



## CABINET

14 DECEMBER 2011

## REPORT

**Subject Heading:**

The Council's Financial Strategy

**Cabinet Member:**

Cllr Roger Ramsey

**CMT Lead:**

Andrew Blake-Herbert  
Group Director Finance & Commerce

**Report Author and contact details:**

Mike Stringer  
Head of Finance & Procurement  
01708 432101

[mike.stringer@havering.gov.uk](mailto:mike.stringer@havering.gov.uk)

**Policy context:**

The Council is required to approve an annual budget and this report provides information to enable Cabinet to make recommendations to Council in February 2012

**Financial summary:**

There are no specific financial issues, this report deals with the overall budget position

**Is this a Key Decision?**

No

**Is this a Strategic Decision?**

No

**When should this matter be reviewed?**

December 2012

**Reviewing OSC:**

Value

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

Ensuring a clean, safe and green borough	[X]
Championing education and learning for all	[X]
Providing economic, social and cultural activity in thriving towns and villages	[X]
Valuing and enhancing the lives of our residents	[X]
Delivering high customer satisfaction and a stable council tax	[X]

### SUMMARY

Over the course of the last 15 months, Havering Council has agreed a package of savings to mitigate the impact of very significant cuts in central government funding to local authorities.

These savings, totalling in excess of £19 million in the first tranche, with a further £16 plus in the second tranche, were made up of a range of measures designed to reduce back-office costs, cut bureaucracy and focus resources where they would have the most impact – while remaining fair to those local residents who most rely on the Council for their day-to-day support.

Subsequent to the approval of these savings measures, the Government has issued a series of consultation papers on a variety of issues. These were considered by Cabinet in October 2011. The report included an assessment of the potential impact of the Government's proposals, and the Council's response to them. The final decisions on these areas are now awaited. There is one further issue relating to the Local Government Pension Scheme, which is covered in this report.

Although the Government announced a two year financial settlement, the figures for 2012/13 were provisional. The announcement for that year is due around 30 November, and whilst this is not expected to differ materially from the previous announcement, the figures will need to be examined carefully. However, the details may not be available in time for inclusion in this report.

The report contains the summary statements setting out the main principles of the Council's Medium Term Financial Strategy, in particular the revenue strategy, the capital strategy, and the procurement strategy, and seeks approval to recommend these to Council for adoption.

This report also sets out the position in the current financial year, and a number of other relevant issues, as these need to be taken into account in developing the detailed budget for 2012/13.

## **RECOMMENDATIONS**

Cabinet is asked to:

1. Note the Government's consultation process for the Local Government Pension Scheme, and the assessment of the potential impact on the Council.
2. Note that details of the Local Government Financial Settlement for 2012/13 will be reported to Cabinet in full in January.
3. Approve the revenue, capital and procurement strategy statements, as set out in Appendix B, and recommend their adoption to Council.
4. Note the position in the current financial year, as set out in Section 6.
5. Agree that financial support for the services provided by the Queens Theatre, Studio 3 Arts, HAVCO, and Motorvations as described in paragraph 7.10 of the report should be extended and incorporated into the base budget for 2012/13.

**REPORT DETAIL**

**1. FINANCIAL PROSPECTS FOR 2012/13 AND BEYOND**

- 1.1 The position in the current year, and for 2012/13 and beyond, was set out at some length in the report to Cabinet in July 2011. This was based on both the Comprehensive Spending Review (CSR), and the subsequent Local Government Financial Settlement (LGFS).
- 1.2 Based on the provisional settlement figures for 2012/13, and assuming that these do not change when the settlement is announced, there has been no material change in the budget gap. The position has therefore remained as previously reported to Cabinet in July.
- 1.3 The proposals set out in the July 2011 report are expected to deliver an overall savings package of around £16m over the next three years. Given the remaining budget gap set out in that report of around £20m, this savings package would largely meet the Authority's savings requirements without excessive Council Tax increases and not raising Council Tax above 2.5% throughout the life of this Administration. It would ensure a stabilised financial position with clear plans in place to meet the overall budget gap and bring as much certainty as possible to residents over both Council Tax levels – given the Administration's commitment to low increases – and the level of service they can expect.
- 1.4 Assuming there are no fundamental changes to the position, it was anticipated that there would be no need for further savings measures being proposed. However, Cabinet was advised that this would need to be considered in the light of the various consultation papers expected in the coming months after the report had been considered by Cabinet. A number of these were considered at the meeting of Cabinet in October 2011.

**2. GOVERNMENT CONSULTATION**

- 2.1 The Government has issued a series of papers from July, setting out proposals for dealing with a range of issues. These will have a fundamental impact on the funding of local government. Earlier announcements had already signalled the demise of the existing revenue grant funding regime, with the re-introduction of funding through business rates.
- 2.2 Alongside these proposals, the Government also issued for consultation papers on the localisation of Council Tax benefits. In addition, and although of lesser impact, the Government also consulted on other issues, including capital receipts, pensions, and academies.
- 2.3 The report to Cabinet in October outlined each of these, setting out a summary of key highlights, and an assessment – where possible to assess it – of the

impact on the Council. Finally, the report also included the Council's formal response to the consultation.

- 2.4 The consultation period for these has now closed. The Government is in the process of considering the consultation responses, and the final proposals are now awaited. It is hoped that these will be forthcoming sooner rather than later, to maximise the amount of time available to consider them, and to evaluate their impact on the Council and its financial position.

### **3. LOCAL GOVERNMENT PENSION SCHEME (LGPS)**

- 3.1 The DCLG published a consultation document on the Local Government Pension scheme in October 2011 which is the subject of a detailed report on this agenda. The main thrust of that report is to seek comments on the Government's proposals to achieve savings in the LGPS for the three years commencing 2012/13. Details of this were included in the report to Cabinet in October.

- 3.2 Subsequently, on 2<sup>nd</sup> November, the Government published a further document "Public Service Pensions: good pensions that last". That paper sets out its recommendations for Public Sector Pensions from April 2015.

- 3.3 The paper recommended a preferred pension scheme for the public sector. It also recommends the introduction of a Career Average Scheme replacing the Final Salary Scheme from April 2016. Detailed proposals for the LGPS were not however available. It was emphasised that short term savings in the LGPS, as set out in the DCLG consultation, would still be required for the next three years. Some of the proposals that relate to the new scheme would impact upon the LGPS consultation options (e.g. protection for those with less than 10 years to retirement).

- 3.4 What was clear from this paper was an expectation that local government would deliver a short term saving of £900m from the LGPS. However, the exact route to deliver that saving was unclear. There is the prospect that this saving could be delivered by a reduction in funding. Information from informal sources suggests this will not be the case, but this remains a potential risk.

- 3.5 A summary of the key points from the more recent paper is set out in Appendix A. The issue of reforms to the LGPS was discussed at the meeting of the Pensions Committee in November, where it was agreed that the Council's response would be approved by the Cabinet Member for Value and the Chairman of the Committee.

### **4. LOCAL GOVERNMENT FINANCIAL SETTLEMENT (LGFS)**

- 4.1 As has now become customary, the announcement of the LGFS in late 2010 covered a two year period, covering both 2011/12 and 2012/13. It was made clear at the time that this would be the last such settlement, with plans announced for a transition to the retention of business rates. The figures for 2012/13 were, however, provisional. It is usual for the detailed elements of the

highly complex formula based system to be revisited, and this can lead to changes from one year to the next.

- 4.2 The announcement of the provisional 2012/13 settlement was originally due around 30 November, although this was subsequently been delayed. It may therefore not be announced early enough for inclusion within this report, although, by the time Cabinet meets, the information should have been made available. The report to Cabinet in January will therefore include an analysis of the settlement and its impact. If there is any material change, this will be reported verbally at the Cabinet meeting.

## **5. MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

- 5.1 The Council has operated a medium term financial plan for a number of years. The MTFS has formed the bed-rock of the Council's financial management approach, and has enabled a high degree of financial stability to be achieved.
- 5.2 The principles of the MTFS are encapsulated in strategy statements. These have previously been developed to cover, separately, the revenue and capital budgets. To complement these, a further statement has been developed to cover the procurement strategy.
- 5.3 These strategy statements underpin the Council's budget setting and budget management processes. They are required to be formally approved by Council, and Cabinet is therefore asked to recommend their adoption. The strategy statements are set out in Appendix B.

## **6. FORECAST POSITION FOR 2011/12**

- 6.1 In considering the strategy for the remainder of the CSR period, due account needs to be taken of the Council's financial position in the current financial year. This will ensure that the strategy is developed in light of any issues that may or will affect the medium to long term financial position.
- 6.2 The latest forecast position as at September, period 6, is set out in the table below:

<b>Directorate/Service</b>	<b>Variance Forecast £000</b>
Communications	(25)
Culture & Leisure	38
Customer Services	200
Directorate Support	(35)
Regeneration & Strategic Planning	(140)
Streetcare	266
<b>Culture &amp; Community</b>	<b>304</b>
Adult Social Care	(70)
Children & Young People	891

**Cabinet, 14 December 2011**

Commissioning	(485)
Learning & Achievement	(41)
<b>Social Care &amp; Learning</b>	<b>295</b>
Asset Management	755
Corporate Financial Matters	(2,264)
Development & Building Control	76
<b>Finance &amp; Commerce</b>	<b>(1,433)</b>
<b>Legal &amp; Democratic Services</b>	<b>(54)</b>
<b>Total</b>	<b>(888)</b>
Contingency	0
<b>Total</b>	<b>(888)</b>

6.3 The main variances included in this position are as follows:

**Culture and Communities**

Customer Services	Customer Services Centre	Reduction in income from court costs	200
Regeneration		Early delivery of savings	(140)
Streetcare	Parking facilities	Continued shortfall in Angel Way income levels, season tickets, permits & parking disc	200

**Social Care and Learning**

Children & Young People	Children's Placements and CAMHS	CAMHS commissioned services £360k Children's Placements £612k - Increased demand	972
Learning & Achievement	Catering	Additional catering income	(400)

**Finance and Commerce**

Asset Management	Romford Market; Technical Services	Romford Market £220k Technical Services £500k	720
Corporate Financial Matters	Release of Provisions; Surplus on Corporate Budgets; and Shortfall on Advertising hoardings.	Release of the Insurance Provision £500k Surplus on Concessionary Fares budget £436k Balance on ELWA levy budget £308k Central Transformation Team underspend £500k £230k shortfall in hoardings advertising income Increased recoveries from agency contract £350k Increased income from deposits £400k	(2,264)

## Cabinet, 14 December 2011

- 6.4 At this stage, no assumption has made about the deployment of the contingency fund to cover any of the services areas currently forecasting an overspend. Only minor allocations have been made to date, and the balance of the fund remains available.
- 6.5 Whilst overall forecast indicates a level of underspend, there are potential pressures during the latter half of the year, and especially during the Winter months, that could adversely affect the position. This could affect the overall forecast and this should therefore be treated with some caution at this point. Budget holders are mindful of the need to maintain spend within budget.
- 6.6 The position will be kept under review and particular attention will be paid to any material adverse variances, to determine whether any of these are likely to remain as variances and continue into 2012/13. The next report to Cabinet will include a further update on the forecast position.

## **7. OTHER ISSUES**

- 7.1 There are five other factors that have come to light and for which due account will need to be taken as part of the budget setting process:
- Freedom passes
  - Council Tax freeze grant
  - Waste collection funding
  - London Borough Grants Scheme
  - General economic climate.

### *Freedom Pass*

- 7.2 Details of the likely costs to boroughs of the freedom pass scheme have been recently announced. The overall increase across London was expected to be in the region of 7%, which in Havering's case would have meant an additional £500k. However, based on usage numbers, the proposed increase for the Council for 2012/13 is estimated as £416k, or just below 6%.
- 7.3 Whilst this cost could be absorbed within the overall budget provision, this provision in fact makes up part of the savings from corporate provisions included as part of the schedule of savings within the July 2011 Cabinet report. This therefore represents an additional pressure facing the Council.

### *Council Tax Freeze Grant*

- 7.4 Cabinet will be aware from the October report that the Government had announced plans to fund a further Council Tax freeze in England. Details of the operation of the scheme have now been announced. As already advised to Cabinet, it has been confirmed that this will only be payable for 2012/13, and will then be withdrawn the following year. The grant is only payable if authorities either reduce or freeze their Council Tax.

## Cabinet, 14 December 2011

- 7.5 Authorities are therefore faced with a difficult choice. They can seek to deliver a budget that freezes Council Tax, and take the one year advantage of the additional, one-off grant, which would then leave authorities facing a further shortfall on funding. This would then require additional savings or a material rise in Council Tax to recover the “lost” funding. The alternative is to implement a rise in Council Tax, miss the one-off funding, but gain a longer term benefit from a rise in base revenue.

### *Waste Collection Funding*

- 7.6 The Secretary of State announced that he was making a £250m fund available for councils who either guarantee to introduce, reinstate or retain weekly bin collections for the next 5 years. The money will also depend on other environmental benefits local authorities offer, such as increasing recycling, reducing fly-tipping/litter. Councils will be able to bid for funding individually or in groups and can include the private sector "where this increases value for money". The money will become available as of April 2012.
- 7.7 Further details of the funding are awaited, so it is as yet unclear if this is additional funding, or whether it will be necessary to incur additional, matching costs.

### *London Borough Grants Scheme*

- 7.8 In July 2011 Cabinet received a report on the implications for Havering of changes to the London Borough Grants Scheme (LBGS). The effect of the changes was that only high-priority London-wide services would receive funding centrally from the LBGS, with the decision whether to continue funding for other services being devolved to individual boroughs.
- 7.9 The LBGS changes were implemented on 15 August 2011. Cabinet approved interim criteria for considering grant applications for the remainder of the 2011/12 financial year from organisations whose LBGS funding had been discontinued. The criteria required clear evidence that applicants were delivering services which were of substantial benefit to Havering’s community, which represented value for money, and could be delivered for approximately the same level of Council funding as previously unless there were exceptional circumstances justifying a higher level of grant. Decisions whether to approve grant applications were delegated to the Cabinet Member for Value and the Cabinet Member for Towns and Communities (with the Leader of the Council acting in the place of either or both of those Members if they declared an interest in the decision).
- 7.10 Four grant applications were approved as meeting the criteria, as set out in the table below:

	Part Year 2011/12 Grant (£)	Full Year Equivalent (£)
<b>Queens Theatre</b> – educational programmes for young	15,656	20,875



people to participate in arts and culture		
<b>Studio 3 Arts</b> – promoting access to cultural activities and delivering specific projects	8,000	10,600
<b>HAVCO</b> – providing an accountancy service for voluntary organisations	15,000	20,000
<b>Motorvations</b> – providing an holistic programme for young people to acquire skills and progress into employment	11,790	15,720
<b>TOTAL</b>	50,446	67,195

7.11 A review of the support which the Council provides for the voluntary sector is currently being undertaken as part of the Administration Project on Community Action, and the above four projects are consistent with the good practice principles emerging from the review in that they are each delivering a clearly specified service which accords with Council priorities, in line with a service agreement which requires the delivery of specific outcomes. It is therefore recommended that the Council's support for these four projects should be extended and incorporated into the base budget for 2012/13, using available funds within the existing LBGS budget.

#### *General Economic Climate*

7.12 The general prospects remain gloomy. The world economy remains unstable, there are highly publicised issues across the Eurozone, employment figures within the UK have worsened, and there are risks the Government's target for eliminating the budget deficit may not be achieved.

7.13 This increases the risk that it will be necessary for the Government to revisit its financial plans. So, although the plans within the Comprehensive Spending Review already map out a significant reduction in Government funding, it is possible that further reductions may be implemented.

7.14 This factor, alongside the changes already known about, but for which the financial impact is so far impossible to assess, make forecasting the financial position beyond 2012/13 extremely difficult. What this does, however, emphasise, is the need for prudence and robust planning of savings.

## **REASONS AND OPTIONS**

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

It is essential that the Council's financial strategy takes due account of Government plans, and any other material factors where these are likely to have an impact on the Council's financial position. This report provides an update to Cabinet on issues relevant to the budget setting process.

**Other options considered:**

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

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

The Council's budget process will ensure that financial implications and risks are fully met. There are risks given the uncertainty over the outcome of the LGFS, and the potential impact on specific grant streams, but the steps already taken by the Council should mitigate much of this.

There are greater risks in the medium term, with the continuing economic uncertainty as well as a number of significant changes that will impact on the funding of and financial management of local government. The Council therefore needs to maintain a prudent approach over its financial management and the budget setting process.

**Legal implications and risks:**

The Council is subject to a number of duties in relation to revenue, capital and procurement. For instance, as a Best Value Authority the Council is under a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." s 3 Local Government Finance act 1999. The proposals set out in the Strategies attached at Appendix B appear to comply with these general duties as they are lawful, prudent approaches to the significant fiscal pressures facing the Council.

**Human Resources implications and risks:**

The Council has worked closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner. Lessons learned and shared with the trades unions will be used as the Council moves forward with the savings proposals. This will include serving the appropriate statutory consultation notices. A communications process and support mechanisms retained to support staff through the change process. The new staff/trade union consultation mechanism (the Transformation Consultation Forum (TCF)) that focuses on the transformation and other organisational change initiatives has proved effective and this will be kept in place. There are a number of management restructures planned and given that some of these have cross directorate implications, CMT will determine the exact timing of these restructures over the next few months.

As previously, compulsory redundancies will be minimised wherever possible and the scale and level of redundancies, will be carefully monitored by the Group Director Finance and Commerce against the overall business case for the Council in terms of delivering the Transformation Strategy and budget savings targets.

**Cabinet, 14 December 2011**

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

**Equalities implications and risks:**

There are no equalities implications or risks at this stage. However forthcoming decisions to be made regarding the Local Government Pension Scheme and any savings that need to be considered following publication of details of the Local Government Financial Settlement may carry equalities implications and risks and accordingly, these will need to be analysed.

**Other Risks:**

There are no particular other risks arising, other than a significant increase in workload is likely to implement the new legislation as and when it is enacted. This is being planned for but much of the detail will have to await the final announcements and publication.

**BACKGROUND PAPERS**

There are none.

APPENDICES

APPENDIX A  
APPENDIX B

LOCAL GOVERNMENT PENSION SCHEME  
FINANCIAL STRATEGY STATEMENTS

## THE FUTURE OF LOCAL GOVERNMENT PENSIONS

### **Introduction**

The DCLG published a consultation document on the Local Government Pension scheme in October 2011 which is the subject of a detailed report on this agenda. The main thrust of that report is to seek comments on the Government's proposals to achieve savings in the LGPS for the three years commencing 2012/13.

On the 2nd November the Government published a further document "Public Service Pensions: good pensions that last". The paper sets out its recommendations for Public Sector Pensions from April 2015.

### **General Points**

The paper recommends a preferred pension scheme for the public sector.

It recommends the introduction of a Career Average Scheme replacing the Final Salary Scheme from April 2016.

Detailed proposals for the LGPS are not available.

Short term savings in the LGPS, as set out in the DCLG consultation, will still be required for the next three years.

Some of the proposals that relate to the new scheme will impact upon the LGPS consultation options (e.g. protection for those with less than 10 years to retire).

### **The Key Points from the Proposals:**

- Benefits already earned are protected.
- For those in final salary schemes, those past benefits will be linked to their final salary when they leave the scheme or retire.
- For those public service workers who, as of 1 April 2012, have ten years or less to their current pension age, the Government's objective is that they will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current Normal Pension Age.
- Government will continue to pay more overall toward pension benefits than the workforce.

### **The Government's preferred scheme design will ensure:**

- Guaranteed, index-linked pension benefits on retirement.

**Cabinet, 14 December 2011**

- An accrual rate of 1/60ths and earnings indexation for benefits while still working in the public service. (although its acknowledged that this may change as the LGPS may alter the accrual rate in order to reduce contribution rates)
- Fairer distribution of benefits across the workforce.
- That most low and middle earners working a full career will receive pension benefits at least as good, if not better than they get now. So called high flyers will be worse off.
- People will not be forced to work longer. There will also be a choice about when to retire with adjustments to the pension for those retiring earlier or later than the State Pension Age.

**Local Council Cost Ceilings for Scheme Specific Discussions**

<b>Gross Cost Ceiling</b>	<b>Taxpayers</b>	<b>Employees</b>
20.4%	10.5%	9.5%

- The proposed cost ceiling for the LGPS is lower than those of other public sector schemes.
- The impact on contribution rates for employers and employees in the LGPS would be heavily influenced by these ceilings. However, the actual levels will depend upon the outcome of the detailed options which relate to the LGPS.

## 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 policies and priorities contained within the Sustainable Communities Strategy, together with other key Strategies, and with appropriate linkages in place to the Service Planning process.

The Council is clear about its Living Ambition, to provide our residents with the highest possible quality of life, the five key goals for the future development of the borough and the priorities in the Sustainable Communities Strategy, and will redirect resources to support their achievement.

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 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 partnership with others.

The Council will continue to seek to improve efficiency and deliver value for money, in particular, the Council will aim to identify efficiencies that will not impact on service delivery, and to identify options that will improve the value for money of its services through improving performance, and/or reducing service costs.

The Council will ensure that, given the severe financial pressures it is facing, growth will only be supported in priority areas, or where the Council is required to fund new responsibilities.

The Council will however 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.

The Council will ensure that it engages 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.

**Cabinet, 14 December 2011**

That, 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 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 capital and Section 106 receipts, and will only apply prudential borrowing as a last resort, unless a business case can be made to finance investment through borrowing, where there is an income or savings stream arising from the investment.



## 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 Community Strategy.

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.

## Cabinet, 14 December 2011

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 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. S106 contributions are not 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.

**Cabinet, 14 December 2011**

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.

## PROCUREMENT STRATEGY

Havering spent £132M during 2010/11 on goods, works and services provided by external organisations, and has a duty to make sure that this spending represents value for money.

The objective for our procurement expenditure is to become strategic and act as one organisation in the planning and buying of goods, works and services.

### **Procurement Aims**

Our key procurement aims are:

- Efficient and effective procurement;
- Socially responsible procurement;
- Effectively managing suppliers

### **The above aims will be delivered through:**

- Partnering with others organisations to spread tendering costs and present a more attractive offering to suppliers that will deliver VFM.
- Recognising that the Strategic Procurement Business Partner/ Operational Procurement Team are the leads for key procurement activity that they will provide advice and guidance to Directorates.
- Ensuring that contracted services deliver efficiency savings and quality.
- Developing and disseminating procurement procedures and good procurement practice.
- Encouraging a diverse and competitive range of suppliers.
- Ensuring that Procurement is planned and managed.
- Using procurement to deliver or support the Council's service aims and goals.
- Encouraging and supporting Small and Medium Enterprises (SME's).
- Encouraging and developing Shared Services and other partnerships.
- Achieving Value for Money through better procurement.
- Helping to develop a commissioning strategy.

### **Key principles**

All departments must keep to and promote the following principles to deliver best value procurement:

- Be open and transparent about procurement activity;
- Be driven by desired results;
- Create the most advantageous balance of quality and cost;
- Reduce the burden on administrative and monitoring resources;
- Simplify routine transactions;
- Allow flexibility in developing alternative procurement and partnership arrangements;
- Encourage competition, where appropriate;
- Encourage better use of technology;
- Encourage high-quality businesses to provide quotes;
- Be supported by our corporate procurement strategy;
- Include our corporate policy aims; and

## Cabinet, 14 December 2011

- Follow all our regulations and the law that applies in the EU and UK.

### **All services must show that that through their procurement of goods, works and services that they:**

- Are committed to people who use the services;
- Meet our values and strategic priorities
- Meet the Council's vision
- Provide value for money
- Meet service aims;
- Are committed to continuous improvement;
- Are committed to quality, equality and diversity;
- Work efficiently;
- Have effective management, systems and procedures;
- Have flexible working arrangements to meet users;
- Are committed to sustainability and minimising climate change; and
- Are committed to our policy aims.

The key documents that need to be referred to are The Procurement Strategy and The Contract Procedure Rules (CPRs). These can be accessed via the link below.

<http://www.havering.gov.uk/Pages/Procurementpolicy.aspx>