for its investment activities have fallen to an all-time low, having generally been at a low level for some time, due in a large part to the Government policy of quantitative easing. It is now extremely difficult to generate much by way of interest. This is therefore risky, especially as we also have further increases in each of the next two years within the base budget. This may be deliverable through cash flow management, but certainly not through interest rates, although speculation around the timing of any possible rise in rates has increased considerably in recent weeks. Cash holdings during the course of the year have generally been fairly high, which is a by-product of the new funding system, and does offer some prospects of a higher level of interest being achieved. This proposal brings with it a slightly higher risk that the interest budget may not be met.
- (ii) RA2 Revenue Contingency; the contingency level held within the budget is subject to an annual risk assessment and the details were set out in the report to Cabinet in February. This review concluded that the existing sum of £2m should be retained for now. This is, however, a broad view of the financial position, and in recent years, the full sum has not been utilised, though the remaining balance has enabled the Council to build up its Strategic Reserve to help fund the current transformation programme. Reducing the level of contingency is not without risk, but these funds are generally only available to deal with in-year issues. Reducing the level of contingency is a marginally higher level of risk than proposed within the Administration's budget. As stated in the proposals, general reserves are also potentially available, although again, these can only be used on a one-off basis.
- (iii) RA3 Special Responsibility Allowances; should the amendment be approved, Council will need to consider an amendment to the Members' Allowance Scheme that appears elsewhere on this agenda. This is to ensure that the Scheme reflects the proposals and delivers the proposed additional reduction to the existing budget saving.

It is important to also note the following:

- (a) The budget for the Members' Allowance Scheme is set at a level that assumes a certain level of dual roles. Where this is not the case and additional provision is required, it is met from contingency. Recent years have resulted in this being the case, although not to any material extent. The proposals therefore would probably reduce overall spend and therefore the budget, but the exact savings achieved would then depend on how each role is then filled. There would thus be a risk that a call would be needed on the contingency fund, therefore reducing the level of contingency available for other issues
 - (b) The budget already includes an additional saving of £100k in 2014/15. Should this amendment be agreed, then this saving would still need to be delivered, which would need to be reflected in the changes to the Allowances Scheme. The number of posts attracting an SRA would need to be set accordingly, alongside any proposed amendments to the actual allowance levels, to achieve the overall saving indicated by this proposal, this is likely to require a reduction in the number of SRAs, and potentially the actual level of allowances. This would need to be assessed against any proposed amendments to the Allowances' Scheme that are put forward, to ensure that the full level of saving can be delivered.
- (iv) RA4 Flood Prevention; the recent inclement weather has increased the potential impact of flooding and what is proposed is an addition to the existing base budget provision. This would enable further works to be undertaken, though of course any emergency works could be funded through the Contingency Fund. Funds may potentially be available through the national Bellwin scheme, but the trigger level for such payments is unlikely to enable the Council to submit a claim. Any increase in funding would ensure it was able to fund necessary works as required.
- (v) RA5 Promoting Business Growth; the budget submitted to Cabinet for 2013/14 incorporated the retention of a base budget sum of £1m for deployment on an extended programme of service transformation and to support Council activities to grow the local business base. The localisation of business rates has had a significant impact on local authorities and, even though the actual level of local retention is only 30%, nevertheless, this will be an important revenue source.

Last year's report set out proposals for the uses of this sum of £1m. The addition of a further sum of £100k would further enable the Council to undertake activities designed to both support and grow the local business base. This would include the provision of advice and guidance, and assistance with finding business locations, and these would supplement the

existing activities undertaken across the Council. Again, this is a relatively small addition to the budget proposals.

- (vi) RA6 Align Bank Holiday Parking Restrictions; this proposal would ensure that the same parking restrictions were applicable on all Bank Holidays on the same basis as current arrangements for Sundays. There would obviously be a small loss of income from this measure, the sum proposed reflects an estimate of what this might be. There is a small risk that the actual level of income reduction would be higher, but this is a relatively small sum within the overall parking budget context.
- (vii) RA7 Christmas/New Year Parking Arrangements; under this proposal, the existing scheme of charging would be changed, with a period of free parking being allowed for the first two hours in all Council managed car parks across the borough, during the Christmas period. This would apply to the period between Christmas and New Year, as well as the two weekends immediately preceding the Christmas period. There will be some costs associated with this change, such as adaptations to ticket machines, and a provisional estimate has been made. There are possible implications for other car park facilities, especially in central Romford, as these are expected to be in line with those of the Council in accordance with an original S106 agreement. If the tariffs of other operators are harmonised to this proposal, they would all lose income, and if they did not reduce their charges, they could complain about the Council undercutting the private sector provision, resulting in revenue losses. Otherwise, this proposal would increase the net overall cost of the parking function.
- (viii) RA8 Additional Dog Waste/Litter Enforcement Officer; this proposal would lead to the creation of one additional post within the existing team. Any increase in permanent establishment carries a degree of risk, with the continued and sustained reduction in Government funding, as further cuts are inevitable and it may therefore be necessary at some future point to consider reductions in staffing levels, with a consequential financial impact.
- (ix) RA9 Supporting New Friends of Parks Groups; the proposed sum is a minor one and therefore there is a risk this may be over-subscribed, and it would be necessary to establish some rules for the allocation of funds, for example through a bidding or submission process. That would in turn bring about a small increase in workload, which would need to be managed.
- (x) RA10 Community Support Bank; the Council has in the past operated the Community Chest fund, which has awarded grants to grassroots groups. The panel, which was chaired by the Leader of the Council and made up of HSP Partners, awarded grants twice a year. £200k was originally set aside for this fund, from the one-off Local Area Agreement Performance Reward

Grant, in 2011/12. The final round of funding awards took place in March/April 2013.

In addition to this one-off funding, the Council also core funds both HAVCO and the CAB, with an overall sum approaching £300k. The Council also has in place a number of grants and contracts built into its mainstream budget for the provision of specific grants and services. Last year this totalled £7.1m. These payments are however more linked into mainstream service delivery than acting as grant funding for voluntary groups.

The proposed creation of a base sum of £50k would enable the Council to support a small range of activities on an ongoing basis, although as can be seen, this is a small increase set in the context of current spending levels. A process would need to be undertaken to assess applications and determine the allocation of funds. This will require officer time to progress.

(xi) RA11 Roads and Pavement Repairs; the proposal is for a minor increase in funds to enable a rapid response approach to be delivered. The Council already invests significantly in these areas, with an overall programme of capital works of £2m contained as part of the 2014/15 budget proposals, and this ranks very highly with local residents as one of their spending priorities.

In conclusion, these proposals do not affect the Council Tax level, and although the proposed amendments have degrees of risk associated with them, the sums involved are not of great financial significance. This does mean that, should the amendment be accepted, the overall budget is unlikely to carry a materially higher risk than currently. The amendments themselves represent no overall net adjustment to the Council's overall budget. Members are, however, reminded of the risks, and the advice of the Chief Finance Officer on budget robustness, which are set out in the budget report.