



## CABINET

18 January 2012

**Subject Heading:**

**Cabinet Member:**

**CMT Lead:**

**Report Author and contact details:**

**Policy context:**

**Financial summary:**

**Is this a Key Decision?**

**Is this a Strategic Decision?**

**When should this matter be reviewed?**

**Reviewing OSC:**

## REPORT

THE COUNCIL'S BUDGET 2012/15

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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. This report deals with the overall budget position and sets out the specific proposals for 2012/13

**Yes/No**

**Yes/No**

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**

Cabinet received a report at the last meeting in December that set out the details of national developments and information on the financial position within Havering.

This report updates Members on the progress of the 2012/15 corporate budget and the proposed financial strategy for responding to the financial position facing the Council.

This report sets out the additional proposals now identified for consideration by all the relevant Committees and for consultation with stakeholders.

The provisional Local Government Financial Settlement has now been announced, and relevant details are included in this report.

## **RECOMMENDATIONS**

Cabinet is asked to:

1. Approve the progress made to date with the development of the Council's budget for 2012/13 and beyond.
2. Note the outcome of the provisional local government financial settlement announcement and in particular, the expected reduction in Government funding for 2012/13 of £5m.
3. Note the expected date for the announcement of the final settlement and that, owing to timing, further supplemental information to the main Council Tax report may need to be submitted at the February Cabinet meeting.
4. Note the comments of the Local Government Minister on expected council tax increases and the introduction of referenda where rises are beyond defined levels.
5. Note that the proposals contained in the reports to Cabinet in July 2010 and July 2011 are now being incorporated in the Council's future budget.
6. Note the Council's intention to take advantage of the additional Council Tax freeze grant for 2012/13.
7. Issue this report for consultation to Members, the unions and affected staff, and other stakeholder groups.

8. Agree that a consultative presentation will be made to a joint meeting of the Overview & Scrutiny Committees.
9. Note the financial position of the Council in the current year.
10. Note that the GLA's consultation budget has yet to be published, details will be provided separately.
11. Note that the Administration is committed to maintaining the stability of the Council's finances and is doing everything it can to keep Council Tax rises to a minimum.

<b>REPORT DETAIL</b>
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## **1. INTRODUCTION**

- 1.1. Cabinet received a report on progress with the Corporate Budget at its meeting in December. This report sets out the position with developing the Council's budget for the coming financial year, the proposed financial strategy for following years, the financial prospects for the Council, and the announcement of the local government financial settlement.
- 1.2. Cabinet agreed in December to the release of specific budget proposals in January, and these are included as part of this report where these have been developed.

## **2. THE SETTLEMENT AND GENERAL FINANCIAL PROSPECTS**

### **Comprehensive Spending Review (CSR)**

- 2.1. The Coalition Government published the outcome of its Comprehensive Spending Review in October 2010. Full details of the Review were reported at some length in previous reports to Cabinet as part of the last budget-setting cycle.
- 2.2. As previously reported to Cabinet, the Review set out at a high level spending plans for each Government department. The major effect was, as expected, a significant reduction in funding for the public sector over the four years covered by CSR. This has subsequently been translated into the detailed financial settlement, which for Havering saw a loss of general revenue support grant of around £8m, and a further £3m in specific grants.
- 2.3. The Council's budget for 2011/12, and its overall financial strategy, reflected both this immediate loss of funding, and anticipated further reductions in subsequent years. Cabinet agreed reports in July 2010 and July 2011, setting out a range of savings proposals designed to largely bridge the forecast budget gap between 2011/12 and 2014/15. The remaining gap would be met

by modest rises in Council Tax, assuming no material change in funding was announced by the Government.

### **Local Government Settlement**

- 2.4. Details of the provisional settlement for 2012/13 were announced on 8<sup>th</sup> December, which was later than expected and, again, late in the context of the Council's budget-setting process. Although it had not been expected that the details of the settlement would differ materially from those announced last year.
- 2.5. A summary of the settlement is set out in Appendix A. This follows the same approach as the original announcement for 2011/12. As that announcement reflected a significantly different approach, this was covered in some detail in the report to Cabinet in January 2011. It is not intended to repeat that assessment here, although the Appendix does set out how the Council's grant allocation has been determined.
- 2.6. The main points affecting local government in general, and Havering in particular, are set out below; a fuller explanation of these key elements then follows:
- The settlement covers the second of the final two year period before there is a fundamental change in the system of funding
  - The final settlement is likely to be announced around 2 weeks after consultation closes on 16<sup>th</sup> January, which may not be early enough for inclusion in the February report to Cabinet
  - Havering's provisional grant allocation is £54.043m, however this now includes the base sum for Council Tax freeze grant
  - The equivalent figure excluding this grant is £51.363m for 2012/13, which is only marginally different from the figure included in the final announcement last year
  - The national settlement shows the average year-on-year grant reduction is 7.3% once the Council Tax Freeze Grant is stripped out
  - London is, again, regionally, the least worst affected area, although average grant reductions are still 7.0%, but this position is distorted by the GLA
  - However, looking specifically at outer London boroughs, the average grant reduction is 7.9%; only shire councils see a bigger reduction than this.

### **Settlement Periods and Final Announcement**

- 2.7. Whilst the CSR covered a four year period, the LGFS was only expected to cover the first two financial years. Although there were not expected to be any radical changes to the spending plans set out in the CSR, this was dependent on the general economic climate during the initial period. This has not improved as the Government had presumably hoped and expected, which has heightened the prospects for further changes to public sector funding. This now appears not to be the case for 2012/13, but remains a considerable risk for subsequent years. This re-emphasises the need for financial prudence.

- 2.8. The consultation period for the LGFS runs until 16<sup>th</sup> January. It is anticipated that the final settlement will be announced around 2 weeks after consultation closes – probably too late for inclusion in the February Cabinet report. It will therefore be necessary to update Cabinet at that meeting if there are any material changes to Havering's settlement.

### **Havering's Grant Funding**

- 2.9. The original settlement announced last year gave Havering funding of £56.520m for 2011/12 and £51.357m for 2012/13. This meant that Havering's grant was cut by around £8m in 2011/12, with a further £5m in 2012/13; this equated to a grant cut of around 20% over the two years. The provisional grant figure for 2012/13 has been announced as £51.363m, after adjusting for the Council Tax freeze grant. This is only a marginal change from last year and therefore fully in line with the Council's financial strategy and budget models.

### **National Position**

- 2.10. The starting point for the national position was set out as part of CSR, with an expected equivalent annual grant reduction of 7.1% a year for each of the four years. The 2011/12 settlement showed that, nationally, there were overall reductions of 9.9% in 2011/12, with a further 7.7% in the following year, or 17.6% over the two years. The latest settlement announcement, again taking account of the Council Tax freeze grant, shows total reductions for 2012/13 of 7.3% – a marginal reduction.
- 2.11. For 2012/13, the settlement means that the South East and Eastern regions suffer the greatest losses in Formula Grant, with London and the West Midlands being relatively less affected. Whilst by type of authority, the Shire Districts are the worst affected by the 2012/13 settlement. There is however a bigger impact on outer London boroughs than for inner. It should be noted that the regional effect in London is again dampened by the impact on the GLA, as police and fire authorities are much less affected than other types of authority.

### **Floors and Scaling Factors**

- 2.12. There were major changes to the way in which the floor was determined for upper and lower tier authorities, in order to take into account individual local authorities' reliance on Formula Grant. This introduced four floor levels for both the upper and lower tier authorities, with a further factor to scale grant changes. Havering was placed in the highest band for both years.
- 2.13. To ensure that no local authority has its "Revenue Spending Power" reduced by more than 8.9% for 2011/12 and 2012/13 only, the Government has created a Transition Grant which is in addition to any funding floor. Only 2 London Authorities received the transition grant and Havering was not one of them.

## **Specific and Area Based Grants (ABG)**

- 2.14. As previously reported to Cabinet, there were major changes to the system of specific grants and ABG. This resulted in either the merger of, or in most case, cessation of, funding streams. This was reflected in the Council's budget for 2011/12. A list of the remaining grants is included in Appendix A.
- 2.15. Details of the Dedicated Schools Grant were not announced as part of settlement; these are therefore awaited, and will be included in the February report to Cabinet.
- 2.16. As Cabinet will be aware, details of the Council Tax freeze grant were included in last year's settlement announcement. Whilst this is a base grant, expected to last for the duration of the CSR period, a further announcement was made in late 2011 regarding an additional such grant. This, however, was solely for financial year 2012/13; details were set out in the previous report to Cabinet.
- 2.17. The Government has made it clear that they intend to ensure that council tax payers are protected against Councils that reject the offer of the freeze grant and impose what they consider to be "excessive" council tax rises. They have also confirmed their intention to proceed with the introduction of powers to enable residents to veto council tax rises.
- 2.18. As part of the settlement announcement, a requirement is being introduced for local authorities to undertake referenda should their proposed Council Tax rise exceed a pre-determined level. These levels are:
- 3.5% for most principal authorities;
  - 3.75% for the City of London;
  - 4.0% for the Greater London Authority, police authorities, and single purpose fire and rescue authorities.
- 2.19. Any proposed rise in Council Tax at or above these levels would trigger a local referendum. The outcome is based on a simple majority of those voting, either in favour or against.

## **Dedicated Schools Grant**

- 2.20. As indicated above, the details of the grant funding for 2012/13 were not included as part of the settlement announcement. It is again not expected that the grant figures will differ significantly from those anticipated from last year's grant sum. However, once the grant details have been published, they will be analysed and their impact will be set out in the report to Cabinet in February.

## **Overall Impact on Havering**

- 2.21. The latest announcement shows little change in Havering's funding from that previously included as part of the settlement for 2011/12. This means that the Council's financial strategy remains unaffected, as this level of reduction had

been anticipated, and was reflected in the July 2011 Cabinet report. There have been no further reductions in funding beyond those originally envisaged this time last year. In broad terms, it should not therefore be necessary to seek further savings proposals, at least for 2012/13.

- 2.22. The position beyond 2012/13 has not changed as a result of the latest settlement announcement, with the exception of the existing uncertainty over the change in the funding system. The Council has an overall plan in place, which reflects the expected continuing reduction in local authority funding for 2013/14 and 2014/15. However, the general economic climate, reflected in the Autumn Budget Statement, means that the current period of austerity may need to be extended. This could well impact on funding levels for the remaining years of the CSR period, as well as beyond it.
- 2.23. The situation will therefore be kept under review and, should there be further changes to funding levels, further reports will be brought back to Cabinet at the appropriate time.
- 2.24. The Council is in the process of considering its formal response to the settlement consultation and a copy of the response will be included in the February Cabinet report. A meeting with the Local Government Minister to discuss the settlement and its impact on Havering is also being sought, as happened last year, to ensure that the Council's position is made clear.

### **3. PROPOSALS – REVENUE BUDGET**

- 3.1. In broad terms, the approach adopted by the Council provides for an assessment of the Council's *Living Ambition* priorities in relation to its Medium Term Financial Strategy and corporate goals, and for resources to be allocated to those areas of the highest priority. Whilst the general economic climate and financial outlook have remained highly challenging, the focus of the Council's budget will need to be on significant levels of savings and only any material unavoidable pressures, with little scope for any additional investment. The efficiency savings already identified have the prime objectives of allowing the redirection of resources to areas of higher priority, the preservation of priority services, and the minimisation of the impact of Council Tax on our local community.

#### **Progress with Proposals Already Agreed**

- 3.2. As stated earlier in this report, Cabinet previously agreed reports in July 2010 and July 2011, set out a series of proposals designed to bridge the forecast budget gap. These set out proposals totalling around £35m (excluding the Council Tax base effect, which is accounted for separately), spread over financial years as follows:

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Cumulative Savings	9.5	19.0	32.3	34.6	35.1

- 3.3. Detailed schedules of these proposals were included in the respective Cabinet reports and were subject to formal consultation, including consideration at joint meetings of all Overview & Scrutiny meetings. The more significant items, and progress generally in delivering these savings, are set out in the following paragraphs. This includes a review of progress with savings in the current year.
- 3.4. An analysis of savings by service area affecting 2012/13 is shown in the table below:

	July 2010 £000	July 2011 £000	Total £000
Adults Services	100	1,655	1,755
Children's Services	200	507	707
Customer Services	775		775
Business Systems	100	180	280
Corporate Services	919	2,616	3,535
Place Services	695	860	1,555
Shared Services	1,000		1,000
Total	3,789	5,818	9,607

- 3.5. There were four significant items included within the savings proposals; these are shown in the table below, together with their current progress:

Savings Item	Cabinet Report	Value of 2012/13 Savings £000	Progress
Customer Services Transformation (CST)	July 2010	775	Planned saving from further stages of the CST restructure which are now underway
Property Strategy	July 2010	650	Additional incremental impact arising from the closure of Scimitar House (full year effect), now completed
Internal Shared Services (ISS)	July 2010	1,000	Planned saving from stage 2 of the ISS restructure, details of which were released for consultation in early December
Strategic Provisions	July 2011	1,250	Met through existing provisions for ELWA and freedom passes (as set out in the February 2011 Cabinet report) plus part of the provision for single status/agency workers directive

- 3.6. Work is now well underway to deliver the planned savings for 2012/13. Progress is monitored through each of the Transformation Programme Boards and this is in turn reported to CMT. Service managers are expected to highlight any shortfalls or slippage, and to propose alternatives where these occur. At this stage – and subject to the assessment of the current year,



which is covered later in this report – it is assumed that the full amount of savings will be met. These savings are therefore being built into detailed service budgets accordingly. The overall scale of savings to be delivered is significant, and the Council is actively managing the financial risk.

- 3.7. A similar reporting mechanism has been in place for the current year. Any shortfalls or slippage are also highlighted as part of the revenue monitoring process, and as such, will appear in the revenue monitor report. The majority of the savings are being delivered through service restructures, all of which are either well underway or have been concluded. Both the ISS and CST programmes are very complex, and in the case of the latter, there has been a slippage in delivery of savings in the current year. This is being addressed and is not expected to recur in future years.
- 3.8. Work on delivering the scheduled savings will continue and where possible, these will be delivered earlier than originally planned. The current year's revenue monitor highlights a saving with the budget set aside for the corporate transformation team, as well as a saving within the regeneration service. These, of course, benefit only the earlier year in which they are achieved; there is no ongoing gain as the savings are needed longer term to match the agreed targets.
- 3.9. There is clearly a risk that it will not be possible to deliver the full level of savings already approved by Cabinet. Circumstances are changing all the time and alongside this, so are demand for services and their associated costs. Whilst the budget contains a significant contingency sum, this is designed to address in-year issues, and the sheer scale of the savings proposals and the lengthy period over which they are being implemented – £36m over a 4 year period – mean that some slippage or shortfall is entirely possible. The level of risk is currently being assessed and this will be reflected in the final budget setting report to Cabinet.

## **Revenue Proposals**

- 3.10. Given the financial climate, there has been considerable speculation, within the national and local government press, about the financial climate facing the public sector. There is no doubt the national economy is facing an unparalleled position, and any incoming Government will be faced with hard choices. This has been at the forefront of the budget development process, and as a consequence, there has no scope for any budget growth at all. In reality provision has only been made where there is no other option and the need for the budget adjustment is unavoidable.
- 3.11. A list of three budget adjustment items is set out in Appendix C; these are the only proposed additional items, beyond the agreed schedule of savings already approved by Cabinet and any items of a corporate nature, such as the ELWA levy and freedom pass, which are both covered later in the report. Due account has been taken of the financial position in the current year, which is considered later in this report.

## **4. CAPITAL PROGRAMME**

### **Background to Current Programme**

- 4.1. The Council approved the adoption of an eight year Capital Programme as part of the planning process at its meeting in October 2008. This Programme was based on the gradual move towards the use of prudential borrowing to finance it and provision for this was reflected in the budget proposals. This Programme was subsequently approved by Council in February 2009.
- 4.2. Since that time, there has been a continued hold on interest rates, so borrowing remains relatively inexpensive. However, the generation of capital receipts has not occurred in line with the expected level anticipated in 2008. In addition, it remains the case that the Council's ability to generate receipts is rapidly reducing. It is therefore an increasing risk that receipts will not arise as had been predicted, which means the Programme needs to be kept under constant review to respond to any material change in circumstances.
- 4.3. For the longer term, financing any form of capital programme will almost certainly be heavily reliant on borrowing, although external financing and Section 106 receipts are expected to remain available, if unpredictable. This therefore brings an additional revenue pressure.
- 4.4. For the immediate short term, borrowing will only be used as a last resort. The exception to this will be where a specific business case can be made to finance investment through borrowing, for example where savings or additional income can be generated. Longer term, the Council will be faced with an increasing dependence on borrowing, with the consequent revenue impact this has. Existing forms of external funding, such as TfL grants, are expected to continue, although their longer term existence is uncertain.
- 4.5. The original long term programme was based on a number of assumptions around funding sources, and in particular capital receipts. Both the overall level of spend and the forecast receipts have been kept under review. As a result of that review, adjustments have previously been made to the core programme to bring this in line with the expected duration of capital receipts. However, the risk remains that receipts will not arise as planned, and where these relate to a specific site with a material value, this could adversely impact on the planned programme.
- 4.6. The programme beyond that point is being reassessed against the Government's planned changes to local government funding and this will be considered as part of the budget cycle for 2013/14 and beyond. This will be covered in future reports to Cabinet as part of that year's budget setting process.

### **Proposed Forward Programme**

- 4.7. The Programme – and in particular that part of the Programme funded by the Council's own resources – has therefore been constructed with these factors

in mind. A more detailed Programme is being compiled for 2012/13, and approval to this Programme will formally be sought from Cabinet in February.

4.8. The Programme for 2012/13 comprises two elements; those schemes (including the block sums within the overall Programme) which have already been approved, and a new range of schemes funded from the uncommitted block sums for the year. A detailed schedule of schemes is currently being compiled, and where this has reached a sufficiently advanced stage, will be included in the February Cabinet report. This is to facilitate delivery of those schemes through their early approval through Cabinet and then Council. As part of this process, the overall uncommitted part of the Programme is being reassessed against forecast receipts and other funding streams. The outcome of this will be reflected in the subsequent report.

4.9. A summary is shown in the table below for these elements; this includes any committed capital spend financed through external resources, but excludes the Housing Revenue Account, as this is reported separately to Cabinet:

	2012/13 £000	2013/14 and beyond £000	TOTAL £000
Committed Schemes	20,456	2,851	23,307
Uncommitted Schemes	6,823	13,400	20,223
Total	27,279	16,251	43,530

4.10. The indicative uncommitted core programme now proposed for the 3 years subsequent to 2011/12 is as follows; a summary of this part of the Programme is set out in Appendix B:

	2012/13 £000	2013/14 £000	2014/15 £000	Total £000
Total	6,823	6,800	6,600	20,223

4.11. The overall Programme is broadly balanced, although still heavily reliant on the generation of capital receipts at the appropriate level. This is therefore an area of risk as stated above, and is kept under review as disposals progress. There is a significant amount of spend towards the end of the current programme, as the table above indicates; this currently provides sufficient scope to accommodate a degree of change in the level of receipts generated.

## 5. CURRENT FINANCIAL POSITION

5.1. As part of its standard business processes, a robust system of budget monitoring is in place to ensure the Council's financial stability. As part of this process, both variances and potential risks are identified and action plans developed to counteract any adverse variances. Reports are considered up the management chain, from cost centre managers through to Heads of Service, and then CMT, individually and collectively, as well as Cabinet Members. High level reports appear on the Council's website. Full reviews of

the financial position are undertaken quarterly, with high risk areas being reviewed monthly. Reports are on an exception basis.

- 5.2. The previous report to Cabinet indicated that an overall underspend of £888k had been identified. The material variances within this forecast were set out in that report. The most current monitoring report is for period 7, October 2011. There has been no significant movement in the position from period 6, so the main variances highlighted to date are as follows:

Service	Issue	Variance £000
Parking	Continued shortfall in Angel Way income levels, season tickets, permits & parking discs	200
Customer Services	Reduction in income from court costs	200
Children's Services	CAMHS commissioned services £360k Children's Placements £612k	972
Asset Management	Romford Market £220k Technical Services £500k	720
Corporate Financial Matters	Underspends on various corporate provisions and additional income and interest £(2,494k) Shortfall on advertising hoarding income £230k	(2,264)

- 5.3. As Cabinet will be aware, the budget includes a Contingency Fund. This is to ensure the Council's budget is robust, and to provide financial stability to enable adverse in-year variances to be overcome. The level of the Fund is re-assessed annually as part of the budget-setting process. Allocations from the Fund are generally only made once other measures have been considered, and during the latter part of the year. This is in accordance with practice of previous years. Allocations made later in the year cover those items that cannot be contained within departmental spend, and are generally beyond their local control. The Fund is designed to enable the Council to resolve any in-year issues that cannot otherwise be contained within approved budgets. It is not however available to fund permanent, ongoing changes; these need to be resolved as part of the formal budget-setting process.
- 5.4. Part of the planning process ensures that any in-year variances are fully assessed and taken into account. These issues are therefore being reflected in the approach to 2012/13 and beyond. Each of the variances reported at period 7 has been analysed to determine if any of these have a longer term effect, and therefore need to be considered as a base budget issue for next year. The outcome of this assessment is set out in Appendix D.
- 5.5. In summary, whilst risks remain over income items such as parking and advertising, these are felt to be realisable in the longer term, so have been retained within the base budget. The variances reported within adults are containable in-year and the budget includes continued growth for this area, though this also remains a budget risk. It is not felt that any of these items

require specific provision within the base budget, beyond the two items included in Appendix C, but they will need to be kept under review.

- 5.6. The Appendix includes a small number of positive variances. The majority of these relate to corporate provisions, which are being reflected in the 2012/13 budget, and are thus not otherwise available to offset service spend. The remaining two items are windfall gains, which are neither sufficiently reliable nor robust – especially the gain on interest rates – to be included as permanent, base budget savings.
- 5.7. Whilst the current year position shows a net underspend, this masks a considerable level of adverse variance, around £2.3m for the major items listed in the Appendix. Although this is offset by underspends within corporate provisions and budgets, these are already accounted for within the 2012/13 budget proposals, or are one-off gains that are neither sufficiently reliable nor robust to be included within the longer term base budget position.

## **6. OTHER KEY MATTERS**

### **Impact of Inflation**

- 6.1. As Cabinet will be aware, inflation levels have remained at their lowest point in many years. The 2009 local government pay award saw a rise of around 1%, and further restraint in pay rises, given the economic climate, has continued, with no pay rise at all for 2010 or 2011.
- 6.2. The Government set out its expectation that there will be minimal rises in the public sector as part of the Emergency Budget announcement in June 2010, indicating their expectation that this principle would apply to local government. This has taken the form of a pay freeze for the current year and 2012/13. This has been followed by an announcement, as part of the Autumn Budget Statement, of a further 1% cap on public sector pay for the subsequent two years. Whilst local government pay negotiations are dealt with differently, the Government has made it clear that they expect the sector to comply with these guidelines, and the funding they will provide will be reflective of this. With this in mind, provision has been made in line with the Government's spending plans. There is a risk that the Government will reduce funding in line with the pay cap; further information on this is being sought, although this would not have any effect until 2013/14.
- 6.3. Provision is being made for increases in major contracted services. Broadly, this is 2%, with specific rises being applied dependent on local circumstances. There are exceptions in the case of contracted services within Social Care & Learning and within Streetcare, where rises of 3% are felt to be more appropriate.
- 6.4. Provision has also been made for an increase in fees & charges. Account will, as usual, need to be taken of any fees set statutorily, as these are outside the control of the Council.

## **Interest Levels**

- 6.5. The forecast predicted at the time of setting the 2009/10 budget was that interest rates would fall to 0.5% by March 2009, which subsequently occurred. The financial strategy for the budget for 2010/11 assumed that there would be a recovery in interest levels during that year, and continuing into 2011/12. This has not happened, and therefore the originally planned increase for next year was, as part of the budget setting process for 2011/12, delayed for a further 12 months, ie to 2012/13.
- 6.6. Given that there is no indication of any rise occurring, it is felt prudent to slip the anticipated rise in interest rates a further year, until 2013/14. This will avoid running into the next year with a significant degree of risk, although there has been speculation that interest rates will not, in fact, rise for possibly as much as a further two years. The position will be kept under review.

## **Concessionary Fares**

- 6.7. This has been a major factor in previous years and the previous report to Cabinet highlighted the expected rise in the Council's contribution for 2012/13. Although this increase is within the overall budget allocation for freedom passes, the balance on the provision had already been assumed as a contribution towards the savings targets agreed in July 2011, and as set out in the report to Cabinet in February.
- 6.8. There is thus an additional pressure, originally reported to Cabinet, of around £416k in 2012/13, which will need to be addressed as part of the budget setting process. The subsequent final report on freedom passes shows a slightly reduced rise for Havering for next year of £342k. This area remains a financial risk to all London boroughs as future rises could well be at a similar level.

## **Pension Fund**

- 6.9. The difficulties experienced nationally by pension funds in general, and the Local Government Pension Fund in particular, have been well publicised. The current position, relating to consultation on proposals to change the operation of the existing scheme, was set out in the previous report to Cabinet, and the Council is responding to this. There have been concerns that any savings delivered from changes to the scheme would effectively be taken by the Government, but this fear has recently receded.
- 6.10. Whilst the consultation process is underway, and bearing in mind the proposals within the Hutton report have yet to be addressed, it is proposed to maintain the existing approach. This will ensure that the Council continues to make appropriate revenue contributions for the costs of the scheme. The current annual provision of £500k will therefore be maintained until the outcome of the current discussions becomes clearer.

## **Social Care Services**

- 6.11. Social Care Services remain an area of pressure for the Council. The aging population demographic leads to a projected increase in demand for adult social care. On the Children's side the implications of the Laming report have resulted in additional safeguarding measures being implemented. This is currently coupled with an increase in demand and case complexity.
- 6.12. These issues are reflected in the proposed budget, but due to the fluid nature and high risk will continue to be closely monitored. Provision has been made in the financial strategy for annual growth in the adults social care budget, based on a detailed financial model, which has been subject to a further review to ensure it remains realistic and robust.

## **Levying Bodies**

- 6.13. The levies are part of the Settlement and therefore need to be taken into account when setting the Havering element of the Council Tax. There are a number of levies, but the predominant levy relates to ELWA. The current overall levy budget is around £11.65 million, of which ELWA accounts for £10.9 million.

### ELWA

- 6.14. Provision has broadly been made within the MTFS for increases in the ELWA levy of around £1m per annum over the budget window the Council now operates. The Authority considered a report on its financial prospects at its meeting in November. Due account has been taken of the use of one-off receipts in 2012/13. As a result, the expected levy for Havering is now considerably lower, with this now expected to be £11.34m, an increase of £446k. The provisional figures for subsequent years remain in line with the Council's financial strategy.
- 6.15. The result of this is that the estimated levy for next year will now be significantly lower than that for which provision has so far been made. Subject to deliberations by ELWA, due account will need to be taken of this in the Council's own budget setting process. The position for future years remains largely unchanged; the indicative figures are broadly in line with the Council's financial planning.

### Other Bodies

- 6.16. Of the remaining levying bodies, for planning purposes, a prudent approach has been taken to the level of increase that might be expected.

## **London Boroughs Grants Scheme**

- 6.17. Reductions in Council contributions to the scheme have previously been reported to Cabinet, and details of the scheme and associated costs for 2012/13 are due to be considered in due course by Council. Based on the

report prepared for the London Councils' Leaders' Committee, this shows a Havering contribution of £377k. The current budget for this stands at £795k, which was the original contribution prior to reductions introduced during 2011, though these were subject to an extended consultation process.

- 6.18. There is thus an overall reduction in Havering's contribution of £418k. Cabinet agreed proposals at its meeting in December to utilise £67k to invest directly in local organisations. The budget adjustments list assumes a corporate saving of £250k will be taken as part of the budget setting process. That leaves a balance of £101k as yet unaccounted for. This will be considered over the coming month as the final figures for the 2012/13 budget are collated for the February Cabinet report.

### **Business Rates Multipliers**

- 6.19. The Government has yet to announce the provisional small business and main non-domestic multipliers for 2012/13, although these usually increase in line with the RPI level in September. The multipliers for the current year are 42.6p and 43.3p respectively.

## **7. EXPENDITURE RESTRICTIONS AND BUDGET ROBUSTNESS**

### **Expenditure Restriction by Government**

- 7.1. The Government has previously stated that it will use its capping powers where necessary. As part of the settlement announcement, following on from previous announcements, a referenda process is now being introduced. The levels at which these would be triggered are set out earlier in this report, and in the Appendix on the settlement. Clearly, those Councils choosing to avail themselves of the Council Tax freeze grant on offer for 2012/13 only will not be affected by this.
- 7.2. The Government has indicated that the referenda process will remain in place for future years, although they have not committed to the actual percentage levels. It would appear likely that these will remain at the levels announced for 2012/13, but this is by no means guaranteed.

### **Budget Robustness/Reserves Position**

- 7.3. The Local Government Act 2003 sets out requirements in respect of Financial Administration, and in particular to the robustness of the budget and the adequacy of reserves. The Act requires the Chief Finance Officer (CFO) to report to an authority when it is making the statutory calculations required to determine its council tax or precept.
- 7.4. In line with the requirements of the Act, the formal report of the CFO on budget robustness will be included in the February Cabinet report. The authority is required to take the report into account when making the calculations.



- 7.5. The General Reserves at 31 March 2011 were £12m. Prior to making a final recommendation to Council, there will also be a need to further consider the current financial position for 2012/13. The MTFs, as agreed by Council, sets out that the minimum level of reserves held will be £10m. There is an opportunity cost of holding reserves, in particular the alternative use that these balances could be put to and the benefits that might accrue as a result. Equally, the importance of retaining sufficient reserves has been emphasised by the position within adult social care services during previous financial years, and particularly so now, with the Council suffering an ongoing reduction in grant funding from Government.
- 7.6. The Council's revenue budget strategy statement requires 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.
- 7.7. In addition to its general reserves, the Council also holds a number of earmarked reserves. At 31 March 2011, the total value of reserves stood at £38m. Of this, a significant element had been earmarked for the corporate transformation programme, which is delivering much of the savings target agreed by the Council. The vast majority of these funds have now been allocated to programmes and much of this has been expended already in funding programme resources and IT investment, and over an extended period of time, redundancy costs. A further element relates to strategic projects, whilst the remaining reserves cover a variety of purposes. Any reserves utilised as part of the budget-setting process can only be applied once; thereafter equivalent reductions – or increases in Council Tax – would still need to be found.
- 7.8. The current advice of the Group Director Finance & Commerce is that the existing level of general reserves can be considered to be adequate, but issues in previous years over adult social care spend, and the imminent major reduction in grant funding, emphasise the need for prudence with the management of reserves.
- 7.9. The Council's external auditor has in the past emphasised the need for the Council to strengthen its financial health and to build in protection against unforeseen circumstances and to seek advice from the Chief Finance Officer on the adequacy of its working balance level.

## **8. SUMMARY OF FINANCIAL POSITION**

- 8.1. Based on the factors that are set out in this report, the Council is in a strong position to take advantage of the additional Council Tax freeze grant offered by the Government. Assuming that there are no changes in the final settlement, and no other material factors come to light, the budget recommendations to Cabinet and Council in February will reflect this position.
- 8.2. It is, however, recognised that this does bring a degree of risk; taking the grant does mean foregoing an increase in base Council Tax income which can only be recovered by compensating rises in subsequent years. The alternative would be to seek an additional level of savings at the appropriate time. Given the current financial climate, with the prospects for national growth shrinking, and with the Government extending its planned austerity period, holding Council Tax at the current level for a further year is felt to be the approach favoured by our residents. The Administration remains committed to maintaining the stability of the Council's finances and doing everything it can to keep Council Tax rises to a minimum wherever possible.
- 8.3. Adopting this approach would see Havering's Council Tax held at the same level for a second successive year, following a reduction in 2010/11. Owing to the prudent approach adopted and the focus on reducing back-office bureaucracy in order to protect frontline services, the Council is able to recognise the priorities indicated by our residents. This means that:
- The Council can maintain weekly waste collections
  - No libraries have been closed or had their opening hours reduced
  - The Council will continue to invest in roads and pavement repairs
  - Social care support for vulnerable residents can be maintained
  - The Council can continue to prioritise clean streets and a pleasant environment for all.

## **9. HOUSING BUDGET**

- 9.1. Budget discussions with Homes in Havering are currently underway. The HRA budget, together with an updated version of the business plan, and proposed housing rent levels, will be presented to Cabinet in February.
- 9.2. As previously advised to Cabinet, fundamental changes to the housing finance system are in the course of being implemented. These will take effect from April 2012, and are being reflected in the appropriate reports to Cabinet.

## **10. CONSULTATION**

- 10.1. The report to Cabinet in July – which followed a comprehensive survey of nearly 12,000 local residents – was considered further at a special joint meeting of the Overview & Scrutiny Committees and was subject to considerable publicity through the local media and the Council's Living magazine. The responses to this consultation have been taken into account as the detailed proposals have been developed and implemented.

- 10.2. The proposals set out in this report will be publicised through the local media and on the Council's website and responses from residents will be encouraged. In addition, a short survey will be sent to those respondents to the Your Council, Your Say survey who provided the Council with contact details for further information. A further joint meeting of all Overview & Scrutiny Committees is being held on 19<sup>th</sup> January to invite comments on the detailed proposals now being released for consultation.
- 10.3. We will also write to the local Chamber of Commerce and Federation of Small Businesses to alert them to the budget report and ask for any feedback from the local business community

## **11. GREATER LONDON AUTHORITY (GLA)**

- 11.1. The announcement of the Mayor's draft budget proposals for his 2012/15 financial strategy was awaited at the point of completing this report. It is therefore intended to provide supplementary information to Cabinet once details are available.

## **12. TIMETABLE**

- 12.1. The key dates for consideration of the budget strategy and capital programme are as follows:

Key Tasks	Date
Release of specific proposals taking account of settlement	January Cabinet
Detailed budgets and public consultation consideration	Considered by joint Overview & Scrutiny Committees January
Final Cabinet recommendation to Council taking account of any further issues	February
Council Tax Setting and Corporate Budget Agreement	February

- 12.2. This outline timetable is kept under review to ensure that the budget and policy are fully integrated and reflect community priorities. The timetable may also vary if meetings are changed.

## **REASONS AND OPTIONS**

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

This enables the Council to develop its budget as set out in the constitution.

**Other options considered:**

None. The Constitution requires this as a step towards setting its budget.

**IMPLICATIONS AND RISKS**

**Financial implications and risks:**

The Council's budget-setting process will ensure that financial implications and risks are fully met. Any financial implications or risks are covered in this report as necessary. There are significant risks given the continuing degree of uncertainty over the outcome of the LGFS, and the general economic environment, but the steps already taken by the Council should mitigate much of this. It will however be necessary to continually refine the financial forecasts underpinning the Council's budget to ensure that any necessary actions can be taken at the appropriate times, allowing for consultation as appropriate.

**Legal implications and risks:**

There are no direct legal implications or risks from this report. The corporate business planning process will need to take account of new and existing statutory duties and responsibilities that are imposed on the Council by central government even if there are inadequate or no commensurate increases in government funding to finance them. Failure to do so will put the Council at risk of legal challenge by affected residents or businesses.

**Human Resources implications and risks:**

There are no direct HR implications arising from this report, however, if proposals that require staffing reductions are to be considered, as a result of the budget position, these will be managed in accordance with Council policy and procedure

**Equalities implications and risks:**

Detailed proposals will need to be assessed as part of the business and service planning process. Equalities impact assessments are produced as standard as part of the detailed budget process.

**BACKGROUND PAPERS**

Equalities Impact Assessments for savings proposals.

APPENDICES

- A LOCAL GOVERNMENT FINANCIAL SETTLEMENT
- B CAPITAL PROGRAMME 2012/13
- C BUDGET ADJUSTMENTS
- D ASSESSMENT OF IN-YEAR VARIANCES

## GOVERNMENT GRANT & ASSOCIATED MATTERS

### LOCAL GOVERNMENT FINANCE SETTLEMENT 2012/13 BRIEFING

#### 1. Introduction

- 1.1. The Department for Communities and Local Government (CLG) issued the final Local Government Finance Settlement before the introduction of the new funding regime on 8<sup>th</sup> December 2011. This will be the last finance settlement in this form as this will be replaced by a new model of retaining a proportion of locally raised business rates. This briefing note highlights key issues of note and some comparative information.
- 1.2. The figures announced were based on the Formula Grant Distribution (FGD) consultation (which closed on 6 October 2010) and the Spending Review cash limits for local government (outlined in the Spending Review report, which was published on 20 October 2010).

#### 2. The Provisional Settlement – Havering

- 2.1. Havering's grant allocation for 2012/13 will be £54.043m however this figure includes the 11/12 council tax freeze grants therefore comparative grant settlement excluding the council tax freeze grant is £51.363m. This is an increase of £10k from the provisional estimate in provided in 2011/12 due to minor changes due to the affect of the transfers in and formula calculation. The introduction of the council tax freeze grant implies that this could roll into the new model of funding.
- 2.2. Havering's grant entitlement excluding the Council Tax Freeze grant is a cash decrease of £5.169m (9.1%) over the 2011/12 allocation of £56.532m. The headline figure is a reduction (due to the negative grant floor damping of 10.4% and the scaling factor) of £4.6m over 2011/12.
- 2.3. The adjusted Formula Grant figure for 2012/13 for Havering, is shown in **Appendix 1** which provides an analysis of the settlement figures 2011/12 to 2012/13 figures across the four-block model. **Appendix 2** shows the transfers within the formula grant for 2011/12 and 2012/13.

#### 3. The Final Settlement – Nationally

- 3.1. Bob Neill MP announced that Councils will face an average reduction in spending power of 3.3%; and that no local authority would experience a decrease of more than 8.8%. However the average year-on-year reduction is 7.3% once the Council Tax Freeze Grant is stripped out.
- 3.2. The table overleaf shows the changes to the overall level of local government funding between 2011/12 and 2012/13

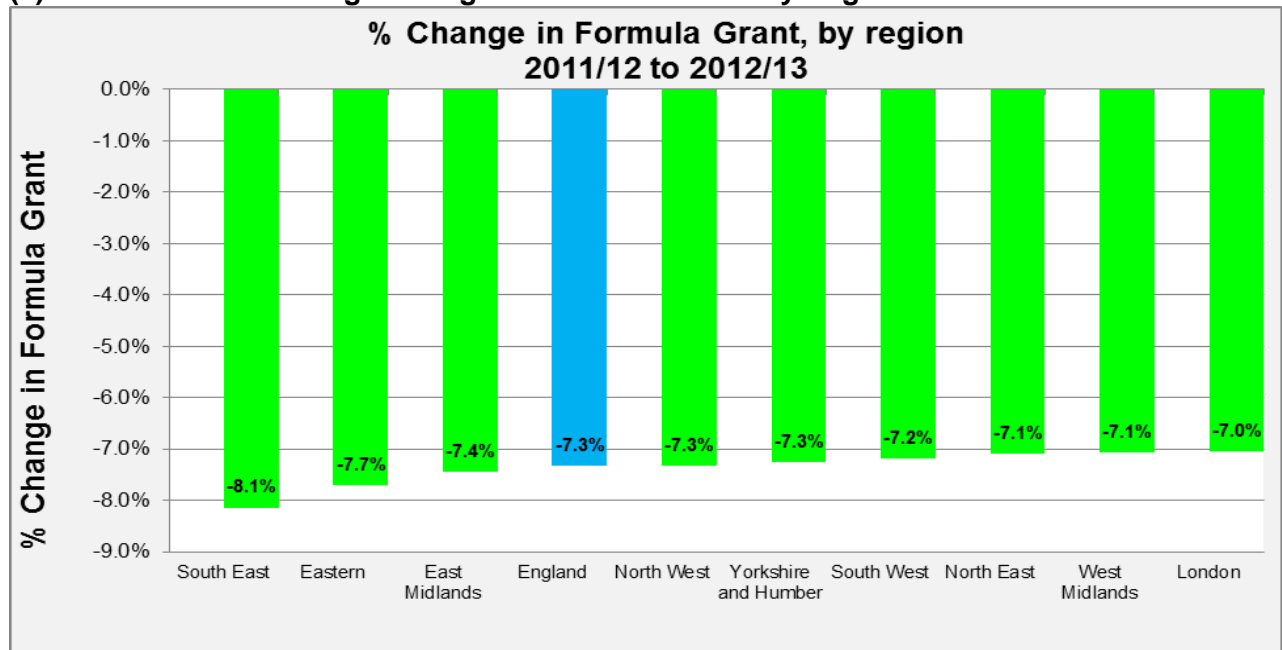
**(i) Overall Level of Local Government Funding**

	2011/12 Adjusted	2012/13
	£m	£m
<b>Formula Grant</b>	29,289	27,139
£m change on previous year		(2,145)
% change on previous year		(7.3%)

**4. The Final Settlement 2012/13 – Regionally**

4.1. The 2011/12 change in Formula Grant, by region, is shown in the graph below.

**(ii) Provisional Percentage Changes in Formula Grant by Region 2011/12**

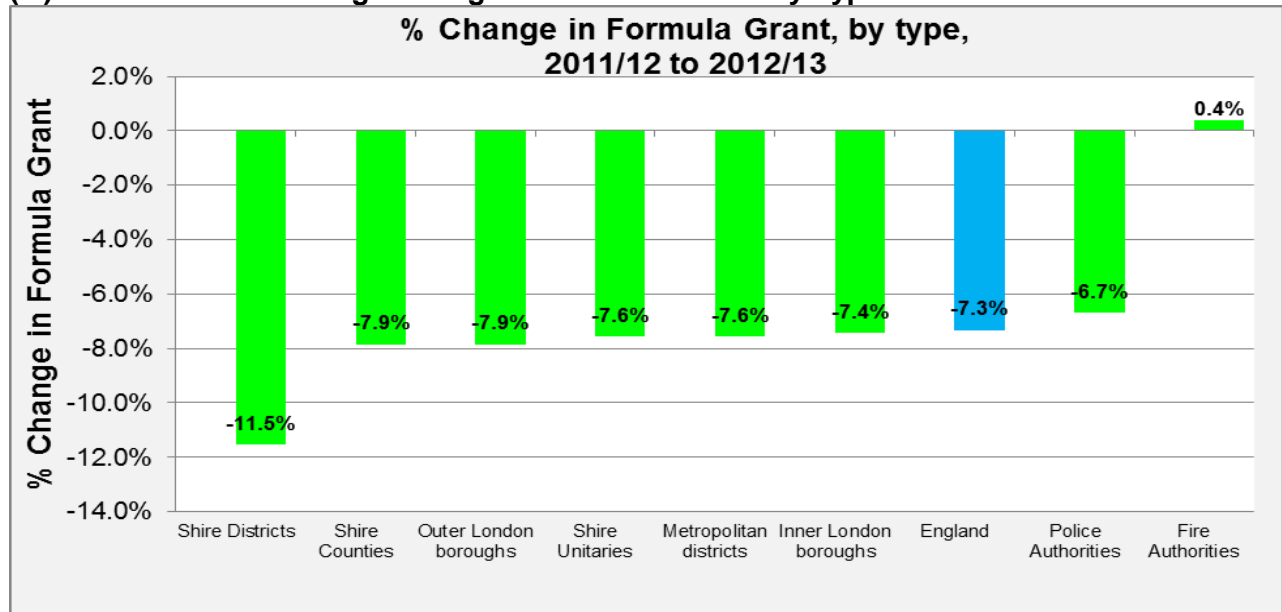


4.2. It can be seen that the South East and Eastern regions suffer the greatest losses in Formula Grant, with London and the West Midlands being relatively less affected.

**5. The Provisional Settlement 2012/13 – By Authority Type**

5.1. The 2012/13 change in Formula Grant, by authority type, is shown in the graph overleaf.

**(iii) Provisional Percentage Changes in Formula Grant by Type 2012/13**



5.2. Local government, excluding Shire Districts, there is a decrease in funding of between - 6.7% and -7.9%. The Shire Districts have the most significant funding decrease at - 11.5%.

**6. Formula Grant Floors and Scaling**

6.1. The cost of guaranteeing the minimum increase in grant continues to be paid for by scaling back the increase in grant for authorities above the floor. As in previous years, the floor damping system is self-financing within each group of authorities i.e. authorities in one group will not cross-subsidise the floor for authorities in another group.

6.2. There has been a change to how the floor is now determined for upper and lower tier authorities, in order to take into account individual local authorities' reliance on Formula Grant. For 2011/12 and 2012/13, there will be four floor levels for both the upper and lower tier authorities.

6.3. The following grant floors have been announced as part of the 2011/12 finance settlement:

**(iv) Floors and Scaling Factors**

	2011/12		2012/13	
	Floor	Scaling	Floor	Scaling
Education / PSS authorities	(11.3%)	(71.4%)	(7.4%)	(71.7%)
	(12.3%)		(8.4%)	
	(13.3%)		(9.4%)	
	(14.3%)		(10.4%)	
Police Authorities	(5.1%)	(99.9%)	(6.7%)	(99.9%)
Fire & Rescue Authorities	(9.5%)	(34.0%)	(3.4%)	(32.1%)
Shire Districts	(13.2%)	(99.7%)	(11.2%)	(75.1%)
	(14.2%)		(12.2%)	
	(15.2%)		(13.2%)	



	(16.2%)		(14.2%)	
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6.4. Within London, only 4 authorities have been set the highest floor of 10.4% these include Havering, Bromley, Kingston-upon-Thames & Richmond-upon-Thames. The table below shows the level of floor for each London Authority:

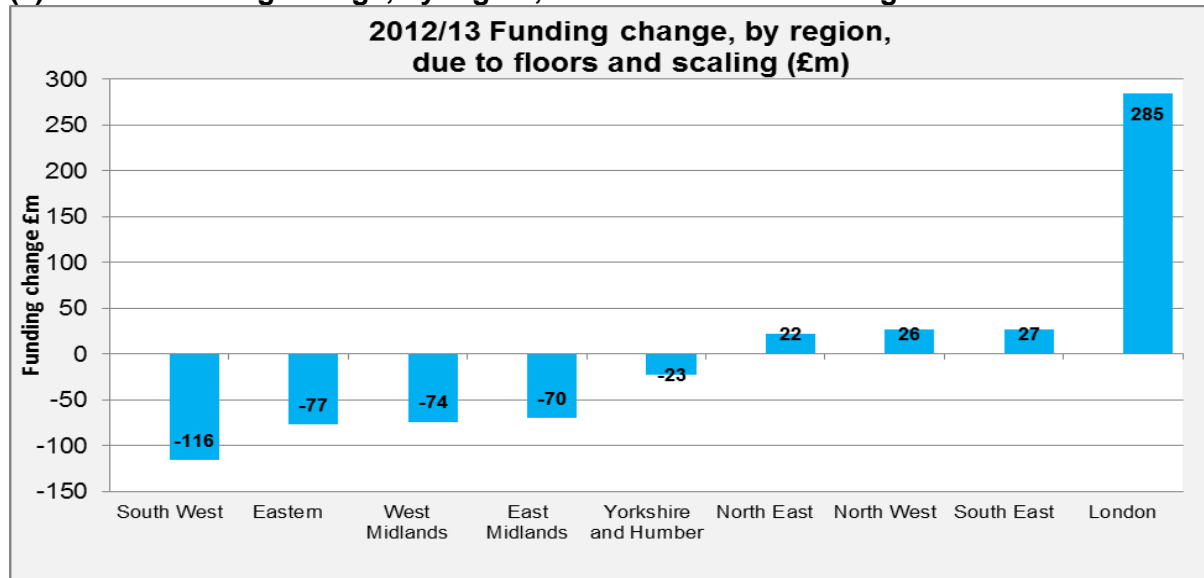
**(v) 2012/13 London Authority Floor Levels**

Authority % Floor			
7.4%	8.4%	9.4%	10.4%
Camden, Greenwich, Hackney, Hammersmith and Fulham, Islington, Lambeth, Lewisham, Southwark, Tower Hamlets, Wandsworth, Westminster, Barking and Dagenham, Brent, Haringey, Newham, Waltham Forest.	Kensington and Chelsea, Ealing, Enfield.	Barnet, Bexley, Croydon, harrow, Hillingdon, Hounslow, Merton, Redbridge, Sutton.	Bromley, Kingston-upon-Thames, Richmond-upon-Thames, Havering.

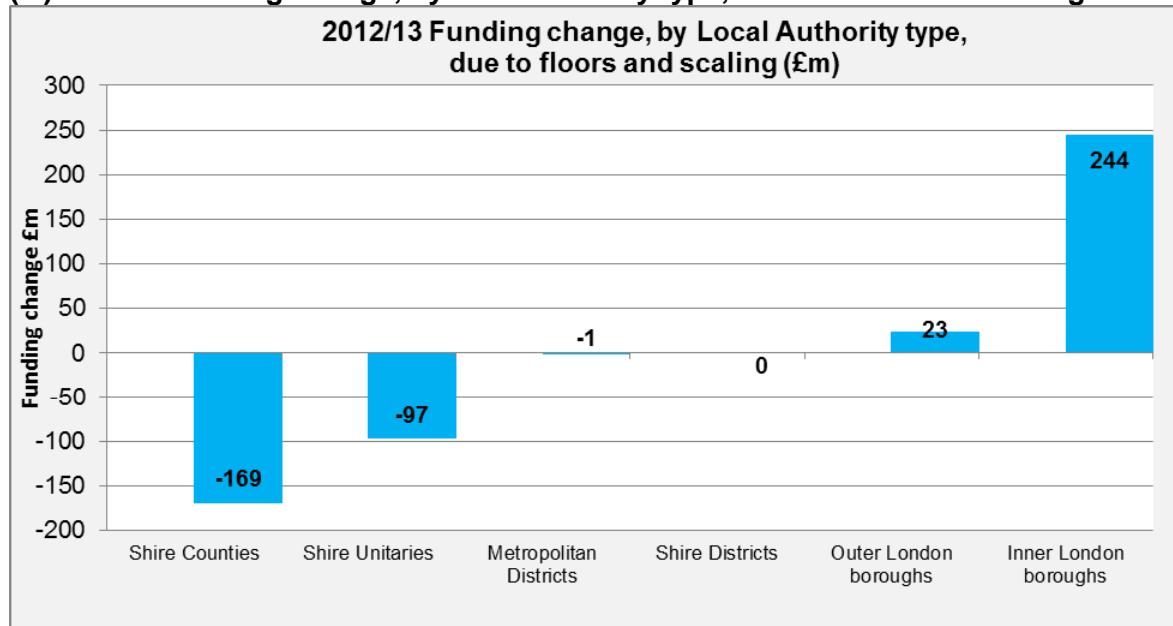
6.5. The government has placed individual local authorities into one of the relevant four floor levels based on an overall ranking, determined by grant dependency, which is defined as the proportion of the 2010/11 budget requirement that was funded through the 2010/11 Formula Grant; and ensuring there are an equal number of authorities in each of the four bands. Havering has been placed in the highest band for both years.

6.6. The graphs below show the level of redistribution, as a result of floors and scaling, by region and authority type.

**(v) 2012/13 funding change, by region, due to floors and scaling**



**(vi) 2012/13 funding change, by local authority type, due to floors and scaling**



## 7. Council Tax Capping

7.1. In his written statement today, announcing the settlement, Bob Neill MP set out the levels of council tax increase above which he intends to require local authorities to seek the approval of their electorate via a local referendum, as follows:

- 3.5% for most principal authorities;
- 3.75% for the City of London;
- 4.0% for the Greater London Authority, police authorities, and single purpose fire and rescue authorities.

## 8. Grants

8.1. Havering's individual grant allocations for the following specific grants have also been announced and are shown in **Appendix 3**.

- Early Intervention Grant £2.365bn. This grant replaces funding from a number of specific grants that have now ended, including Sure Start Centres and Early Years Sustainability.
- Learning Disability and Health Reform £1.359bn.
- Extending Rights to Free Travel £0.047bn
- Neighbourhood Policing Fund £0.323bn
- Transition Grant £0.020bn
- Preventing Homelessness £0.090bn
- Housing and Council Tax Benefit Subsidy Admin Grant £0.439bn
- Lead Local Flood Authorities £0.036bn

## 9. Responding to 2012/13 settlement

9.1. The deadline for written responses to the provisional settlement 2012/13 is 5pm on Monday 16<sup>th</sup> January 2012. Havering's response to the proposed financial settlement will be provided to Cabinet as part of the budget report for the meeting on 16<sup>th</sup> February, as it will not have been completed early enough for inclusion within the deadline for this January report.

Cabinet, 18 January 2012

Responses can be:

**Emailed to:** [settlement.consult@communities.gsi.gov.uk](mailto:settlement.consult@communities.gsi.gov.uk)

**Posted to:**

Mr Andrew Lock,  
Zone 5/J2  
Eland House  
Bressenden Place  
London SW1E 5DU

**GRANT SETTLEMENT 2012/13**

<b>HEADLINE FIGURES</b>	<b>Final Settlement 2011/12</b>	<b>Transfers In / Out (1)</b>	<b>Adjusted 2011/12 Settlement</b>	<b>Provisional Settlement 2012/13</b>	<b>Floor increase on the adjusted 2012/13 Settlement</b>	
<b>Havering</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Relative Needs Formula	52,964		52,964	48,248		
Central Allocation	32,895		32,895	29,441		
	<b>85,859</b>		<b>85,859</b>	<b>77,689</b>		
Less: Relative Resources Amount	(33,126)		(33,126)	(29,968)		
Add: Floor Damping (2)	(3,040)		(3,040)	(3,133)		
Add: Other Adjustments (3)	9,228			6,775		
	(2,389)					
Formula Grant (1)		-585	-585			
<b>Increase in Grant Receivable on Previous Year's Settlement</b>	<b>56,532</b>			<b>51,363</b>	<b>-5,169</b> <b>on</b>	<b>-9.14%</b> <b>56,532</b>

**Notes**

(1) **Transfers In / Out** - these are shown on the appended sheet

Cabinet, 18 January 2012

- (2) **Floor Damping** - this is the additional resources allocated to Havering to ensure it receives the national minimum increase in grant above the previous year
- (3) **Other** - relates to Local Government Finance amending reports

## PROVISIONAL GRANT SETTLEMENT 2011/12 &amp; 2012/13 - TRANSFERS

-	Settlement 2011/12	Settlement 2012/13
	<b>£000</b>	
<b>Bal B/f</b>	<b>55,314</b>	<b>56,532</b>
- <b><u>Transfers Out</u></b>	-	-
-	-	-
-	-	-
Concessionary Travel	1,158	
Child Death Review Processes	30	
Care Matters White Paper	199	
Mobile Homes Act	1	
Economic Assessment Duty	65	
Adult Social Services	2,965	
Personal Social Services	1,247	
Private Sewers	(94)	(88)
Planning Inspectorate SUDs Appeals Costs	(4)	
Academies	(630)	(497)
Supporting People	3,159	
Housing Strategy for Older People	70	
LSC Staff Transfer	304	
HIV/AIDS	88	
Preserved Rights	656	
Animal Health & Welfare	14	
<b>Total Transfers</b>	<b>9,228</b>	<b>(585)</b>
<b><u>Redistributed Grants</u></b>		
<b>Adjusted Grant</b>	<b>64,542</b>	<b>55,947</b>
Reduction in core allocation	(2,581)	(886)
Grants incorporated into formula	(2,389)	(585)
Minus reduction in floor	(3,040)	(3,113)
<b><u>Provisional Grant</u></b>	<b><u>56,532</u></b>	<b><u>51,363</u></b>

<b>UNRINGFENCED GRANTS</b>	<b>Baseline 2011-2012</b>	<b>Provisional 2012-2013</b>	<b>Variance</b>	<b>Notes</b>
Learning Disability Development Grant	7,436,198	7,617,808	181,610	
Early Intervention Grant 11-12 original alloc	8,161,167	8,934,299	773,132	In 2011-12 Extra In year allocs of EIG were £35,733 and £20,000
	<b>15,597,365</b>	<b>16,552,107</b>	<b>954,742</b>	
Local Services Support Grant made up of:				
Homelessness Grant	500,000	500,000	0	In 11-12 figure included £100K for Tenancy Fraud
Extended Rights to Free Travel	46,765	58,019	11,254	Estimate same alloc for 12/13
Flood Funding	132,000	209,500	77,500	
	<b>678,765</b>	<b>767,519</b>	<b>88,754</b>	
New Homes Bonus	<b>396,745</b>	<b>836,738</b>	<b>439,993</b>	Provisional figures published 01/12/11
Transitional Grant	-	-	0	N/A to Havering
Housing Benefits Admin Grant	<b>1,669,241</b>	<b>1,598,621</b>	<b>(70,620)</b>	
<b>TOTAL</b>	<b>18,342,116</b>	<b>19,754,985</b>	<b>1,412,869</b>	
OTHER UNRINGFENCED GRANTS				
Community Safety Funding	<b>220,194</b>	<b>132,116</b>	<b>(88,078)</b>	Late notification for 2011-12 - Provisional - expecting 40% down on 11/12 (Could hear January 12)
Council Tax Freeze Grant	<b>2,679,701</b>	<b>2,679,701</b>	<b>0</b>	Per Settlement 08/12/11
NHS Grant	<b>2,666,829</b>	<b>2,553,118</b>	<b>(113,711)</b>	Per Settlement 08/12/11
<b>TOTAL</b>	<b>23,908,840</b>	<b>25,119,921</b>	<b>1,211,081</b>	

## CAPITAL PROGRAMME 2012/13

## Uncommitted Core Programme

	2012/13 £000	2013/14 £000	2014/15 £000	Total £000
Parks, Libraries, Leisure, Cemeteries (1)	415	1,000	1,000	2,415
Information Technology	1,500	1,000	800	3,300
Street Environment	2,000	2,000	2,000	6,000
Education	1,900	1,900	1,900	5,700
Management of Assets and Health & Safety	500	500	500	1,500
Housing	208	0	0	208
Regeneration (1)	0	100	100	300
Disabled Facilities Grant	300	300	300	900
<b>Total</b>	<b>6,823</b>	<b>6,800</b>	<b>6,600</b>	<b>20,223</b>
Note 1 : elements of these forward programmes are included within the Committed Programme, £585k and £100k respectively				



## PROPOSED BUDGET ADJUSTMENTS

Item Number	Adjustment Item	Service Area	Description and Implications	Value £000
<b>Budget Additions – Income Items</b>				
1	Market Income	Romford Market	Current economic climate means it is highly unlikely the target level of income can be achieved	200
2	Fees	Technical Services	There has been a continued reduction in fees arising from works which has impacted adversely on the trading position	250
<b>Budget Reductions</b>				
3	London Borough Grants Scheme	Corporate	Reduction in corporate contribution to London-wide scheme following decisions by London Councils on overall funding strategy	(250)

## ASSESSMENT OF IN-YEAR VARIANCES

The period 6 monitoring report identifies a number of variances and as part of the budget-setting process, these have been analysed to determine whether there is any potential ongoing impact on 2012/13. This analysis is set out below:

Directorate	Current Forecast Outturn Variance £'000	Major Elements of Variance £'000	Impact on Future Budgets
Culture & Community	304	Parking £200k	In-year variance, steps in hand to increase income. Area remains volatile however. Increased risk of future savings delivery
		Court costs £200k	These costs are generally absorbed within the overall costs of benefits administration and, subject to no change in the funding base, this should be achieved in future years
Social Care & Learning	295	CAMHS £360k	Revisions to the service structure are being planned to eliminate this variance, although these may not be implemented until into 2012/13
		Children's Placements £612k	Likely to remain a variance owing to numbers and cost of care packages
		Catering £(400k)	Trading activities have proved to be particularly favourable this year, however, this is a volatile area and it is not felt prudent to rely on this as base income
Finance & Commerce	(2,264)	Freedom passes and corporate provisions £(1,244k)	Freedom pass and ELWA elements reflected in future savings from corporate provisions. Insurance provision has been applied against advertising as stated below
		Central transformation team £(500k)	Likely to recur in 2012/13, may be required to fund overall transformation

Directorate	Current Forecast Outturn Variance £'000	Major Elements of Variance £'000	Impact on Future Budgets
			programme. Already included as full saving in 2013/14
		Advertising hoardings £230k	Plans being developed to generate income but remains an area of risk; has been historically offset against the insurance provision
		Increased income and interest £(750k)	One-off gains, not sufficiently robust to include within base budget. Income is heavily dependent on volumes, which are volatile. Budget assumed rise in interest rates, this has been deferred as indicated in body of report
		Technical Services £500k	Savings delivered in 2011/12 following restructure. Continued reduction in workload means the fees income target is unlikely to be realised. Included in budget adjustments schedule
		Romford Market £220k	The current economic environment is impacting on usage levels and demand has fallen, leading to a reduction in income, which is not likely to be recouped for the foreseeable future. Included in budget adjustments schedule
Assistant Chief Executive	(54)	No material variances	Not applicable
<b>Revenue Total</b>	<b>(888)</b>		