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REVENUE BUDGET STRATEGY

The Council will ensure that there is an effective Medium Term Financial Strategy in place to drive forward the financial planning process and resource allocation. The financial strategy will be determined by 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, and remains committed to, its *Living Ambition*, the long-term vision for the future of the borough, which is to provide Havering's residents with the highest possible quality of life, in a borough that thrives on its links to the heart of the capital, without ever losing the natural environment, historic identity and local way of life that makes Havering unique.

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

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

The Council will wherever possible seek new funding and 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, and that spending levels will be realigned against any reductions in 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.

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

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

The Council will finance capital expenditure through a combination of external funding and 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 *Living Ambition*, set out in the Council's Corporate Plan.

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

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

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

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

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

As well as the above, the Council's approach to capital asset management includes the review of existing assets in terms of suitability for purpose, alternative and future use, and maintenance requirements. The aim for the Council to rationalise its asset portfolio and only hold assets that support the delivery of its goals, offer value for money or in some other way are important for community, heritage or other significant social purpose. The capital budget strategy is intrinsically linked to the revenue budget strategy. The revenue implications of capital expenditure and funding decisions are explored and accounted for on an ongoing basis. These are reflected as appropriate and include the consideration of the challenging financial climate which the Council faces.

The Council will finance capital expenditure through a combination of:

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

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

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

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

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

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

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

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

The capital programme will be reviewed on an annual basis. This will consider items such as new funding opportunities and Member priorities. In year changes e.g. the availability of additional external funding, will be made on an ongoing basis as part of routine programme management. These will be implemented with regard to the Council's Constitution and agreed procedures.

GOVERNMENT GRANT & ASSOCIATED MATTERS

LOCAL GOVERNMENT FINANCIAL SETTLEMENT 2013/14 BRIEFING

The Department for Communities and Local Government were expected to issue the final Local Government Finance Settlement for 2013/14 within two weeks of the close of consultation on the provisional settlement on 15th January 2013.

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

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

At the point of finalising the January Cabinet report, there were two major issues where clarification was still being sought; the damping mechanism and the detailed breakdown of the provisional 2014/15 settlement sum. Further information on these two issues is set out in this Appendix.

The Council's response to the consultation on the provisional LGFS is attached. A delegation met with the Local Government Minister and the contents of this response were discussed with him. Given that this is the last year of the existing funding system, discussions focused on the transition to the new system and how, as this is likely to be based on the existing one, this disadvantages Havering's position.

Damping

At the point of finalising this report, the guidance setting out how the damping mechanism works has still to be published. It is understood that the methodology has been carried forward from the 2011/12 settlement, using the latest flooring percentage.

Therefore, similar to the 2011/12 and 2012/13 local government finance settlement, the floor mechanism for 2013/14 seeks to categorise individual local authorities into one of four bands, depending on their reliance on formula grant to fund their overall budget requirements. Band 1 authorities are deemed to be most reliant on formula grant and are protected from more than 2.7% losses; Band 4 authorities are deemed to be least reliant and are protected from more than 8.7% losses. Havering has been grouped in band 4 with three other authorities facing the largest level of reductions.

All authorities above their floor have to contribute to the support provided to those authorities below the floor. As our 13/14 formula grant is greater than the floor calculation which incorporates the 8.7% cut, we will contribute £3.9m to ensure that all authorities receive the minimum level of funding as per their individual floor.

However, it remains very difficult to understand the logic of this mechanism. It will therefore be necessary to continue to monitor the DCLG website, liaise with colleagues in

other boroughs and London Councils, and to review the details of the final settlement announcement when this is released. Should further information become available, Cabinet will be advised accordingly.

2014/15 Grant Calculation

This, again, was still being reviewed and it is a fact that the approach being taken to this year differs from that from 2013/14, even though the starting point for the latter year is the same as the final position for the earlier year. Set out below is officers' assessment of the settlement for 2014/15.

The provisional settlement was announced on 19th December 2012, providing details of the 2013/14 and 2014/15 funding allocations. The table below shows the breakdown of the split of funding between Revenue Support Grant (RSG) and retained business rates (NNDR) as well as the reductions of funding.

Table 1 – Summary of Havering's 2013/14 & 2014/15 funding settlement showing the reductions in core and rolled in grant funding

	2013/14			2014/15			Reduction (£000's)
	NNDR (£000's)	RSG (£000's)	Total (£000's)	NNDR (£000's)	RSG (£000's)	Total (£000's)	
Baseline Funding	17,714	26,626	44,340	18,257	21,447	39,704	(4,636)
Council Tax Support	5,413	8,136	13,549	5,579	6,576	12,155	(1,394)
Council Tax Freeze Grant	1,071	1,609	2,680	1,104	1,577	2,680	0
Homelessness Prevention Grant	160	240	400	165	235	400	0
Early Intervention Grant	2,655	3,991	6,646	2,737	3,486	6,223	(423)
Lead Local Flood Authority Grant	53	79	132	54	78	132	0
Learning Disability and Health Grant	3,125	4,697	7,822	3,221	4,796	8,017	195
Total	30,190	45,379	75,569	31,116	38,195	69,311	(6,258)

Notes on the Table 1

Havering's overall settlement funding in 2014/15 will reduce by £6.258m however this assumes a 3% increase in business rates multiplier. Assuming a zero increase in business rates, this would result in an additional pressure / reduction of £926k.

The table shows the reduction in 2014/15 compared to 2013/14 so therefore does not show the initial reduction from our original 2012/13 allocations.

The split between RSG and NNDR in 2013/14 is on the basis of a 60:40 ratio and 2014/15 55:45 ratio. The increase is due to a combination of the increased in anticipated yield and funding reductions.

Funding Reductions Baseline reduction

Havering's baseline reduction has been reduced for the following reasons:

1. Spending reductions as set out in the emergency budget
2. The 2% reductions set out in the 2012 Autumn Budget Statement
3. Removal of £300m in respect of NHB
4. Changes to demographic and deprivation indicators.

This is a reduction of 10.4% (£44.340m to £39.704m), however in order to compare like-for-like, the removal of the year 4 NHB allocation which has been removed from our 2014/15 starting allocations needs to be included. Havering's initial estimate for year 4 of the NHB equates to £0.7m thus resulting in a like for like funding reduction of 8.9%.

Council Tax Support

Havering's 2014/15 Council Tax Support allocation has been reduced further over the original 10% reduction stated in previous consultations. Assuming Havering's business rate yield increases by 3%, an additional reduction of 10.2% has been applied to this grant due to the unique treatment of the grant within the formula calculation.

Unlike other grants, Council Tax Support funding will face the reductions in spending control totals thus including the additional 2% department reductions announced in the Autumn Budget Statement.

Early Intervention Grant (EIG)

Havering will also face further reductions in EIG in 2014/15 of £423k. This transfer is to be used in a new burden to provide additional nursery places for 2 years olds. This is a new burden placed on Local Government funding which places further reductions to local authorities' budgets thus potential cuts to the services which this funding previously provided.

The grant in 2013/14 had already been reduced by £2.3m and the 2014/15 reduction is on-top for this allocation, therefore a total reduction in funding of £2.7m, again assuming Havering's business rate yield increases by 3%.

Summary

From the current provisional settlement, Havering will face a reduction in 2014/15 funding of £6.258m a decrease of 8.3%. Although the NHB element would reduce this shortfall by £1.4m, the economic outlook and the potential reduction in major high street businesses across the country could significantly reduce their business yield local authorities could collect through the retention of business rates. Havering's business rate yield against the set business rate baseline already shows a deficit and thus additional shortfall in the regions of £100k – £300k are not included in the reductions above. The uncertainties and risk around business rates could easily increase reductions over and above the 8.3% stated above thus potentially creating additional cuts to the services Havering provides.



Havering
LONDON BOROUGH

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Date: 15th January 2013

My reference: CC/Is/Lock 3769L

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Dear Mr Lock

WRITTEN RESPONSE TO SETTLEMENT

Please find attached Havering's written representation on the provisional local government financial settlement for 2013/14 and 2014/15. This includes information the Council was asked to provide following our meeting with the Minister on 14th January.

We would be happy to discuss and/or clarify the points raised in this letter with the Minister and his colleagues and look forward to your response.

Yours sincerely

Cheryl Coppel

London Borough of Havering 2013/14 Provisional Settlement – The Funding Floor

Executive summary

The London Borough of Havering would like to respond to the Government's provisional local government finance settlement and set out its serious concerns about the principles, mechanism and outcomes contained within the proposals.

We argue that this year's proposed settlement breaks a promise made that no council would be worse off under the new funding regime; we believe that the settlement is a missed opportunity that entrenches historic inequities; we contend that it provides even less clarity and transparency than previous settlements and we maintain that it perversely punishes efficient, well-run authorities like Havering that are less reliant on Government support.

Havering in context – history, demographics and pressures

Havering is a big Borough, covering the third largest geographic area in the Capital, and the Council serves the needs of 238,000 people across a number of towns, suburbs and villages. Our population is set to increase significantly faster than the national average, according to the latest ONS projections.

We are home to London's oldest population, with more over 65s than any other Borough. Our over 90 population is expected to increase by 70% over the next eight years, bringing even more pressure to bear on our social service resources.

Historically, Havering has been poorly treated by successive finance settlements. The perception of the Borough as a place of comparatively low deprivation has seen us penalised by the grant system – despite the clear dependence of a large swathe of residents on social care and other support, as a result of their age. This pattern is continued under this year's proposed settlement and the table below highlights the very significant differences in funding in communities across East and South-East London that are only a few miles apart:

	2013/14 Formula Grant	Projected 2013 Population	Grant per head	2013/14 Formula Grant Ranked	2014/15 Formula Grant	Projected 2013 Population	Grant per head	Grant per head Ranked
Newham	243,756,000	318,369	765.63	1	220,137,000	318,369	691	1
Barking & Dagenham	126,172,000	196,094	643.42	2	114,364,000	196,094	583	2
Redbridge	116,860,000	293,541	398.10	3	105,728,000	293,541	360	3
Bexley	80,148,000	237,794	337.04	4	73,050,000	237,794	307	4
Havering	75,569,000	243,676	310.12	5	69,311,000	243,676	284	5
Outer London	2,427,320,000	5,435,100	446.60		2,206,192,000	5,435,100	406	

This inequity of funding has put pressure on successive Administrations to increase council tax in order to maintain council tax. Over time this pressure has resulted in Havering having the third highest council tax in London.

However, it has also led to Havering reducing the cost of services to the public, through increased efficiency – making it a low-cost council, as shown in figures from 2011/12, below:

	Net Expenditure 2011/12	Projected Population 2013	Spend per Head
Newham	867,985,000	318,369	2,726.35
Barking & Dagenham	514,565,000	196,094	2,624.07
Redbridge	606,190,000	293,541	2,065.09
Bexley	401,304,000	237,794	1,687.61
Havering	404,250,000	243,676	1,658.97
Outer London	11,468,760,000	5,435,106	2,110.13

The 2012 settlement:

1. A broken promise

We believe that the 2012 settlement breaks a promise repeatedly made by the Department for Communities & London Government – namely that no Council would be made worse off under the new funding regime. This is patently not true in the case of Havering.

- Our start-up funding shows a £3.6m reduction from last year's 'spending power' calculation
- This excludes a 10% headline reduction in council tax support grant – which we believe masks a larger reduction, once spending controls are factored in
- It also excludes additional social care and NHS-related pressures – exacerbated by a poorly-performing acute hospital trust in the Borough.
- EIG and LACSEG reductions are higher than expected and the basis for these are not readily understandable
- Havering is again in the highest category of floor damping and the basis for damping reductions is impenetrable

2. A missed opportunity

We believe that this new funding settlement is a missed opportunity to correct the imbalances of the past. The baseline for the new arrangements has been lifted from previous settlements, entrenching the issues that historically punished the residents of Havering. We also believe that the new system has achieved the impossible - and is actually less transparent than its predecessor. Finally, we do not understand why a Government that is keen to promote self-reliance across public life, is continuing to underfund authorities that are less reliant on Government handouts and reward the authorities that are not as efficiently run.

- Havering's baseline does not reflect its circumstances as the most elderly borough in London, nor does it reflect the geographic size of the borough that the Council must service – instead it perpetuates past inequities
- The funding calculations within the draft settlement are inexplicable, most pertinently the damping calculations – a fact not helped by the late release of

data and a number of erroneous publications uploaded and then retracted from the DCLG website

- The four block funding model is highly complex and therefore almost impossible to explain adequately to local tax payers
- The much-vaunted 'local retention of business rate' leaves Havering in deficit from the outset, as the DCLG calculations are higher than the Borough's actual yield
- Havering is an efficient authority that acted early to manage the impact of funding reductions. Our model for transformation has been commended by our peers and recognised by national award schemes, yet the funding model continues to direct additional resources to less efficient authorities, thereby acting as a disincentive to genuine transformation.

3. Our proposals for fairer funding

We would ask Ministers to consider meaningful revisions to the funding model that would make it more equitable and recognise the demographic pressures on Havering and authorities in similar positions. In particular:

- Review the formula grant in respect of 'cliff edges' and tackle the current postcode lottery
- Reflect the impact of an elderly and ageing population on the resources of councils
- Re-consider the deeply flawed and mystifying damping arrangements

Introduction:

The London Borough of Havering's calculated 2013/14 provisional start-up funding allocation is £75.569m (2014/15 equivalent is £69.3m based on the latest release, a 9% reduction from 2013/14). This incorporates £31.2m of rolled in grants and a LACSEG reduction of £4.9m thus providing an equivalent 13/14 formula grant figure of £44.3m (Havering's equivalent 12/13 allocation was £46.3m). In addition this does not include any reduction as a result of the rolled in grants.

Figure 1 below shows a summary of the 2 year settlement clearly demonstrate the percentage reduction in formula grant in 2014/15

	2013/14	2014/15	% Reduction
RSG	£45.379m	£38.195m	(18.8%)
Business Rates	£30.189m	£31.115m	3.07%
Total	£75.569m	£69.310m	(9.0%)

The figures stated above is "best" case scenario as this is assuming our business rates increases in line with Government's expectations as well not including any shortfall due to the proportionate share calculation

From the transfer of rolled in grants, another £2m has been removed from the current settlement to fund new responsibilities within the DSG. This increases Havering's shortfall further and with less than 3 months until the funding reductions take effect leaves Havering to find additional savings extremely quickly. Given the need for due consideration and consultation, this is almost certainly impossible to achieve.

Havering has been penalised with low level settlements which have far from reflected the needs of the borough. The authority has had to revise its saving plans, bringing forward its plans to reduce back office costs thereby increasing the pressure to find savings in other services in the future. Havering has on numerous occasions responded to the shortfalls and the flawed approach in the methodology surrounding the settlement with the outcome unchanged and with our position deteriorating further.

Havering has a unique demographic which is not truly reflected in the current formula grant methodology. How can an authority with the highest proportion of elderly population in London with indications that this is likely continue and increase further but yet receive one of the lowest settlements. A summary of the demographics and indicators are attached in Appendix A.

The London Borough of Havering's Concerns:

1. Timing of the Settlement Announcement

The provisional settlement was announced on 19th December 2012, however this only included high level information with further information being released late on the 21st of December 2012. Not only was this incredibly late but some of the figures initially produces were incorrect. On the 4th of January, further changes were made to the funding allocations and as at the 9th of January details on spending powers, floor methodology and some data tables were still outstanding.

Due to the complexities of the funding regime numerous councils, agencies called for the settlement to be announced early in order to fully understand its content. However, the consultation response in regards to the provisional settlement is the 15th of January which is under four weeks from the headline announcements, 11 days since the changes to some of the figures and 6 days when information on spending powers and floors still had not been released.

Not only was the information provided extremely late and initially with errors, the perception that no authority would be worse off under the new regime is incorrect. From the outset of the business rate retention models, we will be starting from a deficit position as Havering's business rate yield is lower than the business rate baseline calculation used by DCLG. With this and the methodology around the formula grant in mind, Havering is facing additional reductions in funding when it was expected that no authority would be "worse off". Consequently due to the lateness and erroneous content, we will now be required to submit further budget reports through the Cabinet process which give rise to two particular concerns:

- Firstly, insufficient time may be now available to adequately consult with local residents and businesses on new budget proposals – many of which are likely to impact on front facing services; and
- Secondly, questions may arise about the robustness of the budget being presented to full Council for approval – given that not all the required financial information from Government has yet been published.

This is set in the context of the most difficult financial climate for the economy in general, and for the public sector in particular, probably for several decades. Havering has long operated a medium term financial strategy and was one of the first Councils to set out a financial plan designed to meet head-on the spending plans put in place by the Coalition Government, through the emergency budget and then the Comprehensive Spending Review. This has ensured that we have been able to avoid ill-thought, poorly consulted and imprudent decisions. Sticking to this long standing policy has been strained to the limit by the continuing lack of certainty over the settlement and its impact on our financial position.

2. Transparency

Local Authorities have increased the transparency whether it be by disclosing, consulting or communicating the decisions or information Havering is making. This information is easily available and easily communicated to all its residents, partners, agencies, charities and so on. A directly transparent link exists between our stakeholders on our on-going work, however the same cannot be said over the transparency of the funding formula and the creation of the spending powers calculation.

The four block model is an extremely complex series of formulae which is increasingly difficult to communicate to Havering's residents and stakeholders, especially when the headline figures do not show the true impact of the funding reductions facing local authorities. With the introduction of the localisation of business rates and the ability only to retain 30% of business rate yield as a London borough, with 50% being retained by Government and a further 20% going to the GLA, this creates an even more complex series of formulae than before.

In addition, the method of the transfer of the rolled in grant reduces the transparency even further. Within the 13/14 allocation, £6.6m for EIG has been transferred into the formula (compared to an equivalent 12/13 amount of £8.9m); this is a reduction of £2.3m. Despite this being transferred back in the form of specific unringfenced grant, additional burdens are being placed on local authorities thus resulting in additional cuts over and above the headline figures seems to suggest. In addition, a flooring and ceiling has been introduced to this rolled in grant which reduces Havering's allocation by 8.7%. Not only does this cloud the funding allocation and the extent of the funding reductions but creates an opaque process as well as the risk of further funding cuts potentially affecting front line services.

The funding formula has stated that authorities in 2013/14 will see an average reduction of funding of 1.7%. However, in order to assess the true impact, the analysis needs to include all new burdens placed on local authorities. Upon the face of the spending powers identified by DCLG, Havering will lose 1.7% (£3m) funding in 2013/14. What this does not include of course are the added burdens/expenditure being placed on local authorities. For example an increased in burdens from the NHS funding to support social care and benefit health has increase by £1m. However this will bring at least £1m of additional burden thus increasing the reduction. The same can be said in regards to the Council Tax Support grant which will reduce funding for the benefit by 10%, therefore resulting in a significantly higher reduction in spending. In addition, the Council Tax Support grant from 2014/15 will be part of the "formula funding within RSG" and thus subject to spending reduction set from the 2010 Competitive Spending Review and the additional 2% department savings announcement during the 2012 Autumn statement. This will reduce our comparable 2013/14 Council Tax Support grant and thus having to redesign our Local scheme to compensate.

The treatment of council tax support within the formula funding also brings additional concerns. As part of the rolled in grant process, Council Tax support has been treated differently to other grants and now faces the reduction as part of the spending control totals as well as the additional 2% departmental saving to Local Authorities. This results not only in the 10% reduction as part of the initial reduction in grant but also reduction in spending control totals. Therefore the reduction in Council Tax support by 2014/15 will amount to significantly more than the 10% headline.

The adjustments to grant funding include both the EIG and LACSEG issues. The EIG adjustment for Havering sees an overall reduction in funding of around £2.3m, as indicated above, with a further adjustment to the start-up funding calculation of nearly £5m for LACSEG. These reductions are over and above the reduction in mainstream RSG, which has already seen Havering lose over £13m over the last two years, in addition to further reductions of as much as £5m in specific grants. These additional reductions, although broadly anticipated, are higher than expected, and take no account of the fact that there are various corporate costs intrinsically linked with these services, which cannot be reduced. This creates an additional imbalance, which can only be met through reductions elsewhere.

In previous settlements, the funding would have been calculated based on numerous indicators and rolled in grants, however the start-up funding allocations created are now notional and are dependent of local government business rate yield. Although Havering agrees with the theory of retaining business rates it collects, how this has been integrated into the formula funding is not only extremely complicated but unclear.

3. Funding Formula and Damping

The London Borough of Havering's calculated 2013/14 provisional start-up funding allocation is £75.569m (and £69.311m for 14/15 based on the latest estimate). Against the spending power 12/13 equivalent this shows a reduction of £3.6m, however this does not include the additional burdens placed on local authorities. This excludes the cost of the 10% reduction in Council tax support grant and the additional burdens of the NHS social care funding.

Havering has again fallen into the highest category of floor damping for the third year running. This results in Havering having to face the largest reduction in funding. In 2011/12, Havering faced a 14.3%, 2012/13 10.4% and now in 2013/14 8.7%. Havering has real misgivings over the damping / flooring calculation as it continually hits the residents of Havering. The methodology around damping affects authorities who are less dependent on government grant. However, Havering's Council Tax has had to increase over the years because of this flawed approach. Local authorities are being penalised for being less dependent when Central government and ministers are trying to promote self-dependency and move away from centralised allocated grant. This is creating a 2-tier system where authorities who find efficiencies and boost growth will continue to be penalised whilst those who are still dependant on government grant will be funded and lack incentive to promote growth.

In 2011, Havering expressed their concerns over the new damping arrangement put into place for the 2011/12 and 2012/13 financial years and in 2013/14 this is set to continue. Appendix B contains an extract from our previous response identifying potential alternatives to the flooring mechanism. Given the lateness of the financial settlement, 2014/15 provision settlement has not been looked into at the detail of next year settlement however on first impressions there is no explicit flooring mechanism and thus complicated the process further.

4. Comparative Expenditure and Funding Information

Historic underfunding through the local government finance system has resulted in Havering requiring a very high council tax, as can be seen below:

Borough	Council Tax 2012/13	
	Exc GLA	Inc GLA
Havering	1,195.18	1,501.90
Bexley	1,128.59	1,435.31
Outer London Average	1,123.47	1,430.19
Redbridge	1,095.53	1,402.25
Barking & Dagenham	1,016.40	1,323.12
Bromley	991.31	1,298.03
Newham	945.63	1,252.35

In fact, Havering is an efficient, low spending authority. The comparative tables below show our relative expenditure and funding figures on a per capita basis.

	Net Expenditure 2011/12 £ms	Projected Population 2013	Spend per Head	Spending Powers	Spending powers / Net Expenditure	Council Tax Demand	Spending exc Ctax demand	Spending power exc demand by head of pop
Havering	£404,250,000	243,676	£1,658.97	£190,179,353	47.04%	£107,732,330	£82,447,023	£338.35
Newham	£867,985,000	318,369	£2,726.35	£328,274,934	37.82%	£72,841,690	£255,433,244	£802.32
Redbridge	£606,190,000	293,541	£2,065.09	£224,668,764	37.06%	£99,879,025	£124,789,739	£425.12
Barking & Dagenham	£514,565,000	196,094	£2,624.07	£186,569,083	36.26%	£53,957,490	£132,611,593	£676.27
Bromley	£495,010,000	318,378	£1,554.79	£226,703,983	45.80%	£132,896,000	£93,807,983	£294.64
Bexley	£401,304,000	237,794	£1,687.61	£181,837,218	45.31%	£95,484,328	£86,352,890	£363.14

Outer London	£11,468,760,000	5,435,106	£2,110.13	£4,696,787,375	40.95%	£2,095,774,000	£2,601,013,375	£478.56
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The table also shows the extent Havering is reliant on formula grant, council tax and other grants compared to neighbouring boroughs and the outer London average. Spending power excluding Council Tax demand by head of pop also shows Havering's relatively low formula and grant compared to neighbouring and outer London average

	2013/14 Formula Grant	Projected 2013 Population	Grant per head	Grant per head Ranked	2014/15 Formula Grant	Projected 2013 Population	Grant per head	Grant per head Ranked
Havering	£75,569,000	243,676	£310	5	£69,311,000	243,676	£284	5
Newham	£243,756,000	318,369	£766	1	£220,137,000	318,369	£691	1
Redbridge	£116,860,000	293,541	£398	3	£105,728,000	293,541	£360	3
Barking & Dagenham	£126,172,000	196,094	£643	2	£114,364,000	196,094	£583	2
Bromley	£84,131,000	318,378	£264	6	£77,123,000	318,378	£242	6
Bexley	£80,148,000	237,794	£337	4	£73,050,000	237,794	£307	4
Outer London	£2,427,320,000	5,435,100	£447		£2,206,192,000	5,435,100	£406	

The Government's new funding definition, using Revenue Spending Power, implies Havering is only facing a funding reduction of 1.57% in 2013/14, which would suggest the Borough is at the lower end of reductions both nationally and regionally. However, this definition disguises the actual comparative reduction in grant funding due to the lack of transparency of the disclosure of information.

Havering's residents are being penalised as the historic funding system, which is forming the base of the new funding regime, has resulted in comparatively low levels of grant funding for the Council, which in turn has required high levels of council tax to make up the shortfall. If this is not changed, the system will continue to unfairly penalise the residents of Havering, thus potentially facing either significant cuts in front line services or a rise in Council Tax, or in the worst case, both.

Demographics

Action needs to be taken to address the on-going flawed methodology from the current formula grant calculation. Havering has continued to receive significantly less funding than the National; London; and outer London average. The population of Havering is growing at a faster rate than the England average. Our **65+ population** is the **highest in London** and our 90+ population is expected to increase by 70% by 2021 within the current methodology the funding model is and will not address this high need, high cost area.

Havering is the third largest borough in the capital, however again this funding does not reflect this. The formula grant calculation has continued to be rolled over each year without a fundamental review of the cliff edges that exist between authorities. From a change in postcode, the spend per head of population can increase by £1000 which in our opinion is not a fair method of apportionment. This would be even higher if it was not our on-going transformation programme initiated from the emergency budget back in 2010. Further details of Havering's unique demographics are contained in Appendix A, which further demonstrate the pressures Havering has and will incur both nationally and within London.

In our opinion, this needs serious review and quickly as these and the additional cuts affecting local government hit local authorities in the coming year. Reducing Havering's formula grant funding by 14.4% in 2011/12, 10.4% in 2012/13 and now 8.7% in 2013/14 will financially hit us as an those authority with a high tax base and low dependency, thus resulting in either front line cuts or an increase in council tax. It is unfair to expect local authorities with minimal grant to continue to fund the highest level of floor reduction.

In addition to having London's highest elderly and very old population, additional pressure is placed on our social care budgets through the historic under investment in community health care within the ONEL area because money has been used to shore up the costs of the BHRUT acute hospital Trust and its ongoing deficit. This leads to many inefficiencies in the health and social care economy and to many older people receiving poorer and more expensive care than they need to. Whilst the borough and the new CCG is seeking to address this issue over the coming years it remains extremely challenging and will be an additional drain on social care funding given our aging population for some time to come.

Being hit with grant reduction rather than the promised "no loss" situation is particularly unfair given that the borough is seeking to invest in health and social care transformation in order contain the demographics we are grappling with. We note the one-off social care and health transformation funding provided through another route, but this in no way compensates for the pressures we have to cope with, within this historically poor performing local health economy. Having one of the lowest Public Health allocations in London is also a direct result of this situation and as such extremely inequitable. The PH allocations were originally calculated on the historic spend on Public Health within each local authority area. In Havering the previous PCT had consistently used Public Health funding to assist in propping up the historic deficit within BHRUT. It is therefore hardly surprising but extremely unfair that our allocation is so low. Given the demographic squeeze on our overall budget there is no way we will be able to make up any deficit in Public Health funding through our general budget allocation.

Meeting with Minister – 14th January 2013

Following our meeting on the 14th of January 2013 we were asked to include information about our work on shared services and in tackling fraud. The following two sections demonstrate the work we have undertaken; not only find efficiency from back office functions whilst protecting front line services but also protecting the public purse.

1. Shared Services

As discussed on the day these are wide ranging, from back office to front face service delivery, and you will see that there are a number of future areas we are seeking to explore, but to make them real and successful is not easy and takes time and resource, which in times of austerity are hard to prioritise. We are very happy to share the learning from the work we have done, as well as learn from others, but anything that could be done to provide some resources to support this work would really help.

Back Office:

- We have implemented new stream lined, automated back office processes, designed at getting rid of bureaucracy and empowering managers. This was linked to the creation of an internal shared service centre. This is currently recognised as best practice by Oracle. This was also intended to be extended, so we then led the One Oracle group as part of the Project Athena work across London to create a single instance of Oracle that we all used in the same way. This has led to 6 councils working on the first phase, with a further 11 waiting to follow later, building on the work Havering has done.
- Single Head of Business Systems with the London Borough of Newham for the last two years. This has enabled us to both to implement the best practice we each had, faster, quicker and cheaper than on our own, and enabled us to move to a position of now looking to fully integrate and align all of our IT systems and people.
- We have led East London Solutions (ELS) make up of the east London Boroughs of Newham, Tower Hamlets, Waltham Forest, Barking and Dagenham, Redbridge and Havering looking at all opportunities for sharing services, but the hard part is finding like minded partners.
- Based on this on building on the success of the IT work with Newham, the two Councils are currently producing a business case for the creation of a single back office shared service that will support both organisations. This is a large scale project across political boundaries that we hope to set up in such a way that it can bid for future work from other Councils.
- Varied strategic and joint procurements across London to drive down costs
- On smaller scales we also have shared pensions IT with LB Redbridge, share NNDR collection service with LB Barking and Dagenham, and working on a single emergency planning service.

Front Facing:

- Through ELS solutions joint work around LD category management provision across East London.
- Joined up Youth Offending Service with LB Barking and Dagenham
- Led a three Borough partnership with LB Newham, and Waltham Forest on developing a new customer portal, to enable self service, linked to a new CRM system to enable customer services officers to be able to fully respond and answer queries at the first point of contact. We are collectively now in discussions with a number of other authorities about them taking this forward too, including the City of London.

- Lead joint working on integrated health care across Barking and Dagenham, Redbridge, Havering and the acute hospital trust, to ensure better use of resource across the health and social care spectrum.

2. Work undertaken by Havering to prevent Fraud

As discussed on the day this is wide ranging, we have created a single fraud team across the Council, as we feel with local knowledge we are best placed to be able to identify and respond to fraud. We also very actively promote borough wide whistle blowing to encourage people to report concerns, and we actively pursue people through the courts where appropriate and publicise successful case in the local paper as a deterrent. See tables beneath for a feel of the number of cases we have received and followed up over recent years, and two examples of cases successfully prosecuted.

We do this for two reasons, firstly the protection of the public purse and second to try and discourage fraud in the first place and more to a point of prevention rather than reaction. Due periods of austerity is it understandable that we see an increase in fraud, but it is also hard to prioritise monies for these types of activities when Councillors have to make difficult decision about budget priorities. Additional funding to support these activities and ensure the protection of the public purse would help Local authorities manage these issues.

Year	Case Loads at December
2010	334
2011	351
2012	428

Current Case Loads:

20 Cases awaiting prosecution	£441,040.53
17 Cases awaiting sanction	£102,254.40

Crime doesn't pay as benefit cheat couple are to repay more than £90,000 to Havering Council

Havering Council has successfully secured the return of thousands of pounds from a couple falsely claiming benefits, despite owning numerous properties of their own, following a proceeds of crime investigation.

Mrs A, of Wingletye Lane, Hornchurch, claimed housing and council tax benefit for 10 years from 1996, claiming she was a single parent. She was actually living with her husband, Mr A.

Not only did the couple own the house they were living in while fraudulently claiming almost £80,000 in housing and council tax benefits, Mr A owned several other properties.

Council investigators found that Mrs A jointly owned six further properties, purchased with cash deposits straight after she stopped claiming benefits. She had also been claiming income support.

They also found that, following a genuine split between the couple in 2008, Mr A claimed employment support allowance from 2009 to 2010, claiming that he was living on hand-outs from family and friends. But given his true situation, he was not entitled to this.

While the investigation was ongoing, the Council obtained restraint orders against all of their properties and bank accounts, so assets could not be sold or moved.

A Havering man who dishonestly claimed more than £50,000 in benefits had an expensive caravan and a speedboat both called 'Well Dodgy'.

Mr B was found with seven vehicles and two speedboats, and was a boat driver for the Formula 1 British water skiing organisation.

But the 53-year-old, who lives in a Council home in Abberton Walk, Rainham, was caught out following an investigation by Havering Council's benefits fraud team.

Appearing at Basildon Crown Court on Friday (Jan 27), he admitted two counts of failing to tell the authorities of a change in his circumstances.

He was sentenced to eight months in prison, suspended for 18 months, and must do 200 hours of community service and abide by a curfew of 9pm-6am for three months.

The judge also set up a timetable for a confiscation hearing, under the Proceeds of Crime Act.

Havering Council began investigating his claims for housing and council tax benefits in June 2010 following a complaint that Mr B was actually running a business and had substantial assets.

He was arrested and found with a number of vehicles including an expensive Winnebago caravan, two speedboats, a breakdown truck, and several vehicles.

Mr B said in interview that the cars and boats were his hobby.

The amounts he had dishonestly claimed were £33,757.87 from Havering Council, and £16,312.09 from the Department of Work and Pensions – a total loss to the public purse of £50,069.96.

Possible solutions for a fairer funding system

We genuinely believe that the local government funding system is neither objective nor equitable in its allocation of resources to local government and as a direct result has a direct impact to Havering's taxpayers. We would therefore ask the Minister's to consider the following proposals:

1. Review the current formula grant in respect of cliff edges - One method of rectifying this on-going issue to create a phased smoothing affect between local authorities to ensure that a postcode lottery does not continue to exist. We accept that this is not a "quick-fix" solution however a phased approach would address the issue in time.
2. Flooring / damping - Discussion should take place over the current floor methodology as it continues to penalise authorities unfairly. A single floor level applying to all authorities within each local authority tier would be a sensible approach as not to penalise authorities that are less dependent on central government grant

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3. If Ministers are committed to introducing a range of floor values, a formulaic approach should be implemented that does not penalise authorities who have had to increase council tax for lack of formula funding.

London Borough of Havering

Background Information, Key Statistics and Data

Summary

The Council feels that the current settlement does not reflect the real level of need in Havering's population, and the implications this will place on both current and future demands for its services. The mechanism used to calculate Havering's settlement simply does not reflect the real levels of need in the borough. The reasons for this are set out below:

- The population of Havering is growing at a faster rate than the England average. Our 65+ population is the highest in London and our 90+ population is expected to increase by 70% by 2021. This continues to place a huge demand on health and social care services, placing a disproportionately large strain on council and NHS budgets than other areas whose need may appear greater in terms of deprivation.
- The Welfare reform changes in particular look to hit Havering's population hard, with local intelligence showing that at least 737 individuals will be affected by two or more benefit changes, and an additional 312 individuals will be affected by three or more benefit changes. The impact of the Welfare Reform changes will place significant additional demand on council services going forwards, particularly in terms of social care, housing and benefits services – the Council believes this impact may be greater in Havering than the rest of London.
- The housing benefit changes will also impact disproportionately on Havering in terms of a likely population inflow into the borough. Havering has cheaper private sector rents (3rd cheapest rent in London) and the private rented sector has increased significantly more in Havering than elsewhere in London. This is likely to mean that our local housing market will be put under significant pressure, and subsequently place a real strain on housing services, more so than in the inner London boroughs. The social rented sector (non LA) in Havering has also seen a significantly higher increase already in the last year (104% compared to London at 26%) - demonstrating that this increase in demand is already beginning to occur.
- Taken together we believe these facts mean that the Council is sitting on a sustained growth pressure, which needs to be recognised by adjustments to the settlement to reflect the real levels of need present in Havering.

APPENDIX

Population Statistics

- The population of Havering has been growing at a much faster rate than the England average, and this is expected to continue in the future, with the population rising by 13% by 2021 compared to England projection of 9%¹. The current settlement mechanism simply does not recognise this fact.
- Havering's 65+ population represents 17.9% of the borough, compared to England and Wales (16.6%) and London (11.1%). Havering has the highest proportion of 65+ population compared to all London boroughs – the most costly client group of the population.
- The number of children and young people (0-15) in Havering is also expected to show a large increase, growing by 25% by 2021. The fastest increase is expected to be in the single year of age eight and nine (44% each by 2021)
- Havering has experienced the fastest growth in ethnicity out of all of London over the last ten years. The growth in ethnic diversity in the borough, such as the 226% rise in our largest ethnic population (between 2001 and 2011) will have an impact on demand for healthcare services, as different ethnic groups are more inclined to experience particular health issues i.e. diabetes.

Older People

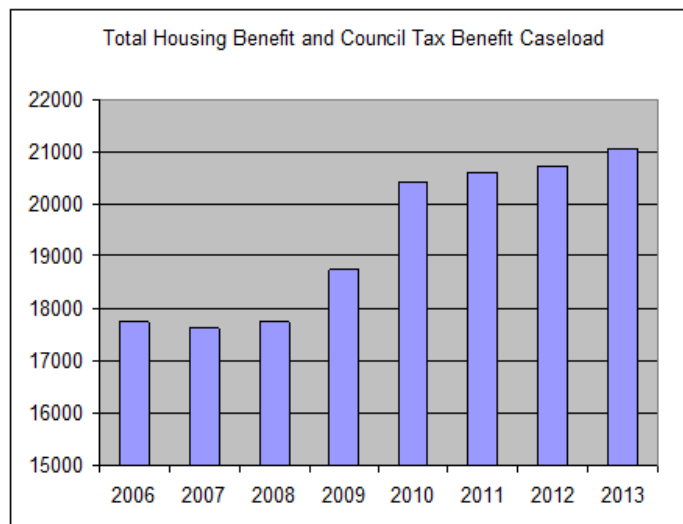
- The 65+ population in Havering is expected to grow the fastest overall in the future, increasing by 16% by 2021. The fastest growth is in the 90+ age, expected to increase by 70% by 2021
- 13.9% of our 65+ population are one person households (again, the highest in London). Our data shows that older residents living alone are much more likely to have contact with social services and use services such as home help and meals on wheels, and generally require much more support than those not living alone. Havering has a greater number of residents with dementia than the majority of other London Boroughs; this is and will place a significant strain on mental health commissioning resources due to its age profile.
- Given that Havering has the highest 65+ population, this therefore places a much more costly burden on our services compared to other Local Authorities who may receive a higher settlement based on their deprivation rankings.
- This is demonstrated by the fact that Havering has the highest proportion of adult social care users that are aged 65+ compared to all London boroughs. 74.2% of Havering adult social care clients were aged 65 or older in 2010/11, compared to England (67.6%) and London (61.7%). The projected growth in the numbers of residents 65+ in Havering, suggests that the demand on social care services from aged 65+ will continue to increase.
- Havering's private rented sector is under increasingly severe pressure. Private rented accommodation forms a small proportion of the housing stock in Havering. According to the Census 2011, only 9.9% of the households in Havering rent from a private landlord, against the Outer London average of 19.9% and the London-wide average of 23.7. This is the lowest percentage in London, (excluding the City of London). This translates into the lowest actual number of private rented properties in London, at just 9,601.
- Despite the historically low level of private renting, lower rents as compared with other parts of London mean the sector in Havering is coming under increasing pressure from those reliant on housing benefit. Of note, housing benefit claims rates have increased by 20% since 2008.
- Each London Borough collects and London Councils tracks the number of homeless households placed in the private rented sector out-of-borough by each borough, and the number of such households received from other boroughs. This information shows that Havering is increasingly being seen as a destination borough for homeless households in the private rented sector:

¹ These figures are based on trend-based projections, which mean assumptions for future levels of births, deaths and migration these were published by the ONS in September 2012

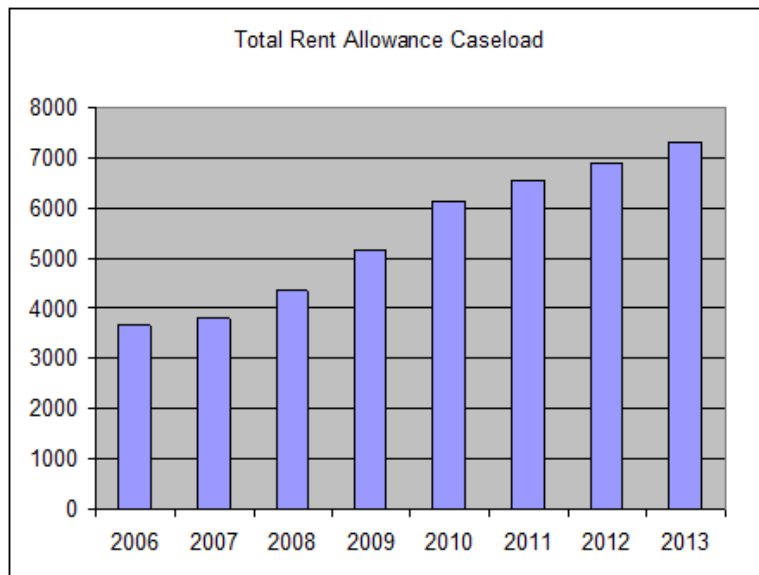
- in the 12 months to September 2012, Havering was one of the fourteen boroughs experiencing net inward migration of homeless households into private rented properties
- over this period, Havering received 111 homeless households
- Havering does not make out-of-borough placements but the rate of inward migration of homeless households is increasing; in July – September 2011 other boroughs placed 13 homeless families in the Havering, for the same quarter in 2012 this figure had increased markedly to 34
- On average the ‘importing’ boroughs have private rented sectors in excess of 22,000 properties. Havering’s private rented stock of under 10,000 properties means such migration places disproportion pressures on the borough and its existing residents.

Welfare Reform

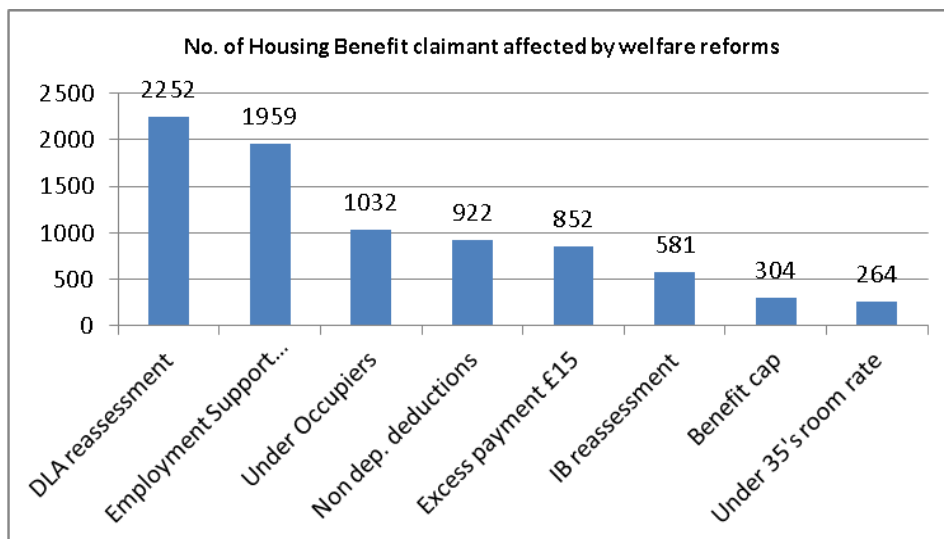
- Since 2008, the total benefit caseload that the Council has had to deal with has been increasing year on year as a result of the changing financial climate. The graph below shows a significant increase of more than 3,200 claims since 2008.



- The Local Housing Allowance reforms are also impacting claimants across London and reducing benefits thereby forcing families to move to cheaper alternative accommodation. The increase in Havering’s private tenant or rent allowance claims clearly shows the migration of claimants into Havering, demonstrating the increased pressure on Havering than other London boroughs.



- Local data provides a profile of those who are affected by type of reform based on the eight reform changes previously outlined. Disability Living Allowance (DLA) re-assessments and Employment Support Allowance (ESA) one year limits are more than double all other data sets.



- The chart above relates to individuals claiming Housing Benefit only. If we were to include residents not in receipt of housing benefits but in receipt of Disability Living Allowance, Employment Support and Incapacity Benefit. there would be an even greater number of people affected in the borough – all requiring additional support from the local authority.
- Approximately 737 individuals will be affected by two or more benefit changes, and an additional 312 individuals will be affected by three or more benefit changes.

London Borough of Havering 2011/12 Provisional Settlement – The Funding Floor

Subjective and inappropriate groupings

The proposed new 'floor' mechanism creates significant cliff edges within the local government funding system and groups together local authorities with significantly different income generating abilities.

For example, Havering's formula grant, as a percentage of its budget requirement in 2010/11, is calculated as 34.2% and it has been placed in the same 'floor banding' as Surrey (18.7%) and Buckinghamshire (20.1%); whereas authorities such as Barnet (37.9%) and Stockport (38.0%), which are far similar to LB Havering in terms of their reliance on formula grant, are placed in a more financially beneficial band.

The fact that these outcomes occur indicates that the proposed methodology is far from fair and progressive.

Further, in recent years it has been recognised, through changes to the Area Cost Adjustment, that "cliff edges" do not have a place in the local government funding system. Therefore, it seems perverse to now introduce cliff edges in a fundamental component of the local government funding methodology.

Possible solutions

Data is currently available to design a floor mechanism that treats all local authorities individually based on their own reliance on formula grant, rather than merely grouping them arbitrarily. It would be possible to assign individual floor levels based on a local authorities actual ranking or, for greater accuracy, determine such a ranking using a formulaic approach which considers an individual authority's relative position compared to those authorities with the greatest and least reliance on formula grant.

Based on work undertaken by officers, the table below highlights different funding scenarios for LB Havering at the 2011/12 provisional settlement arising from different floor methodologies. These methodologies use, where possible, the same difference in floor levels and/or the same scaling factor as those proposed in the 2011/12 provisional settlement.

Scenario	Number of bands	Highest Floor Level (%)	Lowest Floor Level	Floor Range %	Scaling %	Funding of Havering £m	Change on prov. settlement £m
1 floor	n/a	-12.57%	-12.57%	n/a	-71.4%	57.319	+0.799
Current	4	-11.30%	-14.30%	3%	-71.4%	56.520	0.000
151 bands, same initial floor and floor width	151	-11.30%	-14.30%	-3%	-70.8%	56.812	+0.292
Based on proportion of FG / budget requirement	n/a	-11.30%	-14.30%	-3%	-65.7%	57.035	+0.515

1. Our requests

We genuinely believe that the local government funding system is neither objective nor equitable in its allocation of resources amongst individual local authorities; and, as a direct result, Havering's council tax payers are being effectively penalised. We would therefore ask the Minister to consider the following proposals:

- The floor methodology within the local government finance settlement should remain unchanged from that used in 2010/11, with a single floor level applying to all authorities within each local authority tier; and
- Discussions concerning future changes to the floor methodology should be incorporated into the Settlement Working Group's work plan – with possible changes debated in time to inform the 2012/13 local government finance settlement; or
- If Ministers are committed to introducing a range of floor values, a formulaic approach should be implemented that determines an individual authority's floor level based on their own reliance on formula grant, rather than group them into subjective bands - officers from Havering would gladly work with CLG Officials to design an appropriate scheme.

- The Settlement Working Group's future work plan should revisit the London geographies currently used to determine the Area Cost Adjustment.

London Borough of Havering Background Information, Key Statistics and Data

Key Findings:

- Although overall Havering is not a highly deprived area, there are inequalities and pockets of deprivation, particularly within the Gooshays, Heaton and South Hornchurch Wards
- Unemployment levels in Havering estimated to be similar to national averages, but the borough has seen London's fastest increase in claimants of Job seeker's allowance
- The median annual salary for Havering residents is £26,025
- Pensioner households comprise the biggest proportion of households in Havering, making up nearly 30% of all households, 15.6% of which are lone pensioner households
- Lone pensioner households in Havering are most likely to belong to the social group manual workers and pensioners in rented accommodation, who often have low levels of income and are starting to express long term conditions

Population Statistics

The below information has been extracted from the JSNA published December 2010. This document is available on the Council's website at <http://www.hspnetwork.org.uk/links/>. A fuller extract from the document relating to the main population elements with the greatest bearing on Havering's funding position are attached to this document.

- Since 2007, the population of Havering has been growing at a faster rate than the England average, and this is expected to continue in the future, with the population rising by 8.3% by 2020
- Havering's retirement age population is expected to grow the fastest overall in the future, increasing by 19.2% by 2025. The fastest growth is in the 90+ age group, expected to increase by 125% by 2025
- The number of children and young people in Havering is also expected to show a large increase, growing by 14.5% by 2025. The fastest increase is expected to be in the 5-9 age group, growing by 22.7% by 2025
- Havering's population is becoming more ethnically diverse, and this is expected to continue in the future. The second largest ethnic group (after White) comprises those of Black ethnicity, particularly those of Black African descent.
- There is more ethnic diversity among children and young people in Havering than in the population overall, particularly among 4 – 11 year olds. 22.9% of school pupils are of non-white ethnicity, compared to an estimated 7.7% in Havering overall
- Although the numbers remain small, the quantity of overseas nationals registering to work who live in Havering has increased by 41.5% over the last five years. Nigerian, Polish and Indian nationals are the predominant groups

General Points

- Since 2007, the population of Havering has been growing at a faster rate than the England average, and this is expected to continue in the future, with the population rising by 8.3% by 2020. This is faster than the population rise across England (7.4% by 2020) and will mean that an extra 19,500 people will be living in Havering by 2020. The increase in population in Havering is due to a greater number of births than deaths and a greater level of migration into the area (both from within England and from other countries) than out of the area.
- Havering's retirement age population is expected to grow the fastest overall in the future, increasing by 19.2% by 2025. The fastest growth is in the 90+ age group, expected to increase by 125% by 2025
- The number of children and young people in Havering is also expected to show a large increase, growing by 14.5% by 2025. The fastest increase is expected to be in the 5-9 age group, growing by 22.7% by 2025
- Projections suggest that the population of Havering will increase by 3.9% in the next 5 years (2015), and by 8.3% in the next 10 years (2020).

Future resource pressures on services

Older People

- Havering has the highest proportion of pensioners in London, with round a fifth of the population in Havering being of retirement age, which is also above the England average

- The number of older people is expected to increase in the future in Havering, with the fastest increase being in the 90 and over age group, which is expected to increase by 125% by 2025.
- Havering has a larger proportion of older people living alone than is the average nationally. Older people living alone are much more likely to have contact with social services and use services such as home help and meals on wheels than elderly people living with others. Given that we have the highest proportion of older people in Havering, this therefore places more of a burden on our services than other Local Authorities.
- Around 46% of all Havering pensioners have a long term limiting illness
- Nearly 6% of pensioners in Havering are estimated to have dementia; dementia is predicted to be most common among those living in Heaton, Cranham and St Andrew's wards. The number of those with dementia is expected to rise by 8% over the next 5 years – placing a significant strain on mental health commissioning resources.
- People of pensionable age made up 71% of all adult social care users in 2008/09 receiving residential care, nursing care or care in the community. The projected growth in the numbers of elderly residents in Havering in the future suggests that the demand on social care services from the elderly population will continue to increase.
- Over 60% of pensioner households in Havering do not have access to transport, a higher proportion than the England average
- Around 11,190 pensioners in Havering are predicted to have a fall this year, with around 8% of these resulting in hospital admissions. The number of hospital admissions due to falls in older people is predicted to increase by 14% over the next 5 years
- Around a quarter of pensioners in Havering are estimated to be obese
- Around 12% of pensioners in Havering are estimated to have diabetes, with numbers expected to increase by 10% in the next 5 years

Adult Services - Disabilities, Learning Disabilities and Mental Health

Key Findings:

- It is estimated that more than 14,000 adults of working age in Havering have a disability and more than 6,000 are unable to work because of a disability
- Overall, adults in Havering are less likely to have a disability or a long term limiting illness than the national average and are likely to live for a greater number of years without a disability than is the case nationally
- It is less common for people in Havering to claim incapacity benefit (given to people who cannot work due to illness or disability) than is the average in England and London
- 43% of those claiming incapacity benefit in Havering have a mental health issue
- Over 20,000 people in Havering are estimated to have a common mental health problem, although overall, mental health issues are estimated to be less common among Havering residents than is the average in England and London
- It is less common for people in Havering receiving treatment for severe mental health problems to be in employment or in stable accommodation than the average in England and London (less than 4% are in employment and less than 50% are in stable accommodation)
- Adults with learning disabilities in contact with social care in Havering are less likely to be in employment or in stable accommodation than is the average in London and England (less than 5% are in employment and less than 40% are in stable accommodation)
- Findings from the pupil level annual school census suggest that moderate learning difficulties and behavioural, social and emotional difficulties are the most common type of learning difficulties among Havering school pupils
- It is estimated that the number of adults in Havering with moderate or severe disabilities will increase by 7% in the next 10 years, with the number of adults with learning disabilities increasing by the same amount
- A larger proportion of adults in Havering are carers than is the average in London however a smaller proportion of carers in Havering receive support than is the average in London and England

Children & Young People's Population Projections

As well as a rapid increase in the number of older people in Havering, we are also likely to see a large increase in children and young people, placing pressures on school places and children's services.

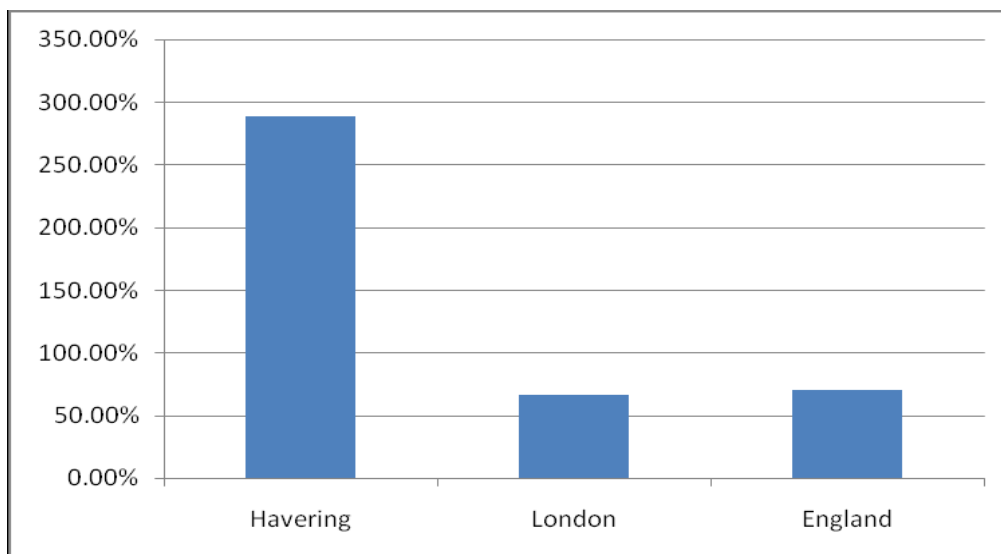
Future projections suggest that compared to 2010:

- The number of children aged 0-15 years old in Havering is expected to increase by 4.7% in the 5 years to 2015 and by 14.5% by 2025

- The number of 15-19 year olds in the borough will decline during the next 10 years but will then begin to rise again and will exceed current numbers by 2023
- Numbers of 0-4 and 5-9 year olds will continue to rise in the future, with the biggest increase being in the number of 5-9 year olds, which will have increased by 15% by 2015
- The number of 10-14 year olds is expected to decline in the short term (until around 2014), but will continue to increase to above current numbers following this

Housing Pressures

Havering is likely to see a strain on budgets in terms of demand for social housing. The increasing need to provide more homes for a growing population in London and the rest of the South-east makes Havering's current pattern of land use a key issue for the future. Evidence of the increasing demand and need for housing can be demonstrated by rising house prices. For instance, there was a 110% increase in house prices between 1999 and 2009 compared to 104% across London as a whole. Whilst Havering has only outstripped the London trend by a few percentage points Havering's Social Housing Waiting List shows a more marked difference:



The pressure from population growth means there will be pressure to release employment land for housing development, especially if demand for that employment land is low over the short term. According to the Draft Replacement London Plan, Havering will probably be required to deliver 12,350 new homes over the next ten years. However, the change of use of land from Havering's already small proportion of commercial land to residential land will reduce options for growing the local economy, and the borough's job density, over the medium to long term.

Benefits Uptake

Havering has experienced the fastest increase in claimants of Job Seekers Allowance across London, covering the period from May 2008 to May 2010, shown in the detailed table below:

Area	Overall Increase May 08 to May 10
Havering	108%
Hillingdon	105%
Bexley	94%
Sutton	93%
Hounslow	92%
Kingston upon Thames	88%
Harrow	88%
Croydon	79%
Richmond upon Thames	79%
Barnet	77%
Ealing	74%
Merton	72%
Redbridge	71%
Wandsworth	69%
Barking and Dagenham	69%
Bromley	69%
Enfield	68%
Greenwich	59%
Brent	58%
Lewisham	58%
Westminster	57%
Lambeth	56%
Kensington and Chelsea	55%
Southwark	54%
Waltham Forest	53%
Islington	52%
Haringey	52%
Hammersmith and Fulham	49%
Hackney	48%
Newham	47%
Camden	44%
City of London	40%
Tower Hamlets	35%

Local Authority	OLB R398 Newham	OLB R383 Barking & Dagenham	OLB R385 Bexley	OL R399 Redbridge	OLB R387 Bromley	OLB R393 Havering
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2010-11 Council Tax Requirement	£m	70.543	52.477	93.951	99.005	131.669	106.589
Formula Grant 2010-11 (adjusted)	£m	247.935	115.018	75.876	111.146	78.553	64.542
Learning disability 2010-11 adj	£m	6.431	4.043	4.894	3.122	8.408	7.287
Early Years Intervention Grant 2010-11 adj	£m	25.717	15.278	9.637	10.908	11.962	8.914
Migration Impact Fund 2010-11	£m	0.049	0.053	0.000	0.054	0.000	0.025
Cohesion 2010-11	£m	0.157	0.252	0.057	0.107	0.000	0.107
LEGI 2010-11	£m	0.000	1.734	0.000	0.000	0.000	0.000
WNF 2010-11	£m	11.945	1.501	0.000	0.000	0.000	0.000
Prevent 2010-11	£m	0.380	0.138	0.138	0.248	0.138	0.000
Housing and Council Tax Benefit Subsidy Admin Grant 2010-11	£m	4.252	2.167	1.723	2.055	2.188	1.702
Preventing Homelessness 2010-11 adj	£m	0.778	0.911	0.253	0.456	0.366	0.303
'Revenue Spending Power 2010-11'	£m	368.186	193.848	186.530	227.101	233.285	189.469
2010-11 Council Tax Requirement	£m	70.543	52.477	93.951	99.005	131.669	106.589
2011-12 Formula Grant	£m	219.919	106.026	66.628	101.060	67.320	56.520
Learning Disability 2011-12	£m	6.562	4.125	4.994	3.185	8.580	7.436
Early Years Intervention Grant 2011-12	£m	22.400	13.308	8.823	9.986	10.951	8.161
Housing and Council Tax Benefit Subsidy Admin Grant 2011-12	£m	4.059	2.034	1.666	1.975	2.060	1.669
Preventing Homelessness 2011-12	£m	0.875	0.600	0.500	0.530	0.500	0.500
Indicative Council Tax Freeze Grant 2011-12	£m	1.758	1.315	2.351	2.510	3.301	2.680
NHS funding to support social care and benefit health 2011-12	£m	3.572	2.432	2.411	2.930	3.176	2.667
Estimated 2011-12 Revenue Spending Power including NHS support for social care	£m	329.687	182.317	181.323	221.182	227.556	186.222
Change in estimated 'revenue spending power' 2011-12 £m	£m	-38.499	-11.531	-5.208	-5.919	-5.729	-3.247
Change in estimated 'revenue spending power' 2011-12 %	%	-10.46%	-5.95%	-2.79%	-2.61%	-2.46%	-1.71%
Change in formula grant	%	-11.3%	-7.8%	-12.2%	-9.1%	-14.3%	-12.4%

APPENDIX C

SPECIFIC GRANTS

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED GRANT 2012/13 £000's	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC UNRINGFENCED GRANT 2012/13 £000's	SPECIFIC UNRINGFENCED GRANT 2013/14 £000's	TOTAL ROLLED INTO RSG AND BUS RATES 2013/14 £000's
CULTURE AND COMMUNITY	CULTURE AND LEISURE	Sport England	Community Sport & Physical Activity Network	5.00	0.00	0.00	0.00	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES		Births Deaths and Marriages	7.07	0.00	0.00	0.00	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES		The Contact Centre	5.22	0.00	0.00	0.00	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES	DCLG	Localisation Support for CT. Transitional Grant Scheme	0.00	0.00	0.00	366.81	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES	DWP	Rent Allowances	44,444.54	0.00	0.00	0.00	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES	DWP	Disc Hsg Pay and App Imple	193.42	0.00	0.00	0.00	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES	DWP	Rent Rebates	31,192.95	0.00	0.00	0.00	0.00

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED GRANT 2012/13 £000's	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC UNRINGFENCED GRANT 2012/13 £000's	SPECIFIC UNRINGFENCED GRANT 2013/14 £000's	TOTAL ROLLED INTO RSG AND BUS RATES 2013/14 £000's
CULTURE AND COMMUNITY	CUSTOMER SERVICES	DWP	Benefits claims, overpayments and appeals	1,516.39	1,380.49	0.00	0.00	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES	DWP	Recession Funding	152.85	68.31	0.00	0.00	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES	DCLG	New Burdens Business rate relief	0.00	0.00	3.50	0.00	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES	MOPAC	Community Safety	0.00	0.00	110.41	0.00	0.00
CULTURE AND COMMUNITY	CUSTOMER SERVICES	DCLG	Implementation of new CT Scheme	0.00	0.00	84.00	123.06	0.00
CULTURE AND COMMUNITY	HOUSING AND PUBLIC PROTECTION	DOH	Supported Employment Grant	2.46	0.00	0.00	0.00	0.00
CULTURE AND COMMUNITY	HOUSING AND PUBLIC PROTECTION	DCLG	Homelessness Grant	0.00	0.00	400.00	0.00	400.00
CULTURE AND COMMUNITY	HOUSING AND PUBLIC PROTECTION	DCLG	Tenancy Fraud Funding	0.00	0.00	100.00	0.00	0.00
CULTURE AND COMMUNITY	REGENERATION POLICY AND PLANNING	DCLG	Community Rights to Bid	0.00	0.00	0.00	7.86	0.00
CULTURE AND COMMUNITY	REGENERATION POLICY AND PLANNING	DCLG	Community Rights to challenge new burdens - New	0.00	0.00	8.55	8.55	0.00
CULTURE AND COMMUNITY	REGENERATION POLICY AND PLANNING	DCLG	Flood Funding	0.00	0.00	209.50	77.53	132.00

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED GRANT 2012/13 £000's	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC UNRINGFENCED GRANT 2012/13 £000's	SPECIFIC UNRINGFENCED GRANT 2013/14 £000's	TOTAL ROLLED INTO RSG AND BUS RATES 2013/14 £000's
CULTURE AND COMMUNITY	REGENERATION POLICY AND PLANNING	DCLG	Assets of Community Value - New	0.00	0.00	4.87	0.00	0.00
CULTURE AND COMMUNITY	REGENERATION POLICY AND PLANNING	DCLG	Town Team Partners	0.00	0.00	30.00	0.00	0.00
CULTURE AND COMMUNITY	STREETCARE	DCLG	Waste Collection - Green Rewards	0.00	0.00	146.33	462.76	0.00
CULTURE AND COMMUNITY	STREETCARE	DCLG	Waste Collection Campaign	0.00	0.00	96.58	127.04	0.00
								0.00
				77,519.90	1,448.79	1,193.74	1,173.60	532.00
								0.00
ADULTS AND HEALTH SERVICES	ADULTS AND HEALTH SERVICES TRANSFORMATION	DOH	NHS Support for Social Care	15.00	0.00	0.00	0.00	0.00
ADULTS AND HEALTH SERVICES	COMMISSIONING	DOH	NHS Support for Social Care	0.00	0.00	2,553.10	3,599.51	0.00
ADULTS AND HEALTH SERVICES	COMMISSIONING	HO	DAAT Drug Interventions - DIP	56.19	0.00	0.00	0.00	0.00
ADULTS AND HEALTH SERVICES	COMMISSIONING	DOH	Localisation of Social Fund - Programme Funding	0.00	0.00	0.00	604.18	0.00
ADULTS AND HEALTH	COMMISSIONING	DOH	Localisation of Social Fund - Admin	0.00	0.00	0.00	127.67	0.00

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED GRANT 2012/13 £000's	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC UNRINGFENCED GRANT 2012/13 £000's	SPECIFIC UNRINGFENCED GRANT 2013/14 £000's	TOTAL ROLLED INTO RSG AND BUS RATES 2013/14 £000's
SERVICES								
ADULTS AND HEALTH SERVICES	COMMISSIONING	DOH	Localism of Social Fund Start Up Funding	0.00	0.00	6.04	0.00	0.00
ADULTS AND HEALTH SERVICES	COMMISSIONING	DCLG	Supporting People	0.00	0.00	0.00	0.00	0.00
ADULTS AND HEALTH SERVICES	COMMISSIONING	N/A	Homecare	0.00	0.00	0.00	0.00	0.00
ADULTS AND HEALTH SERVICES	COMMISSIONING	N/A	Direct Payments	0.00	0.00	0.00	0.00	0.00
ADULTS AND HEALTH SERVICES	ADULT SOCIAL CARE	DOH	Local Reform and Community Voices	0.00	0.00	0.00	176.14	0.00
ADULTS AND HEALTH SERVICES	ADULT SOCIAL CARE	DOH	DOLS additional Funding	0.00	0.00	0.00	22.16	0.00
ADULTS AND HEALTH SERVICES	ADULT SOCIAL CARE	DOH	Healthwatch Funding	0.00	0.00	0.00	46.98	0.00
ADULTS AND HEALTH SERVICES	ADULT SOCIAL CARE	DOH	Learning Disability and Health Reform Grant	0.00	0.00	7,630.65	0.00	7,821.66
				71.19	0.00	10,189.79	4,576.63	7,821.66
								0.00
CHILDRENS SERVICES	ISB	DFE	Dedicated Schools Grant	130,589.66	189.13	0.00	0.00	0.00

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED GRANT 2012/13 £000's	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC UNRINGFENCED GRANT 2012/13 £000's	SPECIFIC UNRINGFENCED GRANT 2013/14 £000's	TOTAL ROLLED INTO RSG AND BUS RATES 2013/14 £000's
CHILDRENS SERVICES	ISB	DFE	Dedicated Schools Grant -New alloc for 2 year olds from 13/14	0.00	0.00	0.00	2,119.82	0.00
CHILDRENS SERVICES	ISB	YPLA	YPLA Funding (Formerly LSC)	858.89	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	ISB	YPLA	YPLA Teachers Pay Grant	115.59	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	ISB	YPLA	YPLA Pupil Premium Grant	3,373.25	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	LEARNING AND ACHIEVEMENT	YPLA	LSC Havering College of Adult Education	181.77	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	LEARNING AND ACHIEVEMENT	YPLA	LSC Havering Adult Education Central Office(FLIF/TTG funding)	1,086.50	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	LEARNING AND ACHIEVEMENT	YPLA	YPLA 14-19 Apprentices	43.67	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	LEARNING AND ACHIEVEMENT	DCLG	Extended Rights to Free Travel	0.00	0.00	58.00	0.00	0.00
CHILDRENS SERVICES	LEARNING AND ACHIEVEMENT	ARTS COUNCIL	Havering Music School	319.96	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	LEARNING AND ACHIEVEMENT	DFE	HIAS Development Projects	53.31	0.00	0.00	0.00	0.00

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED GRANT 2012/13 £000's	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC UNRINGFENCED GRANT 2012/13 £000's	SPECIFIC UNRINGFENCED GRANT 2013/14 £000's	TOTAL ROLLED INTO RSG AND BUS RATES 2013/14 £000's
	T							
CHILDRENS SERVICES	LEARNING AND ACHIEVEMENT	DFE	Creation of Childcare Places	111.30	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	LEARNING AND ACHIEVEMENT	DFE	Education Services Grant	0.00	0.00	0.00	3,396.05	0.00
CHILDRENS SERVICES	CHILDREN AND YOUNG PEOPLE	DFE	Social Work Improvement Team	316.01	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	CHILDREN AND YOUNG PEOPLE	DCLG	Troubled Families	0.00	0.00	541.60	0.00	0.00
CHILDRENS SERVICES	CHILDREN AND YOUNG PEOPLE	DOH	Supported Employment	5.45	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	CHILDREN AND YOUNG PEOPLE	DFE	Early Intervention Grant	0.00	0.00	8,944.59	0.00	6,646.10
CHILDRENS SERVICES	CHILDREN AND YOUNG PEOPLE	YJB	YOT Prevention	33.20	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	CHILDREN AND YOUNG PEOPLE	YJB	Youth Offending Team	336.41	0.00	0.00	0.00	0.00
CHILDRENS SERVICES	CHILDREN AND YOUNG PEOPLE	DFE	Adoption Improvement Grant	40.80	0.00	0.00	0.00	0.00
CHILDRENS	CHILDREN	YJB	Children on Remand - New	0.00	0.00	0.00	91.63	0.00

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED GRANT 2012/13 £000's	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC UNRINGFENCED GRANT 2012/13 £000's	SPECIFIC UNRINGFENCED GRANT 2013/14 £000's	TOTAL ROLLED INTO RSG AND BUS RATES 2013/14 £000's
SERVICES	AND YOUNG PEOPLE							
CHILDRENS SERVICES	CHILDREN AND YOUNG PEOPLE	DFE	Local Safeguarding Board	17.50	0.00	0.00	0.00	0.00
				137,483.27	189.13	9,544.19	2,211.45	6,646.10
								0.00
FINANCE AND COMMERCE	FINANCE AND PROCUREMENT	DCLG	Social Housing Fraud	19.68	0.00	0.00	0.00	0.00
FINANCE AND COMMERCE	BUSINESS SYSTEMS	DOH	Supported Employment	0.00	0.00	0.00	0.00	0.00
FINANCE AND COMMERCE	HUMAN RESOURCES	DOH	Supported Employment	47.20	0.00	0.00	0.00	0.00
FINANCE AND COMMERCE	DEVELOPMENT AND BUILDING CONTROL		Planning Control	135.00	0.00	0.00	0.00	0.00
FINANCE AND COMMERCE	EXTERNAL FINANCE	DCLG	Council Tax Freeze Grant Year 1	0.00	0.00	2,680.19	0.00	2,680.19
FINANCE AND COMMERCE	EXTERNAL FINANCE	DCLG	Council Tax Freeze Grant Year 2	0.00	0.00	2,693.30	0.00	0.00
FINANCE AND COMMERCE	EXTERNAL FINANCE	DCLG	Council Tax Freeze Grant	0.00	0.00	0.00	1,083.19	0.00
FINANCE AND COMMERCE	EXTERNAL FINANCE	DCLG	Unallocated Grant: New Homes Bonus	0.00	0.00	836.70	1,797.35	0.00
				201.88	0.00	6,210.19	2,880.54	2,680.19

Directorate	Service	Funding Body	Grant name	SPECIFIC RINGFENCED GRANT 2012/13 £000's	SPECIFIC RINGFENCED 2013/14 £000's	SPECIFIC UNRINGFENCED GRANT 2012/13 £000's	SPECIFIC UNRINGFENCED GRANT 2013/14 £000's	TOTAL ROLLED INTO RSG AND BUS RATES 2013/14 £000's
PUBLIC HEALTH	PUBLIC HEALTH	DOH	Healthy Lives for Healthy People - Public Health Funding	0.00	8,833	84.00	0.00	0.00
				0.00	8,833.40	84.00	0.00	0.00
			TOTAL EXCLUDING NHB AND RSG	215,276.24	10,471.32	27,221.91	10,842.21	17,679.95
CULTURE AND COMMUNITY	CUSTOMER SERVICES	DCLG	Council Tax Benefit	19,880.38	0.00	0.00	0.00	13,549.03
FINANCE AND COMMERCE		DCLG	Revenue Support Grant	0.00	0.00	51,362.91	0.00	26,626.43
CUSTOMER SERVICES	COLLECTION FUND	DCLG	Business Rates	0.00	0.00	0.00	0.00	17,713.84
			TOTAL INCLUDING NHB AND RSG	235,156.62	10,471.32	78,584.83	10,842.21	75,569.25

PUBLIC HEALTH GRANT

Public Health 2013/14 and 2014/15 Funding Announcement

The Department of Health announced local authority grant allocations on 10th January. Havering's allocation is £8,833,400 for 2013/14 and £9,716,700 for 2014/15. The 2014/15 figure has a higher opening baseline, based on the formula applied. The initial baseline estimate announced in Feb 2012 was £6.912m, revised to £8.241m in July.

The Advisory Committee on Resource Allocation's (ACRA's) letter to Secretary of State sets out their recommendations on the public health allocations formula. Weighted populations have been taken as adjusted for relative need, market forces, age and gender.

The public health formula has three components: mandatory services, non-mandatory services (excluding drugs and alcohol services) and substance misuse services. Substance misuse includes drugs services which were previously commissioned by drug action team partnerships (DATs) funded through the pooled treatment budget (PTB), all other drugs services, and alcohol services. These services are all non-mandated.

Standardised mortality ratio (SMR) < 75 population is calculated for each of these three components. The SMR<75 is an indicator of the health of the whole population, and measures how many more or fewer deaths there are in an area compared with an adjusted national average.

The grant is ring fenced and the Department of Health circular LAC(DH)(2013)1 details the specific grant conditions that apply. The grant has been made under Section 31 of the Local Government Act 2003. The primary purpose of the conditions is to ensure that it is spent on the new public health responsibilities being transferred from the NHS to local authorities, and that it is spent appropriately and accounted for properly.

Joint Strategic Needs Assessments (JSNAs) and Joint Health and Wellbeing Strategies (JHWSs) are likely to have an impact on how the grant is spent. DH have put in place a new strategic outcomes framework for public health at national and local levels. The outcomes framework sets out a high-level vision for public health outcomes, focused on increasing healthy life expectancy and reducing inequalities in health.

Financial implications

- Spend on Public health must be reported on Quarterly Revenue Outturn reports.
- This grant will be added to the RA and RO reporting forms and to add to this the Chief Executive must give assurance that the RA and RO forms have been reviewed and confirm that the amounts stated are a true reflection of spend.
- Reporting will be against 18 categories of spend

- Underspends may be carried forward: however where there are repeatedly large underspends the allocation may be reduced in future years.
- Failure to comply with the conditions could result in reduction or loss of the grant.
- Each authority must maintain a robust system of internal financial controls in relation to the use of the public health grant.

It is indicated that external audit review will fall within the remit as part of the overall annual audit of the Councils' accounts; finance have asked for DH for clarification. An internal audit review may be required prior to Chief Executive certification.

The new health premium will be designed to reward communities for improving or reducing inequalities in selected health outcomes. Further details on this will follow.

LEVIES

The levies are as follows:

	2012/13 £000	2013/14 £000	% Increase (Decrease)	Estimated/ Provisional/ Final
East London Waste Authority	10,956	11,653	6.4%	Provisional
Environmental Agency (Thames)	164	172	5.0%	Estimated
Environment Agency (Anglian)	16	17	5.0%	Estimated
Lee Valley Regional Park	260	273	5.0%	Estimated
London Pension Fund Authority	304	319	5.0%	Estimated
	11,700	12,434	6.3%	
<p>Note 1 : the ELWA levy is subject to approval by board at its meeting on 4th February 2013. Any amendment to the levy will be advised to Cabinet and reflected in the subsequent report to Council</p> <p>Note 2 : all other levy figures are estimates calculated using the same percentage figure pending confirmation from the levying body. A figure of 5% has been used for planning purposes</p> <p>Note 3 : all levies will be affected by the change in calculation of the Council Tax base</p>				

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

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

The balance on the fund estimated at 31st March 2014 has to be distributed to the GLA and Havering to reduce their individual elements of the Tax.

2. Band D equivalent and the Council Tax Base

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

The Council Tax base is this figure, after allowing for likely variations during the year in the number of properties on the register and likely losses on collection. The Council Tax base has been approved by the Group Director Finance and Commerce under delegated powers and is 79,401 and it is this figure that is used to calculate the Council Tax.

**LONDON BOROUGH OF HAVERING
PROVISIONAL COUNCIL TAX STATEMENT – 2013/14 BUDGET**

Estimate 2012/13 £	Havering's Expenditure	Estimate 2013/14 £	
171,782,580	Service Expenditure	167,675,971	
2,000,000	General Contingency	2,000,000	
173,782,580	Havering's Own Expenditure	169,675,971	
	Levies		
10,956,000	East London Waste Authority	11,653,000	Provisional
163,574	Environment Agency (Thames)	171,753	Estimated
16,091	Environment Agency (Anglia)	16,896	Estimated
258,783	Lee Valley Regional Park Authority	271,722	Estimated
304,600	London Pensions Fund Authority (LPFA)	319,830	Estimated
11,699,048	Sub Total – Levies	12,433,200	
-22,698,196	Unringfenced Grant	-12,118,439	
162,783,432	Sub Total – Total Expenditure	169,990,732	
	External Finance		
-1,027,691	Revenue Support Grant	-45,379,497	
N/A	Business Rates Top-up	-9,032,772	
-53,015,411	National Non Domestic Rate	-21,156,976	
-54,043,102	Sub Total – External Finance	-75,569,245	
-1,008,000	Collection Fund Deficit/(Surplus)	477,000	
107,732,330	Havering's Precept on the Collection Fund	94,898,487	

<u>The Collection Fund</u>					
Estimate 2012/13 £	£ p	Expenditure	Estimate 2013/14 £	£ p	
107,732,330	1,195.18	Precepts	94,898,487	1,195.18	
27,647,434	306.72	London Borough of Havering	24,058,503	303.00	
		Greater London Authority (provisional 2013/14)			
		London Borough of Havering Retained Business Rates (Final)	21,156,976	266.46	
		Greater London Authority - Retained Business Rates (Final)	13,827,671	174.15	
		Central Government - Retained Business Rates (Final)	34,569,179	435.37	
67,589,650	749.84	Contribution to NNDR pool	0	0.00	
272,933	3.03	Cost of NNDR collection	274,180	3.45	
203,242,347	2,254.77	Total Expenditure	188,784,997	2,377.61	
		Total Income			
-67,862,583	-752.87	National Non-Domestic Rate	(69,828,006)	(879.43)	
135,379,764	1,501.90	COUNCIL TAX per Band D property	118,956,990	1,498.18	
90,139		Council Tax Base	79,401		
					Council Tax percentage change (0.2)%
		Council Taxes Per Property Band			
Valuation as at 1/4/91	£ p		£ p	£ p	
Under £40,000	1,001.26	Band A	998.78	(2.48)	
£40,000 - £52,000	1,168.15	Band B	1,165.26	(2.89)	
£52,001 - £68,000	1,335.02	Band C	1,331.72	(3.30)	
£68,001 - £88,000	1,501.90	Band D	1,498.18	(3.72)	
£88,001 - £120,000	1,835.65	Band E	1,831.11	(4.54)	

£120,001 - £160,000	2,169.41	Band F	2,164.04	(5.37)
£160,001 - £320,000	2,503.17	Band G	2,496.97	(6.20)
Over £320,000	3,003.80	Band H	2,996.36	(7.44)

APPENDIX E

PROVISIONAL SCHOOLS BUDGETS 2013/14

(Net of estimated academy recoupment)

2012/13 £		2013/14				Total £
		Early Years Block £	Schools Block £	High Needs Block £	Additions & Adjustment s £	
8,239,489	Early Years	7,927,149	0	0	1,522,235	9,449,384
73,196,535	Primary Schools	0	72,316,401	1,911,698	0	74,228,099
28,661,696	Secondary Schools	0	21,676,025	443,558	0	22,119,583
4,968,637	Special Schools	0	0	5,428,474	0	5,428,474
n/a	Pupil Referral Units	0	0	2,560,142	0	2,560,142
n/a	Academy SEN funded by LA	0	0	1,059,709	0	1,059,709
115,066,357	Estimated Total DSG to Education Providers	7,927,149	93,992,426	11,403,581	1,522,235	114,845,391
13,688,773	Centrally Retained	347,148	3,809,768	6,444,486	841,151	11,442,553
13,688,773	Estimated Total DSG to be Retained Centrally	347,148	3,809,768	6,444,486	841,151	11,442,553
128,755,131	Total DSG Allocation	8,274,297	97,802,194	17,848,067	2,363,386	126,287,944

Note 1: From 2013/14 the DSG is allocated in sub blocks. The figures above are estimates of the allocations to education providers and sums that are centrally retained. Actual allocations will be entered on the section 251 budget statement and published before 1st April 2013

Note 2: The above figures are net of £62,838,323 which is recouped by the DFE for academies. This is based on the academies as at 1st February 2013

Note 3: The LA allocates additional funds to academies for high needs pupils

Note 4: Pupil Referral Units have delegated budgets from 2013/14

APPENDIX F

SCHEDULE OF REVENUE BUDGET ITEMS

Service Area	Description	2013/14 £000	2014/15 £000
Savings not being delivered and Substitutes			
Culture & Leisure	Westland temporary camping site Focus our efforts to encourage more people to visit Havering. Derive income from a temporary camping site to cater for visitors during the Olympic Games and consider the longer term use of such a site.	50	50
Culture & Leisure	Culture & Leisure Initiatives <i>(Alternative to Westland temporary camping site)</i> Reduction in Parks & Open spaces cleaning costs - £5K Increased income from Football pitch lettings - £16k Reduction in Grounds maintenance overtime costs - £10k Removal of Parks Protection officers' car allowance budget - £5k Income from a Higher Level Stewardship scheme at Hornchurch County Park - £14k	(50)	(50)
Internal Services	Corporate Services Review Review corporate services areas following enterprise resource planning areas and customer services to identify further savings. It was hoped through the joint work on both internal shared services and customer services with partners that additional saving and benefits would be able to be delivered above what was in the original business cases, either through further synergies across the programmes, or with others. It may still be able to be achieved, but working in partnership is never easy, and these savings cannot yet be realised.	250	250
Internal Services	ISS future phases (subject to shared services) Work is under through Project Athena, and the One Oracle work to try and deliver a single Oracle solution for the London boroughs. This is	150	150

Service Area	Description	2013/14 £000	2014/15 £000
	progressing, but has not moved as fast as originally anticipated and these savings cannot be realised at this stage in time.		
Shared Services/Collaboration with other LAs	Havering has already been successfully working with Newham for the last two years on a single IT service, which has saved money, and enabled us to help modernise out IT infrastructure, faster and cheaper than if we had done it on our own. Discussions are now going further about creating a single IT team and convergence of all IT systems. Based on the success of IT we are also currently exploring wider back office shared services, and a business case will be produced if we feel this is achievable.	0	(500)
Children's Services	Adoption A successful consortia arrangement has been in operation between Havering, Thurrock and Southend Councils for some time. This increases the chances of a successful match between children suitable for adoption and prospective parents. Efficiency savings would be achieved by having 1 manager, fewer panels, shared administration and shared systems and marketing.	250	250
Children's Services	Implementations of SEN Green Paper Refresh the way the Council delivers SEN services in line with the SEN Green paper launched in March 2011. Measures will include more partnership working with other agencies and the voluntary sector.	100	100
Children's Services	Looked After Children This saving can no longer be delivered owing to various pressures within children's services, including directly in the area of spend on placements, but also around children's services generally	300	300
Children's Services	Management and Administration (<i>Alternative to Adoption</i>) CYPS Management and Administration Review. Net savings arising from a management and administration restructure. This follows both internal and external reviews aimed at improving both the quality and efficiency of service delivery in line with the requirements	(110)	(110)

Service Area	Description	2013/14 £000	2014/15 £000
	of Munroe and changing inspection legislation.		
Children's Services	<p>Review and Progress changes to SEN Services (<i>Alternative to Implementations of SEN Green Paper</i>)</p> <p>Reduced staffing, income generation from charging for training and non-core services, provision of accreditation training for SENCO's and providing guidance and support to schools to reduce the numbers identified as SEN.</p>	(100)	(100)

Service Area	Description	2013/14 £000	2014/15 £000
Corporate Savings/Reductions			
Taxicard	London Councils will be writing to the boroughs to confirm LBH contribution (likely to be circa £130-140k but recently confirmed as £150k). 12/13 Budget £306k. The reduction is due to successful lobbying on Havering's contribution to the scheme and has no impact on the scheme itself JANUARY MAIN REPORT PARAS 6.7 TO 6.9/FEBRUARY MAIN REPORT PARA 3.10	(156)	(156)
London Councils Subscription and London Borough Grants Scheme	Reduction in contribution required from Council. Part of a broader overall reduction in operational costs and a continuing review of grant funding JANUARY MAIN REPORT PARA 6.19/FEBRUARY MAIN REPORT PARA 3.10	(173)	(173)
Freedom Pass	Reduction in Havering contribution to scheme reflecting changes to distribution formula - £57k on the actual contribution plus £400k allowed for as growth. Also a result of successful lobbying by the Council and has no impact on the scheme itself JANUARY MAIN REPORT PARAS 6.7 TO 6.9/FEBRUARY MAIN REPORT PARA 3.10	(457)	(457)
Review of organisation structure looking at management tiers and approach to commissioning functions	As part of the ongoing management restructurings and delayering, it is anticipated that these savings will be achieved through the series of restructurings across directorates that are on hand to deliver the £500k management savings already being delivered as part of the approved list of savings	(130)	(200)
Members Allowances	Review of allowances scheme to reduce the overall cost of payments through a reconfiguration of the Special Responsibility Allowances JANUARY MAIN REPORT PARA 6.39/FEBRUARY MAIN REPORT PARA 3.12		(100)
Insurance Provision	Removal of existing provision created when the insurance contracts were	(500)	(500)

Service Area	Description	2013/14 £000	2014/15 £000
	last tendered JANUARY MAIN REPORT PARAS 5.2 AND 5.5		
New Homes Bonus	Estimated increase over next 2 years, not currently reflected in base budget JANUARY MAIN REPORT PARAS 6.26 TO 6.30/FEBRUARY MAIN REPORT PARA 3.8	(1,797)	(2,397)
New Pressures/Growth Items			
Efficiency Fund	This budget was due to be removed in 13/14 but the need for a sustained transformation programme to deliver further savings requires the availability of a base budget JANUARY MAIN REPORT PARAS 6.20 TO 6.25/FEBRUARY MAIN REPORT PARA 3.11	1,000	1,000
Housing Benefit Admin Grant	Reduction in allocation 13/14 as the level of grant is being reduced by Government, although there is no similar reduction in work volumes for the foreseeable future DECEMBER MAIN REPORT PARAS 2.11 TO 2.15	110	110
LACSEG	Corporate recharges currently allocated into schools' support services which will no longer be possible owing to changes to LACSEG funding JANUARY MAIN REPORT PARAS 2.33 TO 2.37/FEBRUARY MAIN REPORT PARA 3.4	300	300
PRU	Corporate recharges currently allocated to Pupil Referral Units which are expected to be no longer be possible owing to changes to funding arrangements	87	87
Advertising Hoardings	Removal of the remaining income budget as there is no likelihood this will be capable of being delivered in the current climate JANUARY MAIN REPORT PARAS 5.2 AND 5.5	236	236
Savings arising from Grant Reductions			
LACSEG	Net savings arising from restructure of services within Learning & Achievement to offset the reduction in grant funding	(1,000)	(1,000)

Service Area	Description	2013/14 £000	2014/15 £000
	Early Years restructure Efficiency housekeepings Review of Asset Management organisation structure and working arrangements with academies JANUARY MAIN REPORT PARAS 2.33 TO 2.37/FEBRUARY MAIN REPORT PARA 3.4	(332) (72) (150)	(332) (72) (150)

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

Virements

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

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

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

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

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

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

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

Use of Contingency Funds

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

The Group Director Finance & Commerce is authorised to release sums from the contingency if:

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

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

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

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

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

LOCAL GOVERNMENT ACT 2003
BUDGET ROBUSTNESS & OPPORTUNITY COST OF RESERVES

1. BACKGROUND

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

2. REPORT OF CFO ON ROBUSTNESS OF THE ESTIMATES

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

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

2.2 As the development of the budget for 2013/14 has progressed, the position has been the subject to reviews with Heads of Service, Group Directors, Cabinet Members and the Cabinet Member for Finance & Commerce.

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

All the proposals have been developed alongside service planning.

Furthermore:

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

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

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

- 2.4 The budget includes a contingency that will provide a reasonable level for unforeseen issues that could arise during the year. This has had due regard to a risk assessment. Further information on the basis of this is set out later in this statement.
- 2.5 A review of all 2012/13 significant budget variances has taken place to assess any impact on the 2013/14 budget outside of the proposals in order to:
- (a) Ensure action plans are in place where a possible adverse variance could occur
 - (b) Ensure use of any possible additional favourable variance is considered in the context of the overall strategy
 - (c) Inform the risk assessment of contingency and reserves.
- 2.6 It is however also evident that the robust approach taken in previous years, in maintaining the contingency sum, and in holding reserves at the minimum level recommended, has enabled the Council to successfully manage in the past a major call on financial resources from one of our key services. This has been achieved without any noticeable impact on front-line services during the year. Whilst this is not a tenable long-term approach, the approach to resolving this problem in-year strengthens the argument to sustain appropriate levels of reserve funds as part of the Council's financial strategy.
- 2.7 The budget has been drawn up to provide financial stability and a platform for 2013/14 and future years. The proposals include a number of specific efficiency savings for which plans have been prepared and are in the process of being implemented over time. The Council's financial strategy will continue to roll forward having regard to the pressures, issues and priorities of Havering.

3. THE ADEQUACY OF RESERVES

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

- 3.4 The working balances as at 31 March 2012 amounted to £12m; above the minimum amount recommended by the MTFS and the revenue budget strategy, but set at a level to ensure greater financial robustness given the uncertain financial climate that has existed for some time and remains the prospect for the foreseeable future. Whilst Members may regard this as a considerable level of reserves, these reserves support any issues on both revenue and capital and the Capital Programme's reliance on the delivery of capital receipts has remained.
- 3.5 After taking account of the most recent projection in the current year, it is anticipated that the Council's general reserves will continue to be at the current level of £12m at 31 March 2013.
- 3.6 Members will be aware that the working balances provide protection against unforeseen events that could impact on the authority. Reserves have to be used carefully. They can be used only once. Decisions to use reserves to fund on-going spending or hold down Council Tax increases can only apply for one year. In the following year, either additional budget reductions have to be made or additional Council Tax increases are required. There is a significant risk of future financial instability if significant levels of balances are used to fund on-going spending or reductions in Council Tax. This is particularly the case when the Government has made it clear that they intend to retain a tough Council Tax capping regime, which will limit Council Tax rises in future years to pay for one-off use of balances.
- 3.7 As a general rule, the Council should only plan to use reserves to fund one-off spending where the reserves exceed the recommended level. Where the Council decides to use balances to fund on-going spending or reductions in Council Tax, they should indicate how they plan to make up the budget shortfall in future years. All Members must be mindful of their stewardship responsibility to the Council.
- 3.8 Having regard to the above and the current year's projected outturn, no use of general reserves/working balances or change to the existing financial provision within the contingency or special reserve is therefore recommended. This is consistent with the revenue budget strategy statement recommended for approval by Council as part of this report.
- 3.9 The Council maintains earmarked funds for specific purposes and their use is planned and approved for specific purposes, often to confirm with accounting policies, manage arrangements across financial years, or to fund known future commitments. The most significant are for the following:
- (a) Corporate Transformation Reserve, which was created as part of last year's budget and the closedown of accounts process. The Reserve is being used to fund the various transformation programmes across the Council
 - (b) Insurance Reserve, which is part of the Insurance Self Funding Arrangement to meet future liabilities incurred but not yet claimed

- (c) Strategic Reserves for corporate priority projects and bridge funding for schemes such as the Property Strategy and the Leisure contract cash flow.

3.10 Other reserves continue to be expended/planned in accordance with the approvals/purpose. A review has taken place of these as part of the budget finalisation.

3.11 The working balances of the HRA are also subject to a risk assessment; this will be included in the report to Cabinet on the HRA budget for 2013/14.

4. OPPORTUNITY COST OF RESERVES

4.1 Holding general reserves to meet unexpected events or emergencies is a necessary requirement. However, there are opportunity costs and benefits of holding cash balances, which can be measured in different ways, depending on what these resources were alternatively to be used for. For example, holding cash gives a financial benefit in contrast to using the cash to fund capital expenditure. The financial benefit would be the difference between the investment return and the total borrowing cost. At the current time, these are in fact broadly neutral, but a cost of around 4% will be incurred in respect of a provision to repay debt.

4.2 On this basis, for every £1 million of cash held, the purely financial benefit could be deemed to be £30k per annum or approximately £300k per year for balances of £10 million. This is dependent on prevailing money market conditions, which in the current economic climate can fluctuate significantly. Using the balances to repay debt earlier would not achieve a matching saving given the costs around early redemption and the similarity in short-term lending rates and long-term borrowing rates. For information, £1m equates very approximately to 1% on the Council Tax.

4.3 If, however, this is considered in the context of using these balances to fund one off expenditure, then the opportunity cost is the improvements that would accrue from that expenditure. This might for example be improvements in services, increased performance or some other measure. Such items have been considered by officers during the course of developing the MTFs, but these have not generally been included within the final proposals or the detailed budget given the broad financial constraints within which Havering is operating.

4.4 Should these items be included within the budget, they would obviously provide a basis for additional and/or improve services; with the need to appreciate that reserves exist for various reasons, and once expended, either have to be replenished, or the funding terminated. This is the opportunity that is being missed by holding general reserves. However this is only relevant if those items match the Council's priorities and Medium Term Financial Strategy.

4.5 It is important that in considering the level of working balances that the issue of the opportunity costs and benefits of such an approach is also considered and that Members weigh up the potential benefits against the risks. The other important factor in making this judgement is to consider is that balances can as

indicated only be spent once, and can realistically only be used to support one off expenditure, or to allow time for management action to be implemented.

- 4.6 As stated above, the use of significant levels of balances to fund ongoing spending or reductions in Council Tax can pose material financial risks, especially the Council's ability to generate funds through Council Tax is limited by the capping regime. This could mean that any need to replenish balances could impact on front line services. Hence the level of reserves held overall is a balance between the risks facing the Council and the need to protect the Council and Council Tax payers from the short and longer term potential impact of these risks and the opportunity costs of holding those balances. The previous advice that the £10 million minimum level of balances is a prudent and appropriate level at this time given the risks being faced by the Council must be stressed.

5. REVIEW OF RESERVES AND CONTINGENCY

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

6. SPECIAL CORPORATE BUDGET PROVISION

- 6.1 As set out in section 3.15 of the report to Cabinet in February 2012, it was recommended that a Special Corporate Budget Provision of £2.5m was created. The reasons for this were detailed in the report. Attached at Annex 2 is a risk-based assessment of the issues for which the provision was created. This identifies an overall potential risk of £13.5m, and based on the risk likelihood, the need for an increased budget provision of £3m. This takes into account the likelihood of both each item in isolation and the degree of risk of them arising concurrently.
- 6.2 The overall financial position has been kept under review and the need to draw on the Fund has been reported to Cabinet through the revenue monitoring reports.

- 6.3 The report also identifies the need to create an additional Provision to cover the potential impact of the localisation of business rates and Council Tax support. A risk-based assessment of this sum of £1.5m is also set out below.

**RISK ASSESSMENT FOR RESERVES / CONTINGENCY 2013/14
REVIEWED AT 21 JANUARY 2013**

Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assessment of Risk (counter measures in place)	Contingency		Reserves	
				Value of Assessment £000	Value Having Regard to Risk £000	Value of Assessment £000	Value Having Regard to Risk £000
1. Reduction in Grant Funding CR8 Financial Challenges CR4 Business Growth	GDF&C	Grant levels do not materialise and/or are reduced or cut, eg further withdrawal of Specific Grants, further reductions to Revenue Support Grant, reduced funding following changes to funding system, further reductions within CRS period, leading to need to scale down/cease services.	Medium to High	Covered by specific budget provision	Covered by specific budget provision	3,500	1,750
2. Reduction in Income Levels CR4 Business Growth CR8 Financial Challenges	GDF&C/ GDC&C/GDSC&L	Income levels do not materialise and/or debts are not collected at forecast levels, e.g. (a) Increasing arrears (b) Falling income (c) Falling recovery rates.	Medium	500	250	1,000	250
3. Increased service demand CR5 Change Management CR10 Social Care and Public Health	CE/ GDSC&L/ GDF&C/ GDC&C	Demand led services increase over budget assumptions, e.g. Children's placements, Adult's social care, homelessness, benefits.	Medium	1,000	500	5,000	2,500
4. Savings Shortfall CR5 Change Management CR8 Financial Challenges	CE/ GDF&C	Major savings/efficiency programmes are not delivered in accordance with plans, e.g. efficiency programmes fail to achieve expected savings, unable to deliver full value of savings, within expected timescales	Medium	Covered by specific budget provision	Covered by specific budget provision	3,500	1,000
5. Workforce Issues CR1 Workforce Planning	CE/ GD F&C	Workforce issues, e.g. (a) Vacancies/cover needs resulting in higher cost (b) Support to statutory officers (c) Equal pay matters (d) Disputes (e) Recruitment/retention (f) Residual costs (g) Succession Planning	Low to Medium	1,000	250	2,500	1,250

Risk (incl Corporate Risk Register item)	Risk Owner	Risk Description	Assessment of Risk (counter measures in place)	Contingency		Reserves	
				Value of Assessment £000	Value Having Regard to Risk £000	Value of Assessment £000	Value Having Regard to Risk £000
		(h) Single Status					
6. Management of Capital Programme CR4 Business Growth & Investment CR5 Change Management	GDF&C	Changes in Capital Programme/cash flow assumptions, e.g. (a) Capital receipts are not forthcoming in time (b) Receipts do not materialise at all (c) Interest rate market works against Havering (d) Interests from Capital Programme slippage	Medium	1,000	500	2,500	1,250
7. Supply Chain Resilience CR7 Partnerships, Shared Services & Contractor Arrangements	GDC&C	Increase in costs or financial risks in partnership arrangements (including shared services/service collaboration). Failure in key supplier, eg financial failure, liquidation, failure in supply chain	Medium	500	250	2,500	1,250
8. Budget Management CR8 Financial Challenges CR10 Health and Social Care CR2 Community Engagement & Communications CR6 Business Continuity & Emergency Planning	GDF&C	Arrangements for budget and financial management, e.g. unexpected overspends, increase in costs above rate of inflation such as pay awards, contracts, utility bills, variances not identified by monitoring system. Business continuity, eg flu pandemic, terrorism, network virus, legionella outbreak, adverse weather	Medium	1,000	500	3,500	1,750
TOTAL POTENTIAL				5,000	2,250	24,200	11,000
ASSESSMENT HAVING REGARD TO RISK LIKELIHOOD – MINIMUM LEVEL REQUIRED			Overall Medium Risk		2,000		10,000

CE = Chief Executive
GDF&C = Group Director Finance & Commerce
GDC&C = Group Director Culture & Community

GDSC&L = Group Director Social Care & Learning
ACEL&DS = Assistant Chief Executive Legal & Democratic Services

**RISK ASSESSMENT FOR SPECIAL CORPORATE BUDGET PROVISION 2013/14
REVIEWED AT 21 JANUARY 2013**

Potential Factor	Factor Owner	Factor Description	Assessment of Risk (counter measures in place)	Provision	
				Value of Assessment £000	Minimum Value Having Regard to Risk £000
1. Revenue impact of pressures in Children's Placements if these cannot be contained within existing budgets	GDSC&L	Demand led services increase over budget assumptions, and this cannot be contained beyond the immediate financial period, ie there is a base, ongoing increase in costs that cannot be contained elsewhere	Medium to High	2,000	750
2. Unexpected consequences of any further adjustments to academies' funding	GDF&C/ GDSC&L	Funding has already been adjusted, but not directly related to the actual shift to academy status. A change in basis, coupled with a higher than average migration locally, could impact on funding levels Further corporate recharges may have to be absorbed centrally	Low to Medium	1,000	250
3. Possible shortfalls in achieving the full range of savings already approved by Cabinet	CE/ GDF&C	The full level of savings identified in Cabinet reports may not prove to be attainable and it may not be possible to compensate elsewhere owing to other pressures and/or demand for services, reflective of local needs. This may impact on the base budget position, especially given the scale of savings due in 2013/14	Low to Medium	2,500	1,000
4. The potential impact of the imminent transfer of Public Health functions to local authorities	CE/ GD F&C/ GDSC&L	Although the funding announcement has now been made, this is very recent and work is progressing to assess what level of services now need to be provided and what commitments the imminent transfer gives rise to. There may be additional cost consequences from the transfer	Low to Medium	1,000	250
5. Financial consequences arising from changes to the local government pensions scheme	GDF&C	Various discussions are underway concerning potential changes to the scheme. Whilst the objective is to reduce the cost to the public purse, this also depends on the level of returns pension funds achieve	Medium	1,000	250
6. Funding to bridge any shortfalls in capital receipts	GDF&C	The continued gloomy financial impact may affect both the timing and scale of capital receipts. Lack of investment	Low	1,000	125

Potential Factor	Factor Owner	Factor Description	Assessment of Risk (counter measures in place)	Provision	
				Value of Assessment £000	Minimum Value Having Regard to Risk £000
and/or additional spend required to maintain capital assets in line with any needs analysis		may lead to higher costs being incurred to maintain assets			
7. Reductions in Government funding that are unexpected and/or cannot be matched by equivalent savings	CE GDF&C	Although the funding reductions from the recent settlement announcement are now known, it has proved more difficult to understand them. Reductions in Council spend are very broadly in line with these reductions but an overall provision needs to be maintained and deployed in parallel with the funding changes on a year by year basis	Medium	1,000	250
8. New burdens falling on the Council not matched by funding allocated	CE GDF&C	With the changes in funding and a major shift of functions to local authorities under the localisation agenda, there are various new burdens falling on Councils. Although the funding allocated is clear, the cost that will need to be expended is less predictable. There is a risk that the cost will exceed the funding, creating a budget pressure	Low	500	100
9. Rises in utility bills that create a permanent, ongoing base budget effect	GDF&C	Utility bills have risen sharply for several years and there appears little prospect of this trend reversing, and any rises are generally permanent	Medium	500	125
TOTAL POTENTIAL				10,500	3,100
ASSESSMENT HAVING REGARD TO RISK LIKELIHOOD – MINIMUM LEVEL REQUIRED			Overall Medium Risk		3,000
CE = Chief Executive GDF&C = Group Director Finance & Commerce GDC&C = Group Director Culture & Community			GDSC&L = Group Director Social Care & Learning ACEL&DS = Assistant Chief Executive Legal & Democratic Services		
Note : the assessment of value having regard to risk takes into account the availability of the Contingency Fund to address in-year issues but not base budget ones, the likelihood of all of the factors occurring, and the overall provision assessed as being required to ensure financial stability is maintained					

**RISK ASSESSMENT FOR LOCALISATION BUDGET PROVISION 2013/14
REVIEWED AT 21 JANUARY 2013**

Potential Factor	Factor Owner	Factor Description	Assessment of Risk (counter measures in place)	Provision	
				Value of Assessment £000	Minimum Value Having Regard to Risk £000
1. The potential impact of migration to the localised business rates system, including any investment needed to retain the existing business rate base and/or to attract new businesses to locate into Havering	GDF&C/ GDC&C	Migration to the new system may lead to higher reductions in funding than previous assessments have quantified. Elements of the new system may work against Havering's position. Funding may be needed to attract or retain businesses within Havering, preserving or improving business rate yield. The new funding system assumes a 3% rise in local taxation yield in 2014/15 which may not be achieved. There may be a significant level of appeals agreed which will reduce local yield	Medium to High	3,000	1,500
2. The potential impact of migration to the localised Council Tax benefits system	GDF&C/ GDC&C	Again, migration to the new system may be affected by changes in need and a consequent rise in benefit payments. The impact of moving to a localised system of benefits may lead to changes in demand. There may be pressure to compensate for the expected reduction in funding at the point of transfer	Medium to High	2,000	500
TOTAL POTENTIAL				5,000	2,000
ASSESSMENT HAVING REGARD TO RISK LIKELIHOOD – MINIMUM LEVEL REQUIRED			Overall Medium Risk		1,500

CAPITAL PROGRAMME**1. BACKGROUND**

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

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

2. CURRENT STRATEGY

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

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

3. COMMITTED PROGRAMME

- 3.1 The ongoing programme comprises four major elements:
- Ongoing programmes/schemes funded through external resources, principally grants
 - Ongoing programmes/schemes from earlier financial years funded from Council resources
 - Schemes falling within the block sums approved as part of the 2012/13 budget setting process
 - Schemes agreed specifically by Cabinet and subsequently approved by Council for inclusion in the Programme.
- 3.2 These schemes have therefore already been approved by Cabinet and Council. Formal approval as part of the budget setting process is only sought for "new" schemes/areas of spend, where such approval has not already been given. However, by way of background information, a summary of the overall Capital Programme was included in the previous report to Cabinet. This summary is included at Annex 1.

4. PROPOSED CAPITAL PROGRAMME BLOCK ALLOCATION

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

	2013/14 £000	2014/15 £000	Total £000
Total	4,900	4,700	9,600

4.3 A detailed schedule of schemes within the 2013/14 programme has been drawn up, based on assessed needs and within the context of the individual core elements of the programme. This is set out in Annex 2. The Appendix also includes the indicative amounts for the second of these years, for cabinet to note only at this stage, as a detailed schedule of schemes for 2014/15 will be produced as part of the budget setting process for that year.

5. EXTERNAL/GRANT FUNDING

5.1 The table only covers those schemes reliant on funding generated by the Council. There are other funding streams, as indicated above, and these are generally through a grant, which means there is no revenue cost to the Council. Such funding sources mean that the overall scale of the Programme is larger than that covered solely by the table.

5.2 Information on external funding sources has in the past tended to be provided after the setting of the budget. Whilst such funding increases the scale of spend, there is no overall net increase, as the costs are matched by external resources, principally grant funding.

5.3 The major areas where external funding is received are Streetcare (principally funding from Transport for London, TfL), schools, and regeneration – though the last of these tends to come via different sources over time, the other two have tended to be a single announcement.

5.4 Details of TfL funding have already been announced and the Council has been allocated a sum of £2.9m for 2013/14. The bid submitted by the Council was signed off by way of Executive Decision in September 2012.

5.5 In addition, the Council is expecting notification of capital grants for education purposes. These are the 2013/14 Local Authority Capital Maintenance and Basic Need grants and the information received to date indicates a broad sum for this, but also indicates that this grant is neither ring-fenced to specific workstreams within education, nor time-bound, ie funding may run beyond next year. In anticipation of the actual announcements, provisional programmes have been drawn up and these are set out in Annex 3.

5.6 It is proposed that a detailed programme will be developed for external sources of funding, in line with any specific provisions relating to that funding, where details of the funding have yet to be identified. This will be reflected in future capital monitoring reports. A number of grant funded areas have already been announced and these are listed at Annex 4.

5.7 Officers already have delegated authority to accept grant funding on behalf of the Council and any such funding can usually only be applied for specified purposes. Approval has been sought through this report for any schemes resulting from the

provision of external funding to be included within the Capital Programme under the authority of officers, to ensure an efficient process is in place.

6. CURRENT SCHEMES

- 6.1 The existing programme includes a scheme for the development of a new park on the Broxhill site. An initial sum of £2m was approved for this scheme but this was very much a tentative sum, pending a more detailed assessment of requirements, a survey of the site, and an assessment of the likely level of capital receipt. Further work has now been undertaken, and a revised estimate of £3m has been produced. Part of this, around £280k, may potentially be funded through external sources, and these elements of the scheme will only be progressed should this funding arise. There is also a connected Section 106 receipt arising from the Gooshays disposal, which adds to the overall scale of the scheme.
- 6.2 Based on the last cost estimate and available funding, there remains a funding gap of around £500k. Pending clarification of the relevant levels of capital receipts for the disposals at Gooshays and Whitworth, it is proposed to temporarily bridge this gap through the application of some of the unringfenced grants set out in this Appendix. Once the position on receipts has been clarified, the funding arrangements for this revised scheme will then be finalised. It is anticipated that this will allow the capital grants allocated to then be released for other purposes.
- 6.3 Cabinet is therefore asked to approved a revised scheme for Broxhill Park of £3m, and this is included in Annex 4.

CAPITAL PROGRAMME
OVERALL FORECAST SPEND – GENERAL FUND CAPITAL

	REVISED CAPITAL BUDGET	ACTUALS (PREVIOUS YEARS)	CURRENT YEAR ACTUALS	FORECAST CURRENT YEAR	FORECAST NEXT YEAR 2013/14	FORECAST NEXT YEAR Plus 1 2014/15	TOTAL FORECAST OUTTURN	EXPECTED OVER/(UNDER) SPEND
Culture & Community	78,573,858	51,549,566	4,245,906	17,520,104	8,737,892	764,872	78,572,434	(1,424)
Adults' and Health Services	2,408,626	1,222,733	400,473	954,068	0	0	2,176,801	(231,825)
Children's Services	46,493,309	45,659,480	536,636	453,859	81,569	0	46,194,908	(298,401)
Finance & Commerce	139,492,596	87,589,608	8,133,930	22,113,122	24,754,371	4,700,000	139,157,101	(335,495)
Legal & Democratic Services	2,553,109	1,509,622	86,418	499,609	309,398	185,000	2,503,629	(49,480)
Total GF	269,521,498	187,531,010	13,403,365	41,540,762	33,883,230	5,649,872	268,640,874	(916,624)

Note 1 : these figures include the Core Programme for both 2013/14 and 2014/15, which are included under Finance & Commerce, pending formal approval by Cabinet and Council of a detailed programme

Note 2 : the functions currently listed under Legal & Democratic Services have been relocated into Culture & Community and Finance & Commerce, but this has yet to be reflected in the Council's monitoring system; this is in the process of being changed

**DETAILED CAPITAL PROGRAMME 2013/14
CORE PROGRAMME AND SPECIFIC SCHEMES**

Core Havering Programme	2013/14 £'000	2014/15 £'000	Total £'000
Parks, Libraries, Leisure & Cemeteries	1,000	1,000	2,000
Developing ICT Infrastructure	1,000	800	1,800
Street Environment	2,000	2,000	4,000
Protection of Assets and Health and Safety	500	500	1,000
Regeneration	100	100	200
Disabled Facilities Grant (Council element only)	300	300	600
Total	4,900	4,700	9,600
Disabled Facilities Grant (grant funded element - estimated)	626	626	1,252
Total	5,526	5,326	10,852
2013/14 Total with second year of Streetcare	7,526		

CAPITAL PROGRAMME 2013/14 AND 2014/15

Note 1 : Cabinet is being asked to approve the 2013/14 Core Programme as set out above, with the proviso that the Streetcare programme will be for a single sum of £4m, cashflowed as appropriate over a 2 year period. The overall Programme for 2013/14 will therefore be £7.526m including the external funding for the DFG element of the programme.

Note 2 : the detailed schemes included within this sum are set out on the following pages.

Capital Scheme Name	Scheme Description	Estimated Spend 2013/14 £	
CEMETERIES & CREMATORIA			
Crematorium Improvements	Crematorium Security Equipment (CCTV)/Audiovisual Technology/Installation of memorials (Sanctum II, Vase Blocks, Front lawns As Show Gardens)/Information Signage	100,000	
Cemetery Improvements	Romford Cemetery Security/Equipment Storage/Information Signage & Noticeboards	60,000	
Cemetery Asset Renewal	Implementation of Priority Condition Survey Work (Upminster Cemetery stonework urgent works for completion by Mar 2010)	30,000	
Crematorium Asset Renewal	Implementation of Priority Condition Survey Work. Programmed Renewal of Cremators and associated ductwork	200,000	
Additional Cemetery Land	Extension of Upminster Cemetery (Supplementary Funding)	45,000	
Bereavement Services Premises Renewal	Implementation of Priority Condition Survey Work (Buildings, Paths, Boundary Walls Programmed Renewal)	45,000	
Bereavement Services ICT Upgrade	Sequel Upgrade and Deceased Online Phase 2 (Increased direct customer access)	20,000	
		500,000	
PARKS & LEISURE			
St Andrew's Cemetery works	Improving access to St Andrew's Cemetery	10,000	
Playground replacement/repairs	Replacement and repairs to equipment in playgrounds	60,000	
Allotments investment	Urgent works required on allotment sites	15,000	
Heritage buildings	Restoration and upkeep of historic buildings	20,000	
Public Rights of Way and Countryside	Fencing and path works	10,000	
Langtons Gardens match funding	HLF Bid match funding to restore Langtons Gardens	50,000	
Depots H&S investment	Urgent works to deal with Health and Safety issues at the depots	20,000	
Wifi in Libraries	Installation of Wifi access in two libraries	10,000	
Libraries redecoration programme	Urgent redecoration and carpet replacement works in Libraries	20,000	
Book fund investment	Book purchase for the new libraries in Rainham and Harold Hill	50,000	
Fairkytes Gallery	Match funding for Fairkytes Gallery (sinking fund)_	25,000	
Queen's Theatre	Essential repair and maintenance works at the Queen's Theatre	25,000	

Capital Scheme Name	Scheme Description	Estimated Spend 2013/14 £	
Hornchurch Athletics Stadium floodlights	Sinking fund for the floodlight replacement at Hornchurch Athletics Stadium	30,000	
Parks investment	Improving the quality of the environment in parks cross the borough	155,000	
		500,000	
BUSINESS SYSTEMS			
ICT Infrastructure Transformation Programme	Software licences - Microsoft Enterprise Agreement, Microsoft Dynamics CRM, Oracle on Demand	755,200	
ICT Licences	IT Licence Revenue support 2013/14 (previously approved)	202,400	
ICT Infrastructure Transformation Programme	Migration into Cloud (Agreed ELS workstream)	42,400	
		1,000,000	
STREETCARE		Profile of Spend 2013/14 £	Profile of Spend 2014/15 £
Highways			
Footways	Various highway footway improvement schemes	450,000	500,000
Footway Slurry Seal Programme	Various highway footway improvement schemes	200,000	200,000
Carriageways	Various highway carriageway improvement schemes	630,000	620,000
Anti-Skid	Anti skid surface areas in connection with above works	25,000	35,000
Street Lighting			
Street Lighting	Street Lighting replacement programme	250,000	250,000
Centre Island Bollards	Centre Island bollard conversion / removals	25,000	25,000
Lamp Column painting	Large scale painting programme on main routes	20,000	20,000
Other			
Gidea Park station scheme, Phase 3	Station & shopping area improvement scheme part funded by TFL	70,000	70,000
Small scale shopping centre scheme, TBA	Small scale shopping area improvements	50,000	50,000
Large scale shopping centre scheme, TBA	Local area improvement scheme	100,000	100,000
Rivers, one off works	One off rivers & flood management investments to prevent flooding	20,000	
Tree pit upgrades, remove grates & trip hazards	Removal of metal grates and replacement with resin bonded non trip materials	20,000	20,000
Litter Bins	Purchase of replacement & or additional litter bins	20,000	15,000
Parking			
Car parks, bays white lining	Re lining of car parking bays	30,000	15,000

Capital Scheme Name	Scheme Description	Estimated Spend 2013/14 £	
Car parks, small scale improvements	Shrub beds, litter bins and fencing	10,000	20,000
Waste			
Waste storage areas for flats recycling	Provision of recycle containers and storage facilities for flats	20,000	10,000
Environmental Maintenance			
Dangerous Tree Replacement Programme	Removal of dangerous trees arising from storm damage, disease and or accidents	60,000	50,000
		2,000,000	2,000,000
ASSETS AND HEALTH & SAFETY			
Corporate buildings	Fire risk assessment works	75,000	
Corporate buildings	Legionella	75,000	
Mercury House	Mains renewal (further to works in 2012/13)	100,000	
Corporate buildings	Operational buildings issues	100,000	
Mercury House	Structural repairs and refurbishment	100,000	
Corporate buildings	Corporate landlord works	50,000	
		500,000	
REGENERATION			
Town Centre Regeneration	Local improvement projects to support town centre and neighbourhood initiatives in Elm Park and Collier Row, including match for external funding	100,000	
DFG			
Disabled Facilities Grant	Disabled Facilities Grant - 2013/14	926,000	

DRAFT EDUCATION MAINTENANCE CAPITAL PROGRAMME 2013/14

Capital Scheme Name	Scheme Description	Provisional Estimate	Priority
Various Schools/ PRU's/ Children's Centres	Emergency Repairs	450,000	1
Various Schools *	Urgent / Unplanned Hygiene Water Works Programme	175,000	2
Various Schools *	Education Capital Projects - Asbestos Removal	400,000	3
Various Schools	DDA works	100,000	4
Pinewood Primary	Install DDA Lift to Hall	20,000	5
Pyrgo Priory	Replacement of Oil Fired Boiler	150,000	6
Dycorts	Replacement of Oil Fired Boiler	120,000	7
Harold Wood Primary	Increase Gas Service & Replacement of Oil Fired Boiler	250,000	8
Squirrels Heath	Replace Gas Fired Boiler	200,000	9
Langtons	Replace Gas Fired Boiler	200,000	10
Hacton	Replace Pipework & Heat Emitters	150,000	11
Parkland Jun	Replace Pipework & Heat Emitters	200,000	12
Whybridge Jun	Replace Pipework & Heat Emitters	200,000	13
Hacton	Replace Domestic H+C WaterPipework	120,000	14
Dycorts	Urgent Domestic H&C Water Works	75,000	15

Capital Scheme Name	Scheme Description	Provisional Estimate	Priority
Ravensbourne	Urgent Domestic H&C Water Works	60,000	16
Pinewood	Urgent Domestic H&C Water Works	75,000	17
Branfil	Urgent Domestic H&C Water Works	75,000	18
Langton J & I	Urgent Domestic H&C Water Works	10,000	19
Squirrels Heath	Replace Domestic H+C WaterPipework	120,000	20
Harold Wood	Upgrade Electrical Distribution and Intake	150,000	21
TOTAL		3,300,000	

Note 1 : the Programme set out above is based on a prioritised assessment of schemes, designed to utilise the anticipated grant announcement, which is expected in due course. Should the sum fall short of the estimated £3.3m, schemes will be removed or deferred; should the sum exceed this, further schemes have been identified and costed and will be added to the Programme.

Note 2 : whilst known maintenance requirements in schools have been prioritised, a sum of £450k has effectively been held back to address any unforeseen and urgent repairs, such as mechanical failure, which would otherwise disrupt the operation of the school concerned. Where possible, any unspent balance from this sum will be reallocated to the prioritised list at the appropriate time within the 2013/14 financial year if emergency works do not arise.

Note 3 : maintenance works within schools are frequently programmed to be undertaken during school holidays in order to minimise disruption – hence the capital expenditure profile will reflect this phasing with a larger proportion of expenditure typically being incurred by October.

PROPOSED PRIMARY EXPANSION PROGRAMME

	Original Approval 12/13 budget setting process	Amended Approval - Cabinet Sept 12	Amendment Required per 13/14 Capital Programme	Final Approval	Amendment	Reasons for amendment
Primary Expansion Block Allocation	9,876,000					
Towers Infant & Junior		1,750,000	40,000	1,790,000	40,000	Allowance for traffic measures plus playground expansion
Wykeham		750,000	40,000	790,000	40,000	Allowance for traffic measures included.
Pinewood		500,000	-350,000	150,000	(350,000)	Reduction reflects confirmation of surplus classrooms (x2) which can be refurbished and additional traffic measures
St Patricks		400,000	390,000	790,000	390,000	Allowance of 250k per classroom + 40k for traffic measures.
Rise Park		1,750,000	190,000	1,940,000	190,000	Allowance for traffic measures, Infants staff room expansion and DDA lift to Juniors
Mead		1,000,000	-	1,000,000	0	

	Original Approval 12/13 budget setting process	Amended Approval - Cabinet Sept 12	Amendment Required per 13/14 Capital Programme	Final Approval	Amendment	Reasons for amendment
Harold Court		1,200,000	-110,000	1,090,000	(110,000)	Reduction in net build compared to original estimate - funding allows for 4 additional classrooms, expanded playground/car park and traffic measures
Harold Wood		1,500,000	490,000	1,990,000	490,000	Allowance for additional classroom (beyond original estimate), playground and car park extension, hall extension, new access road and traffic measures.
Parsonage Farm		1,000,000	-160,000	840,000	(160,000)	Additional classrooms reduced from 4 to 3. Allowance included for traffic measures and refurbishment of 2 classrooms.
Scargill Infant & Junior		750,000	40,000	790,000	40,000	40k allowance for traffic measures included.
Bulge Classrooms		455,000	-	455,000	0	
	9,876,000	11,055,000	570,000	11,625,000	570,000	
Additional Expansions Various Schools (TBC)			3,530,000	3,530,000	3,530,000	Potential inclusion of additional schools in to be confirmed subject to feasibility stud
Total Proposed Capital Programme	9,876,000	11,055,000	4,100,000	15,155,000	4,100,000	

	Original Approval 12/13 budget setting process	Amended Approval - Cabinet Sept 12	Amendment Required per 13/14 Capital Programme	Final Approval	Amendment	Reasons for amendment
Funded By						
Original 12/13 Block Allocation		9,876,000		9,876,000		
DSG Allocation		1,060,000		1,060,000		
Further Anticipated S106 Allocations		119,000		119,000		
Estimated Basic Need Grant 2013/2014			4,100,000	4,100,000		
Total Funding		11,055,000	4,100,000	15,155,000		

CAPITAL PROGRAMME 2013/14
GRANT FUNDED AREAS

PROGRAMME AREA	ESTIMATED FUNDING
ALREADY APPROVED VIA EXECUTIVE DECISION	
TFL Programme for 2013/14 (confirmed)	2,929,000
AWAITING APPROVAL AND/OR CONFIRMATION OF FUNDING AMOUNT	
Adults PSS Capital grant 2013/14 (estimated)	521,000
Early Years Capital Grant (confirmed)	422,000
Aiming High - Additional Needs for Disabled children 2013/14 (estimated)	170,000

Note 1 : the Early Years capital allocation has actually been announced for financial year 2012/13, however, this allocation is fairly recent and thus has yet to be considered in the context of the overall Capital Programme.

SCHEME	CURRENT SUM	REVISED SUM
Broxhill Park	2,000,000	3,000,000

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 2013/14. This analysis is set out below:

Directorate	Current Forecast Outturn Variance £'000	Major Elements of Variance £'000	Impact on Future Budgets
Culture & Community	374	Customer Services £421k	In-year variance, due to slippage in the delivery of savings from the Customer Services transformation programme. Plans are in place to seek to achieve this remaining balance
Adults & Health	(771)	Various budget headings	A net underspend across social care services, comprising a number of individual items. The main item is a surplus of £485k from the Catering traded services account. This item is linked to a budget saving from traded services
Children's	689	Looked After Children £988k	One off costs relating to the introduction of new IT systems, management restructures and continued pressures both with Child Protection assessments and placements for Looked After Children. This area however remains a budget risk
Finance & Commerce	(1,339)	Corporate provisions £(2,000k) Shared Services £382k	Main element of Special Corporate Budget Provision. Will be required to counter-balance impact of Government funding cuts in future years. In-year variance, due to slippage in the delivery of savings from the Shared Services transformation programme. Plans are in place to seek to achieve this remaining balance
		Insurance provision £(500k)	Provision established when insurance contracts last awarded. Likely to recur in 2013/14, has been used to

Directorate	Current Forecast Outturn Variance £'000	Major Elements of Variance £'000	Impact on Future Budgets
			offset advertising income. Now proposed as a 2013/14 saving
		Advertising hoardings £236k	Plans to generate have so far proved unsuccessful and now unlikely to deliver this in current financial climate. Built into 2013/14 budget as a pressure
Assistant Chief Executive	(108)	No material variances	Not applicable
Revenue Total	(1,155)		

SCHEDULE OF FEES AND CHARGES