

## SUPPLEMENTARY AGENDA 1

### THE EXECUTIVE

Tuesday, 19 February 2008

**Agenda Item 5. Council Tax 2008/09 and Medium Term Financial Strategy for 2008/09 to 2010/11 (Pages 1 - 142)**

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**THE EXECUTIVE**

**19 FEBRUARY 2008**

**REPORT OF THE CORPORATE DIRECTOR OF RESOURCES**

<b>COUNCIL TAX 2008/09 &amp; MEDIUM TERM FINANCIAL STRATEGY</b>	<b>For Decision</b>
<p><b>Summary</b></p> <p>This report advises on the level of the Council Tax for 2008/09 and the adoption of the updated three year Medium Term Financial Strategy covering the period 2008/09 to 2010/11.</p> <ol style="list-style-type: none"> <li>1. This report refers a proposed budget and Council Tax to Assembly on 27<sup>th</sup> February 2008 for final decision.</li> <li>2. In putting together the proposed budget, there has been a need to balance the pressures on the budget and investment in key services in accordance with the Council's priorities against the resources available and set a budget which is both deliverable and sustainable.</li> <li>3. The budget needs to be seen within the context of a three-year financial plan and the implications of the current proposal for the Council's service planning over the next three financial years needs to be considered as part of the consideration of the 2008/09 budget. It is likely that the Council will continue to face difficult choices when setting budgets in future years.</li> <li>4. To support the decisions that will need to be made a Medium Term Financial Strategy, covering the years 2008/09 to 2010/11, is included as Appendix I to this report.</li> </ol> <p><b>Wards Affected: All</b></p>	
<p><b>Recommendations</b></p> <p>The Executive is recommended to refer to the Assembly for approval:-</p> <ol style="list-style-type: none"> <li>1. The budget, as set out at Appendices A to G of this report.</li> <li>2. A Council Tax increase of 3.95% (split London Borough of Barking and Dagenham 4.43% and the Greater London Authority precept of 2.4% including the Olympic and Paralympic games levy) , as set out at Appendix H of this report, subject to the final levy announcement for the GLA.</li> <li>3. The three year financial planning figures arising from this budget proposal indicated at Annex 5 within the Medium Term Financial Strategy.</li> <li>4. The Medium Term Financial Strategy to assist the Council in future decision making on the budget and that it is continued to be reviewed on an annual basis.</li> </ol>	

5. The position on reserves as set out in paragraph 2.4 of this report.
6. To note the continuing need to identify relevant efficiency gains throughout the organisation over a 3 year period to meet the required Government targets (paragraph 9).
7. Delegate to the Divisional Director of Corporate Finance the responsibility to allocate initial savings targets across all services for the 2009/2010 budget process to commence in April 2008.

**Reason**

Under the Council's Constitution, it is necessary for the Executive to refer a proposed revenue budget and Council Tax to the Assembly for approval or amendment.

**Implications:**

**Financial:**

The setting of a robust budget and Council Tax for 2008/09 will enable the Council to provide and deliver required Council Services within its overall service and financial planning framework.

**Legal:**

There are no legal implications regarding this report.

**Risk Management:**

In setting the overall budget consideration has been given to all Council service budgets and the relevant risk associated with each budget dependant upon the required additions and reductions from the proposals included in this report.

**Social Inclusion and Diversity:**

As this report does not concern a new or revised policy there are no specific adverse impacts insofar as this report is concerned.

**Crime and Disorder:**

There are no specific implications insofar as this report is concerned.

**Options Appraisal:**

The budget process has considered various options around savings, pressures and invest to save and the final proposed options are included within this report.

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**1. Introduction and Background**

- 1.1 The proposed budget has been set against the background of the Council's Community priorities and Corporate Priorities, which the Medium Term Financial Strategy will help to deliver and are:

## Community Priorities

- a) Promoting Equal Opportunities and Celebrating Diversity
- b) Better education and learning for all
- c) Developing rights and responsibilities with the Local Community
- d) Improving health, housing and social care
- e) Making Barking and Dagenham cleaner, greener and safer
- f) Raising general pride in the Borough
- g) Regenerating the Local Economy

## Corporate Priorities

Delivering outstanding customer service  
Improving performance across the board  
Regenerating the borough.

- 1.2. In setting the proposed budget, officers have assessed the budget, including the unavoidable pressures facing the Authority and the costs of continuing with existing policies and practices.
- 1.3 An initial revenue budget for 2008/09 was presented and approved as a separate report to the Executive on 22 January 2008. It shows that the base budget requirement for 2008/09 is £274.23 million.
- 1.4 The purpose of this report is to propose a revenue budget and Council Tax for 2008/09, which will be referred to Assembly for consideration on 27 February 2008.
- 1.5 The final announcement for the Greater London Authority precept is to be made on 13 February 2008, with authorities to be notified on or prior to 15 February 2008. The proposal put to the Assembly by the Mayor was for a 2.4% increase, which includes a freeze on the levy introduced in 2006/07 of £20 at the Band D level for the 2012 Olympic and Paralympic games. The Mayor's proposal is to be considered by the London Assembly on 13 February 2008. A verbal update on the final levy agreed will be made at the meeting.

## 2. Budget Considerations

### 2.1 Inflation

- 2.1.1 A provision of £7.8 million has been indicated, based on an expected level of inflation of:

#### 2008/09

Employee costs	2.4%
Other costs	2.4%
Fees and charges	2.5%
Pensions costs	0.8%

This is in line with the Government's forecast for the economy as a whole and reflects broadly the estimated pay award for officers and teachers' pay. This estimate represents inflation on pay and assumes that income from fees and charges should rise in line with inflation. No inflation provision has been provided for non-pay areas of the Council's budget. The provision comprises of £3.8 million for schools and £4 million for all other Council services.

## **2.2. Children's Issues**

- 2.2.1 The introduction of the "dedicated schools grant" (DSG) in 2006/07 has fundamentally changed the way the local authorities budget for Education and schools as it formally removes any discretion for authorities spend on Education. Previous to 2006/07 the Council received funding through FSS, and, in theory, was in a position to spend that funding at its discretion. As it was already the long standing practice for this Council to spend at FSS levels for Education, this change has not had a significant impact.
- 2.2.2 With the introduction of the new departmental structures in 2006/07, as opposed to the previous Education department, the new Children's Services department now includes the former Social Services budgets in respect of the Safeguarding and Rights functions. In common with the vast majority of Councils (particularly in London) this budget is hugely demand led and under constant pressure.
- 2.2.3 The department has recently received notification that it has secured substantial funding from the Building Schools for the Future national programme. This will amount to in excess of £200m of Capital expenditure for the Council's schools over the coming years.
- 2.2.4 The new dedicated schools grant has allocated £135.647 million to the Council for spending on schools, it has increased since last year by £6.559 million (a 5.1% increase) and the proposals for additional spending on schools for this sum are shown in Appendix A and A(i), with detailed descriptions of options proposed in Appendix G.
- 2.2.5 The Schools Forum has been consulted on various options relating to the Schools budget and endorses the proposals being made.
- 2.2.6 It should be noted that Children's Social Services also receive additional specific grants of approximately £0.2 million (£1.9m 2007/08).

## **2.3 Adults Services Issues**

- 2.3.1 Adult Care Services will be subject to transformation over the next three years through the introduction of Personal Care Budgets. Nationally an extra £520m will be allocated to Councils as a Social Care Reform Grant to enable the facilitation of this programme.
- 2.3.2 Budget pressures have been experienced in 2007/08 in Adult Care Services particularly in home support and some disability services. Successful measures were taken to deal with these issues and to maintain expenditure within the proposed set limits for 2007/08 and beyond. Such measures included reviewing Fair Access to Care (FACs) criteria, controls around agency usage, and continued modernisation of service delivery.
- 2.3.3 The department is continually challenging modes of service provision to ensure value for money, independence, and flexibility. In recent years this has meant the modernisation or closure of some traditional services and establishments/institutional care, with expansion in such areas as Individual Budgets and Direct Payments.
- 2.3.4 It should be noted that Adult Social Services also receive additional specific grants of approximately £5.7 million (£6.5m 2007/08).

2.3.5 Coupled with the spending pressures on Adult care services, the settlement requires that resources are managed carefully to ensure that services can continue to be met with the financial resources available.

2.3.6 The proposals for additional spending and reduction in Adults Services are shown in Appendix A and A(i).

## 2.4. Reserves/Contingency

### Reserves

2.4.1. The overall level of working reserves needs to be sufficient to provide financial stability to the Authority's finances, to allow for unforeseen fluctuations in spending and to provide enough flexibility for Members to respond to issues as they arise.

2.4.2. The CIPFA guidance on Local Authority Reserves and Balances 2003 does not set any "level", but sets out the factors the Chief Financial Officer should use when assessing the level. The external auditors have been silent of specifying levels, tending to only comment on adequacy of reserves balances.

2.4.3 For Barking and Dagenham a reasonable level of reserves would amount to approximately £12 to £13 million based on its annual budget requirement and school balances should form part of the strategy but if possible be in addition to an indicative 5% level.

However, having considered CIPFA guidance, it has been assessed that a significant amount of the services that the Council provide have little or no risk in terms of potential financial performance and other internal and external influences and factors. After assessing these areas it is therefore considered that a more appropriate level of general reserves would be around £7½ million.

In addition to this sum, the Council will as usual also hold earmarked reserves for specific purposes.

2.4.4 The advice of the Chief Financial officer remains that the above figure is the recommended level for working (general) reserves. Whilst this does not preclude the use of reserves in the short term for items Members regard as essential growth or vital projects, it is important that an adequate level is held.

2.4.5 In producing the proposed budget it has been identified that a sum of £1.8 million is required to enable the 2008/09 budget to be set and this can be met as £1.4 million from earmarked reserves and £0.4 million from the general reserve. At 1<sup>st</sup> April 2008 it is estimated that the level of uncommitted general reserves will be £9.3 million. It must be noted that for 2009/10 and future years continued consideration will need to be given to addressing the use of these reserves within the setting of the Council's overall budget.

2.4.6 Annex 7 and 8 of the attached Medium Term Financial Strategy sets out in detail the type of reserves held by the Council along with a profile of their estimated utilisation up to 1<sup>st</sup> April 2011, which reflect the use of the reserves as identified above. The annexes also recommend the level of certain reserves and their intended use.

## **Contingency and Robustness of Budget**

- 2.4.7 In assessing the budget an adequate level of contingency is required as well as appropriate levels of reserves and balances. Each year when assessing the level of contingency the following are examples of the factors that will be considered:
- Projected pay awards (including London Weighting);
  - In year budget pressures of volatile budgets (e.g. homelessness, care packages, external placements);
  - Costs of new responsibilities, where estimates have been prepared with limited experience;
  - Unconfirmed grant funding regimes;
  - Unexpected events;
  - Variable interest rates;
  - Budget risks.
- 2.4.8 For 2008/09, the level of contingency included within the proposed budget is £1.2 million.
- 2.4.9 Under the provisions of the Local Government Act 2003 the Chief Finance Officer is also expected to state formally whether the budget is a “robust” one. It is the Chief Financial Officers view that the Council’s process for setting the 2008/09 budget has, so far, been robust. Further advice will be offered to the Council Assembly should this assessment change.

## **3. Formula Grants and Levies**

### **3.1 Formula Grant 2008/09**

- 3.1.1 Since 2006/07, the local government grant settlement has been allocated using what is known as the “four block model”. This was a change in the methodology of grant allocation, replacing the Formula Spending Share (FSS).
- 3.1.2 The four block model grant allocations comprise the following components:
- A relative needs amount (e.g. to reflect differences in deprivation or other factors such as density and commuters) using Relative Needs Formulae (RNF);
  - A reduction based on relative resources (the relative ability of authorities to raise council tax);
  - A central allocation (basic amount) based on a per capita amount; and
  - An allocation to ensure a minimum increase in grant i.e. the damping amount required to fund the floor which is positive for floor authorities and negative for those above the floor. The floor is set at 2.0% for 2008/09 (2.7% for 2007/08).

In January 2008, the Department for Communities and Local Government confirmed the formula grant allocations for the period 2008/09 to 2010/11.

An illustration of the component parts of this calculation for Barking and Dagenham is set out below:



	2008/09 £m	2009/10 £m	2010/11 £m
Relative Needs Amount	80.37	83.05	85.60
Relative Resource Amount	(9.59)	(9.99)	(10.36)
Central Allocation	31.10	32.03	32.92
Floor Damping	(6.46)	(5.89)	(5.38)
<b>Total Formula Grant</b>	<b>95.42</b>	<b>99.20</b>	<b>102.78</b>

3.1.3 A final announcement of the Formula Grant for 2008/09 was made in January 2008, which allocated £95.418 million to the Council for 2008/09 (an increase of £4.985 million or 5.5% increase on a like for like basis compared with 2007/08).

## 3.2 Levies

3.2.1 Certain bodies have the power to levy on the Council to meet their funding requirements and these levies count as Council spending for the purpose of the Council Tax. The final levies for 2008/09 are as follows:

	2007/08	2008/09
	£000s	£000s
East London Waste Authority	6,182	6,704
Environment Agency – Flood Defences	94	104
London Pension Fund Authority	151	210
Lee Valley Regional Park Authority	154	157
	<u>6,581</u>	<u>7,175</u>

3.2.2 In respect of the East London Waste Authority the increase of £522,000 which is 8.4%, relates to the apportionment between the four constituent boroughs based on the number of Council properties at Band D and the Council tonnage figures for collected Household general refuse. The key reason for the increase relates mainly to the significant increase in contract costs, which reflects the investment by Shanks of significant sums in the waste management facilities across the waste authority needed to meet the Government's targets for recycling and diversion from landfill. The increase in the London Pension Fund Authority levy is due a review of their overall costs and appointment. Relevant provision for the above increase of 9.0% in all levies has been allowed for in the proposed budget.

## 4. Base Budget

4.1. The Base Budget for the Authority, as reported in a separate report to the Executive on 22<sup>nd</sup> January 2008, is £274.23 million.

## **5. Executive Budget Proposals**

5.1 The Executive budget proposals are set out in full at Appendices A to G and are as follows:-

- Appendix A - Summary of Revenue Budget Changes
- Appendix A(i) - Summary of proposals by Department
- Appendix B(i) - Summary of Pressures and Invest to Save proposals
- Appendix B(ii) - Summary of Savings proposals
- Appendix C - Description of Pressure proposals by Department
- Appendix D - Description of Invest to Save proposals by Department
- Appendix E - Description of Savings proposals by Department
- Appendix F - Description of Corporate proposals
- Appendix G - Description of budget options for Schools

5.2 For all Council services excluding schools these identify increased spending of £7.435 million and savings of £7.205 million and involve a significant redirection of budget spending between all Council services.

## **6. Council Tax**

### **6.1 Collection Fund**

6.1.1 The Council is required to maintain a separate Collection Fund into which its Council Tax receipts are paid. Each year, any balance on the Collection Fund must be brought into the calculation of the Council Tax for the following year. Any available surplus on the fund must be used to reduce the Council Tax and any deficit must be met by increasing the Council Tax.

6.1.2 The latest estimate for 2007/08 is that a deficit will be made on the Collection Fund and that Barking and Dagenham's share will be £468,000. The main reason for this deficit is a result of the increase in Single Person Discounts, which is currently part of an ongoing review. In addition, the final figures for 2006/07 need to be factored into this year's budget and this identified a small surplus of £25,000. Both sums have been accounted for in the proposed budget for 2008/09.

### **6.2. Greater London Authority Precept**

6.2.1 The Greater London Authority precept is set by the Mayor and Assembly for London and covers the budget requirement for the Mayor and Assembly and its three main constituent bodies, the Metropolitan Police Service, the London Fire and Emergency Planning Authority and Transport for London.

6.2.2 The Mayor's proposals submitted for consultation to authorities in December 2007 proposed an increase in the precept at Band D for 2008/09 of 2.4%. This would result in a Band D precept for 2008/09 of £311.25, compared to £303.88 in 2007/08.

6.2.3 In addition, the Mayor has frozen the £20 levy at Band D level to support the 2012 London Olympics and Paralympic games. This is included in the figures above.

6.2.4 The Mayor's budget can be amended by a two-thirds majority of the London Assembly, which is due to meet on the 13<sup>th</sup> February. At this meeting the London Assembly will decide upon the Mayor's proposals of a 2.4% increase for 2008/09. A verbal update on the final decision will be made at the meeting.

### 6.3. **Capping of Council Tax**

6.3.1 Each year when setting the Council Tax the Authority needs to have regard to announcements from Government in this area.

6.3.2 The capping criteria applied in 2007/08 were as follows: (as announced by the Local Government Minister, Phil Woolas):

- % increase in both council tax and budget requirement – “excessive” was deemed to be over 5% .

Barking and Dagenham's Council Tax rose by 4.88%, and the budget requirement grew by 4.2% and therefore the Council was within the relevant capping criteria for 2007/08.

6.3.3 The capping criteria to be applied in 2008/09 has not been announced yet, and will not be until after authorities set their budgets. However, an indication was given in the speech made by John Healey to the House of Commons on the announcement of the 2008/09 provisional settlement, when he indicated that the average Council tax increase should be substantially below 5 per cent.

6.3.4 The proposed budget requirement for 2008/09 is £147.3 million. The budget requirement, after adjustment for fundamental changes, shows a 6.5% increase on 2007/08, and the Council Tax increase is proposed at 4.4%.

### 6.4 **Council Tax 2008/09**

Appendix H sets out the impact on Council Tax of the budget proposals set out in this report. This reflects the estimated GLA precept to be decided on by the London Assembly.

## 7. **Medium Term Financial Strategy**

7.1 The Council agreed a three-year medium term financial strategy when setting last year's budget and Council Tax. This has now been fully updated to reflect a view up to the financial year 2010/11. The Strategy proposed is attached at Appendix I for Members consideration. The purpose of the three-year strategy is to enable the budget to be set in a more strategic context and to pursue budget options over a longer time frame.

7.2 The decisions proposed in this report will have implications later in the three-year budget cycle and these are set out in the papers. Members should bear in mind the ongoing implications of proposals included in the 2008/09 budget, although these will not finally be approved until later budget years.

7.3 Annex 5 of the Strategy sets out indicative planning figures for 2009/10 and 2010/11, which will be subject to further discussion and decision at the appropriate time.

- 7.4 The revenue budget is likely to increase by more than the Government's indicated Spending Review targets over the next three years. In addition, further pressures are almost certain to come to light. It will also be necessary to consider the use of capital resources, as capital expenditure plans over the next three years will require the Council to enter into borrowing. Pressures to earmark Government funding for specific purposes, particularly in relation to Schools, are likely to be maintained.
- 7.5 In addition, the ongoing effect of Government changes to the local government finance system and the impact of Census data on grant allocations will have an impact on the Authority which cannot currently be assessed. Budget pressures exist expected as a result of ongoing increased pension costs arising from the latest triennial valuation of the Pension Fund and additional statutory requirements.
- 7.6 It is therefore anticipated that pressure on the Authority's budget will remain unabated over the 3 years of the plan, and a further £21.4 million of potential budget pressures (including schools pressures of £6.1m) is currently forecast for 2009/10.
- 7.7 In order to plan for these ongoing pressures, it is important that the budget process for 2009/10, as with the 2008/09 process, starts early in the new financial year, and a strategic approach is adopted so that budget proposals are considered in terms of outcomes linked to priorities. This approach will also enable budget proposals (pressures & savings) with longer lead in times to be considered.
- 7.8 Reductions at the projected level of around £9 million for 2009/10 will need to be made across all Services apart from the Schools budget, which is now funded by the ring fenced dedicated schools grant. Targets are to be set to allow the process for identifying savings to commence in April 2008. It is recommended that the Divisional Director of Corporate Finance should provide the initial targets for savings across all services to enable this to happen.

## **8. Community and corporate priorities**

- 8.1 It is vital for the quality of service planning across the organisation that resources are aligned to key priorities, and that service and financial planning has been undertaken with relevant consideration of key priorities alongside available resources.
- 8.2 All of the Council's services help to deliver against one or more of the community priorities. Evidence to demonstrate this point is included in Annex 1 of the MTFS which identifies how budgets link to Community Priorities.
- 8.3 However, the Council's corporate priorities help to add focus to what we are trying to achieve and enable us to deliver against our wider objectives in the community. The budget process has identified a total of £7.2m of savings, of which over a substantial sum are efficiency savings, which can be re-directed. Some of these resources are directed to fund current cost pressures. Other resources are directed to fund developments in services across the organisation. The Council is also allocating a net £1.34m from reserves to fund invest to save projects.

8.4 Further detail on how these resources have been re-directed is detailed below:

**Delivering outstanding customer service:**

- As part of the budget process, over £1 million per annum has been allocated to delivering neighbourhood management schemes to help improve customer services.
- £200,000 has been re-directed into supporting people.
- £2,500,000 has been re-directed into providing vital services for looked after children.
- £950,000 has been allocated to support adult care services.
- Within the capital programme, the development of IT infrastructure has been prioritised to deliver efficiencies in the way we work. The Council has made a commitment to allocate over £11m to fund improvements in the Council's IT infrastructure which will facilitate improvements to customer services, as well as creating efficiencies in the way we work.

**Improving performance across the board:**

- The budget process has promoted invest to save projects across the organisation. A total of £1,390,000 has been allocated to these schemes which will help to transform the quality of services while reducing costs. Cost savings will improve value for money and allow further resources to be re-distributed in future years.
- Value for money action plans have been developed by all services as part of the balanced scorecard service planning process. This will ensure that services are focused on both the quality of service provision, and the financial implications of this. This shows the link between service planning and financial planning.

**Regenerating the borough:**

- The 2008/09 budget process continued the protection of services that deliver the Cleaner, Greener & Safer priorities, which tie in closely to the Council's aspirations around regeneration.
- Much of the work involved in regenerating the borough comes from significant capital schemes that are being undertaken. The capital programme review has ensured that key regeneration projects are prioritised. Schemes that have been proposed for 2008/09 onwards include the continued development our own housing stock, Becontree Heath redevelopment and a new leisure centre. These schemes will supplement a capital programme that already includes significant investment into the regeneration of Barking Town Centre.

8.5 **Linking service planning and financial planning**

A close link between service planning and financial planning is integral to the way that budgets and service plans are drawn up. For example:

- Service scorecards have been drawn up by heads of service in liaison with group finance managers.
- "Value for money actions plans" have been integral to the service planning process for 2008/09.
- All strategies and plans developed across the organisation are approved by the Executive, and as part of this process, are required to refer to financial implications. These implications are signed off by group finance managers, who can feed these back into the budget planning process.

- The various programme boards oversee financial and service links. The boards have representation from both corporate finance and departmental heads of service.

## 9. Efficiency

- 9.1 Targets for efficiency gains were set across the public sector for the period 2005/06 to 2007/08. The Council's efficiency target for this period was £13.4m and we have achieved and exceeded this challenging target one year early.
- 9.2 It is vitally important that the momentum on the efficiency programme is maintained. The Comprehensive Spending Review that the Treasury carried out in 2007 did not allocate significant increases in grant funding to local government over the next 3 year cycle. This position, coupled with existing financial pressures and the continued drive for excellence across the Council's services, makes driving out efficiency gains increasingly relevant. The Review did not set specific efficiency targets for a further 3 year period but fully expects Local Government to deliver a high level of efficiencies against reducing grant levels.
- 9.3 The focus for 2008/09 and latter years will clearly be to continue to deliver efficiency savings. A systematic approach to identifying and address higher cost services is being embedded through the balanced scorecard process and through ongoing work across services on Value for Money. Creating links between this work and the efficiency agenda will enable us to continue to robustly demonstrate and further identify improved efficiency within the organisation. In turn this will enable us to maintain a robust balanced budget and continue to deliver quality services.

## 10 Value for Money

- 10.1 The Council is committed to high levels of spending in certain key "priority" areas to deliver substantial improvements to its community. These include:
- In previous years, the Council spent over and above FSS on Education with the aim of improving standards in Education across the Borough. Results have demonstrated that this investment is achieving the intended aim.
  - The Council is also committed to allocating financial resources to both Children's Services and Adults Services in the medium term with the aim of improving the standard of social care.
  - The Council is committed to ensuring it delivers on its cleaner, greener, safer priority.
  - Supporting the needs of Customer First, One stop shops, the establishment of Neighbourhood Management Services and supporting invest to save bids in order to allow fundamental service reviews to be undertaken which would produce efficiencies and cost savings in later years.
- 10.2 The Council has a number of initiatives in place to ensure that value for money is achieved across both frontline services, and in support services around:
- Strengthening the strategic understanding of value for money
  - Continuing to improve the reporting of value for money
  - Continuously developing the culture of value for money

- Developing stronger links between the budget process and value for money.

10.3 In addition, the Divisional Director of Corporate Finance is currently preparing a schedule of services that will be subject to a “zero based budgeting” exercise over the forthcoming years.

This exercise will concentrate on measuring the required outputs from a service/function against the required inputs to ensure the outputs are fully delivered. The resulting position is that some services will be identified as either being under or over resourced for their specific purpose. This will allow key decisions to be made in future budget processes on the shift and redirection of resources within the Council’s existing base budget.

Ultimately, savings may be derived but the key of the exercise is to ensure value for money services are being provided with appropriate outputs for the residents of our Borough and to reallocate resources where they are needed.

## 11. Consultation

11.1 When considering its budget proposals, the Council is required to take into account the views of the local community about its budget.

11.2 A resident’s survey was used in the Summer of 2007 to assist with the budget process for 2008/09. The main findings from this survey, which have been used in formulating the Budget for 2008/09 related to:

- Topmost priority for respondents was making the Borough cleaner, greener and safer followed by the improvement of health, housing and social care services.
- The services considered most important were: tackling anti-social behaviour, rubbish collection and street cleaning.
- Residents were generally of the opinion that the Council gives residents good value for money.
- Residents would be happy to see the Council spending more money on tackling anti-social behaviour.

11.3 Scrutiny Management Board is to meet on 12<sup>th</sup> February to consider the proposed budget options included in this report. A verbal update on the relevant discussions will be available as necessary for this Executive meeting.

### **Consultees**

Executive

Scrutiny Management Board

Corporate Management Team

Departmental Management Teams

Group Managers – Corporate Finance

### **Background Papers**

Information from Office for Deputy Prime Minister

Budget working papers

Reports to Member bodies

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**REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008  
SUMMARY OF REVENUE BUDGET CHANGES**

**APPENDIX A**

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Increase in Base Budget 2008/09</b> (inflation, grant changes, transfers from reserves, etc)	10,843		
<b>Council Services</b>			
Adult & Community Services	-170	-855	-995
Children's Services	1,405	1,985	2,485
Customer Services	-535	-1,705	-1,610
Regeneration	-275	-325	-350
Resources	-195	-340	-395
Other Corporate	1,984	4,050	4,300
<b>Sub - total Council services</b>	<u>2,214</u>	<u>2,810</u>	<u>3,435</u>
<b>Protected Services</b>			
Schools	6,507	12,584	19,737
<b>Sub - total Protected services</b>	<u>6,507</u>	<u>12,584</u>	<u>19,737</u>
<b>Net effect on budget of Executive Proposals</b>	8,721	15,394	23,172
<b>Increase in Service Budget and Budget Requirement</b>	<u><b>19,564</b></u>	<u><b>15,394</b></u>	<u><b>23,172</b></u>
<b>Less Additional Resources available</b>			
Movement in Collection Fund Deficit (£0.970m 2007/08 to £0.443m 2008/09)	527		
Increase in Formula Grant and Dedicated Schools Grant	16,070		
Change in Council Tax base (from 50,661 to 51,429)	748		
<b>Sub -Total Additional resources</b>	<u><b>17,345</b></u>		
<b>To be met from Council Tax</b>	<b>2,219</b>		
Increase in LBBB Council Tax (£)	£ 43.13		
<b>Increase in LBBB Council Tax (%)</b>	<b>4.43%</b>		
Increase in GLA precept	£ 7.37		
<b>Increase in GLA precept (%)</b>	<b>2.42%</b>		
<b>Overall Increase in Council Tax (%)</b>	<b>3.95%</b>		

REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

ADULTS AND COMMUNITY SERVICES REVENUE BUDGET

Reference	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<b><u>Pressures</u></b>				
1P	No recourse to public funds	250	250	250
2P	Transition of clients from Children's to Adults	700	700	700
3P	Parks Police Review	250	250	250
4P	Libraries Service	400	400	400
5P	Osborne Partnership	200	200	200
<b>Pressures Sub Total</b>		<b>1,800</b>	<b>1,800</b>	<b>1,800</b>
<b><u>Invest to Save</u></b>				
1IS	Community Equipment - Retail Model	100	-100	-150
2IS	Electronic Monitoring of Service Delivery of Care	100	-100	-100
3IS	Transitional Services - for young people with complex needs at Heathlands Day Centre	280	-5	-95
<b>Invest to Save Sub Total</b>		<b>480</b>	<b>-205</b>	<b>-345</b>

REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

ADULTS AND COMMUNITY SERVICES REVENUE BUDGET

Reference	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<b><u>Savings</u></b>				
1S	Commissioning and Contracting	1,450	1,450	1,450
2S	Passenger Transport Service - Efficiency Gain	100	100	100
3S	Community Safety and Preventative Services - Efficiency Gain and Partnering Opportunities	200	200	200
4S	Mental Health - Efficiency Gain and Partnering Opportunities	100	100	100
5S	Administration and Systems Efficiency	250	250	250
6S	Additional Income and Charging	350	350	350
	<b>Savings Sub Total</b>	<b>2,450</b>	<b>2,450</b>	<b>2,450</b>

**NET REDUCTION IN BUDGETS**

<b>-170</b>	<b>-855</b>	<b>-995</b>
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**CHILDREN'S SERVICES REVENUE BUDGET**

Reference	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<u>Pressures</u> 6P	Care Placements	2,500	3,500	4,000
<b>Pressures Sub Total</b>		<b>2,500</b>	<b>3,500</b>	<b>4,000</b>
<u>Invest to Save</u> 4IS	Increased Capacity in Fostering & Adoption	240	-180	-180
<b>Invest to Save Total</b>		<b>240</b>	<b>-180</b>	<b>-180</b>

REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

CHILDREN'S SERVICES REVENUE BUDGET

Reference	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
	<u>Savings</u>			
7S	Senior Management Restructure	140	140	140
8S	Safeguarding and Rights Service	230	230	230
9S	Shared Services and Engagement - Grant Funded Central Costs	300	300	300
10S	Shared Services and Engagement - Staffing and Supplies and Services	50	50	50
11S	Quality & School Improvement	300	300	300
12S	Education Inclusion Service Staffing Restructure	60	60	60
13S	Integrated Family Services	60	60	60
14S	School Clothing/Uniform and Footwear Grant - Change of Criteria	60	60	60
15S	Children with Complex Needs - Contribution from PCT	135	135	135
	<b>Savings Sub Total</b>	<b>1,335</b>	<b>1,335</b>	<b>1,335</b>
	<b>NET INCREASE IN BUDGETS</b>	<b>1,405</b>	<b>1,985</b>	<b>2,485</b>

REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

CUSTOMER SERVICES REVENUE BUDGET

Reference	Service	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<b><u>Pressures</u></b>					
7P		Advertising Income on the Public Highway	120	120	120
8P		Frizlands Depot	50	50	50
9P		Housing Benefit Grant Changes	150	150	150
10P		Drainage/Sewer charges	80	80	80
<b>Pressures Sub Total</b>			<b>400</b>	<b>400</b>	<b>400</b>
<b><u>Invest to Save</u></b>					
5IS		Externalsing the Out of Hours/Careline Service provision	440	-260	-265
6IS		Trade Waste Service - moving towards electronic monitoring methods	125	-120	-120
<b>Invest to Save Sub Total</b>			<b>565</b>	<b>-380</b>	<b>-385</b>

REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

CUSTOMER SERVICES REVENUE BUDGET

Reference	Service	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<u>Savings</u>					
16S	National Non-Domestic Rates (NNDR)	joint working with London Borough of Havering	50	75	75
17S	Increased income from Court Costs	income	100	100	50
18S	Fleet Management - better use/procurement	and shared services	100	300	300
19S	Review of Pest Control	Income	10	10	10
20S	Reduced number of vehicles for frontline	Managers and Inspectors	40	40	40
21S	Additional Over-payment	Income	150	150	100
22S	Staff Savings through business review		805	805	805
23S	Trade Waste Service - Charging		245	245	245
<b>Savings Sub Total</b>			<b>1,500</b>	<b>1,725</b>	<b>1,625</b>

**NET REDUCTION IN BUDGETS**

**-535**    **-1,705**    **-1,610**

REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

REGENERATION REVENUE BUDGET

Reference	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<b><u>Pressures</u></b>				
11P	Spatial Regeneration Income Shortfall	280	280	280
12P	Staffing Costs in Leisure Centres	125	125	125
13P	Income from the Learning & Skills Council for Barking and Dagenham Training Services	85	85	85
14P	Broadway Theatre	165	165	165
<b>Pressures Sub Total</b>		<b>655</b>	<b>655</b>	<b>655</b>



REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

REGENERATION REVENUE BUDGET

Reference	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<b><u>Savings</u></b>				
24S	Spatial Regeneration - Reorganisation of Staffing	50	75	75
25S	Club Liaison Staffing	35	35	35
26S	Increased Car Parking Tariffs - on and off-street	50	75	100
27S	Income from Mobile CCTV and from new powers to charge for moving traffic violations	280	280	280
28S	Car Parking Income	300	300	300
29S	Land Drainage	50	50	50
30S	Leisure, Arts and Olympics Staffing	45	45	45
31S	Merger of Management of B&D Training Service and Adult College	40	40	40
32S	Administration	20	20	20
33S	Staff Savings	60	60	60
<b>Savings Sub Total</b>		<b>930</b>	<b>980</b>	<b>1,005</b>
<b><u>NET REDUCTION IN BUDGETS</u></b>		<b>-275</b>	<b>-325</b>	<b>-350</b>

REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

RESOURCES REVENUE BUDGET

Reference	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<b><u>Pressures</u></b>				
15P	Local Land Charges Income	150	150	150
16P	Oracle Support - Software Maintenance	80	80	80
17P	Electoral Services	45	45	45
18P	Sponsorship of Dagenham & Redbridge Football Club Ground	30	30	0
19P	Review of Support to Council's Governance Structure	300	300	300
20P	Unified Property System	85	85	85
	<b>Pressures Sub Total</b>	<b>690</b>	<b>690</b>	<b>660</b>
<b><u>Invest to Save</u></b>				
7IS	Introduction of i-expenses software	70	-20	-45
8IS	Introduction of i-collections software	35	-20	-20
	<b>Invest to Save Sub Total</b>	<b>105</b>	<b>-40</b>	<b>-65</b>

REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

RESOURCES REVENUE BUDGET

Reference	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<u>Savings</u>				
34S	Service Reviews	990	990	990
<b>Savings Sub Total</b>		<b>990</b>	<b>990</b>	<b>990</b>

NET REDUCTION IN BUDGETS

<b>-195</b>	<b>-340</b>	<b>-395</b>
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REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

CORPORATE PROPOSALS

Reference	Options	2008/09 £000s	2009/10 £000s	2010/11 £000s
<b><u>Increases</u></b>				
1C	Reduction in interest on balances	1,000	1,250	1,250
2C	Levies	429	550	550
3C	Revenue repayments for borrowing	1,000	1,250	1,500
4C	Pension Fund triennial review	750	1,000	1,000
<b>Corporate Increases Sub Total</b>		<b>3,179</b>	<b>4,050</b>	<b>4,300</b>
<b><u>Reductions</u></b>				
5C	Review of Contingency, Provisions and Use of Reserves	1,195	0	0
<b>Corporate Reductions Sub Total</b>		<b>1,195</b>	<b>0</b>	<b>0</b>
<b><u>OVERALL NET TOTAL OF CORPORATE PROPOSALS</u></b>		<b>1,984</b>	<b>4,050</b>	<b>4,300</b>

REVENUE BUDGET PROPOSALS 19 FEBRUARY 2008

APPENDIX A (i)

**EDUCATION REVENUE BUDGET (SCHOOLS)  
FUNDING DEVOLVED TO SCHOOLS WITHIN THE DSG**

Reference	Options	2008/09	2009/10	2010/11
1Sc	Schools Budget Minimum Funding Guarantee	3,423	6,300	9,700
2Sc	Funding to support "Day Six" provision	180	180	180
3Sc	Trinity School - additional pupils	150	150	150
4Sc	Union Facilities Agreements	70	70	70
5Sc	Headroom delegated to schools to meet additional inflation pressures, 14-16 diplomas, personalisation and other priorities	1,938	4,750	8,040

**Additional Funding to individual schools Sub Total**

**5,761 11,450 18,140**

**RETAINED FUNDING WITHIN THE DSG**

6Sc	Catering Services	200	0	0
7Sc	Non-Maintained School Fees	150	150	150
8Sc	School management structures and financial recovering plans	150	150	150
9Sc	Early Years Private, Voluntary and Independent Providers	150	150	150
10Sc	Inflationary increases on retained budgets	326	684	1147
11Sc	Reduction in provision for schools specific contingencies	-230	0	0

**Sub-Total Other Increased support for Schools**

**746 1,134 1,597**

**OVERALL OPTIONS FOR SCHOOLS TOTAL**

**6,507 12,584 19,737**

**Less Inflation areas**

3,749 6,984 10,847

**OVERALL OPTIONS FOR SCHOOLS TOTAL (excluding inflation)**

**2,758 5,600 8,890**

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APPENDIX B(i)

Pressure and Invest to Save Proposals 2008/2009 - All Council Services (excluding schools)

No.	Proposed Pressure	Adults & Community £'000	Children's Services £'000	Customer Services £'000	Regeneration £'000	Resources £'000	Proposed Total £'000
1P	No recourse to public funds	250					250
2P	Transition of clients from Children's to Adults	700					700
3P	Parks Police Review	250					250
4P	Libraries Service	400					400
5P	Osborne Partnership	200					200
6P	Care Placements		2,500				2,500
7P	Advertising income on the Public Highway			120			120
8P	Frizlands Depot			50			50
9P	Housing Benefit Grant Changes			150			150
10P	Drainage/Sewer Charges			80			80
11P	Spatial Regeneration income shortfall				280		280
12P	Staffing Costs in Leisure Centres				125		125
13P	Income from the Learning & Skills Council for Barking and Dagenham Training Services				85		85
14P	Broadway Theatre				165		165
15P	Local Land Charges income					150	150
16P	Oracle Support - Software Maintenance					80	80
17P	Electoral Services					45	45
18P	Sponsorship of Dagenham & Redbridge Football Club Ground					30	30
19P	Review of Support to Council's Governance Structure					300	300
20P	Unified Property System					85	85
<b>Pressures Total</b>		<b>1,800</b>	<b>2,500</b>	<b>400</b>	<b>655</b>	<b>690</b>	<b>6,045</b>

APPENDIX B(i)

**Pressure and Invest to Save Proposals 2008/2009 - All Council Services (excluding schools)**

<b>No.</b>	<b>Proposed Invest to Save</b>	<b>Adults &amp; Community £'000</b>	<b>Children's Services £'000</b>	<b>Customer Services £'000</b>	<b>Regeneration £'000</b>	<b>Resources £'000</b>	<b>Proposed Total £'000</b>
1IS	Community Equipment - Retail Model	100					100
2IS	Electronic Monitoring of Service Delivery of Care	100					100
3IS	Transitional Services - for young people with complex needs at Heathlands Day Centre	280					280
4IS	Increased Capacity in Fostering and Adoption		240				240
5IS	Externalising the Out of Hours/Careline Service provision			440			440
6IS	Trade Waste Service - moving towards electronic monitoring methods			125			125
7IS	Introduction of i-expenses software					70	70
8IS	Introduction of i-collections software					35	35
<b>Invest to Save Total</b>		<b>480</b>	<b>240</b>	<b>565</b>	<b>-</b>	<b>105</b>	<b>1,390</b>
<b>Overall Total of Service increases</b>		<b>2,280</b>	<b>2,740</b>	<b>965</b>	<b>655</b>	<b>795</b>	<b>7,435</b>



**Savings Proposals 2008/2009 - All Council Services (excluding schools)**

<b>No.</b>	<b>Proposed Savings</b>	<b>Adults &amp; Community £'000</b>	<b>Children's Services £'000</b>	<b>Customer Services £'000</b>	<b>Regeneration £'000</b>	<b>Resources £'000</b>	<b>Proposed Total £'000</b>
1S	Commissioning and Contracting	1,450					1,450
2S	Passenger Transport Service - Efficiency Gain	100					100
3S	Community Safety and Preventative Services - Efficiency Gain and Partnering Opportunities	200					200
4S	Mental Health - Efficiency Gain and Partnering Opportunities	100					100
5S	Administration and Systems Efficiency	250					250
6S	Additional Income and Charging	350					350
7S	Senior Management Restructure		140				140
8S	Safeguarding and Rights Service		230				230
9S	Shared Services and Engagement - Grant Funded Central Costs		300				300
10S	Shared Services and Engagement - Staffing and Supplies and Services		50				50
11S	Quality & Schools Improvement		300				300
12S	Education Inclusion Service Staffing Restructure		60				60
13S	Integrated Family Services		60				60
14S	School Clothing/Uniform and Footwear Grant - Change of criteria		60				60
15S	Children with Complex Needs - Contribution from PCT		135				135
16S	National Non Domestic Rates (NDR) Joint Working with London Borough of Havering			50			50
17S	Increased Income from Court Costs Income			100			100
18S	Fleet Management - Better Use/Procurement and Shared Services			100			100
19S	Review of Pest Control Income			10			10
20S	Reduced Number of Vehicle for Frontline Managers and Inspectors			40			40
21S	Additional over-payments income			150			150
22S	Staff Savings through Business Review			805			805
23S	Trade Waste Service - Charging			245			245

APPENDIX B (ii)

**Savings Proposals 2008/2009 - All Council Services (excluding schools)**

No.	Proposed Savings	Adults & Community £'000	Children's Services £'000	Customer Services £'000	Regeneration £'000	Resources £'000	Proposed Total £'000
24S	Spatial Regeneration - Reorganisation of Staffing				50		50
25S	Club Liaison Staffing				35		35
26S	Increased Car Parking Tariffs - on and off-street				50		50
27S	Income from Mobile CCTV and from new powers to charge for moving traffic violations				280		280
28S	Car Parking Income				300		300
29S	Land Drainage				50		50
30S	Leisure, Arts and Olympics Staffing				45		45
31S	Merger of Management of B&D Training Service and Adult College				40		40
32S	Administration				20		20
33S	Staff Savings				60		60
34S	Service Reviews					990	990
	<b>Savings Total</b>	<b>2,450</b>	<b>1,335</b>	<b>1,500</b>	<b>930</b>	<b>990</b>	<b>7,205</b>

**BUDGET PRESSURES – ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**ADULT & COMMUNITY SERVICES DEPARTMENT**

**1P No recourse to Public Funds – £250,000**

This bid relates to section 21 cases (section 21 of the National Assistance Act 1948 – providing residential accommodation to vulnerable adults with Community Care needs).

Locality Mental Health Services hold care management budgets for all clients requiring the range of social care support. The service budgets have been under pressure for the last two years due entirely to increasing numbers seeking immediate mental health assessment. We are encountering clients who present with post-traumatic stress syndromes and are deemed sufficiently unwell to warrant care and treatment. Such individuals often present with other family members and all people then require housing or some other temporary accommodation. Service budgets are inadequate to sustain this cost pressure. For each case, where we have such a statutory duty, we make sure we robustly review each care package with a view to termination at the earliest opportunity.

**2P Transition of clients from Children's to Adults – £700,000**

As children become adults the responsibility for funding the packages of care and support transfer to the Adults Department. This year this transition will place major pressures on the Adults budget as the numbers coming through transition and the size of the packages are significant. The fact that in the last two years there has been a significant increase in Children's out-borough placements (63 to 142) will inevitably have an effect on the Adults budget as these children turn 18.

Year on year we are seeing more troubled young people "graduating" from secure children's care accommodation or other accommodation for care leavers – and these young people present with multiple complex needs. Several clients have attendant severe challenging behaviour and warrant extensive supervision in staffed environments.

**3P Parks Police Review - £250,000**

To enable the service to be reconfigured there is a requirement for additional funding.

**4P Libraries Service - £400,000**

There has been an under-recovery on income against the budget over the last few years which is estimated at around £100,000. In addition, additional costs are being incurred due to staffing and other costs of the service and the relevant unitary charge for the use of Castle Green.

**BUDGET PRESSURES – ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**5P Osborne Partnership – £200,000**

The Osborne Partnership currently occupy part of the Valence Depot for its recycling project. The Depot is required as part of the redevelopment of the Valence House and the Osborne Partnership have a lease until January 2008, whereby they are expected to vacate. The Council do not charge the Partnership a rent, which is worth £35,000 per annum.

The only available space the Council has is too small for the Osborne's requirements and has been rejected. Should the Council wish to support the Partnership in assisting with the rent of a commercial premises, an annual cost of approximately £60k would be required.

Other staff and running costs for the Partnership are also to be funded by the Council at a further cost of £140,000.

**Sub-total Adult & Community Services Department £1,800,000**

**CHILDREN'S SERVICES DEPARTMENT**

**6P Care Placements - £2,500,000**

Safeguarding & Rights is currently projecting a £2.5m increase on spending in the new financial year. A service specific action plan has been developed to control the current level of spending in this budget area.

We currently have 334 children in the care of the Council of which at 31/12/07 146 are in costly out of borough placements. At the beginning of 2007/08 the comparative figure was 118 placements. Our Fostering Service has 76 foster families offering 145 placements. Although reliance on PVI (Private, Voluntary & Independent) fostering agencies has increased we are continuing to increase the capacity of the Council's fostering service to meet local need.

**Sub-total Children's Services Department £2,500,000**

**CUSTOMER SERVICES DEPARTMENT**

**7P Advertising income on the Public Highway – £120,000**

Previous forecasts of income from advertising on the Public Highway were over optimistic and failed to reflect the potential conflict with the existing advertising contract that fund public conveniences across the Borough. This sum will correct the current income budget position.

**BUDGET PRESSURES – ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**8P Frizlands Depot – £50,000**

The authority is part of the East London Waste Authority and as a result has a contract through them with Shanks (East London). As well as being responsible for disposing of the total waste collected in the Borough, Shanks runs the Reuse and Recycle site at Frizlands Depot. Shanks are responsible for maximising the recycling of the boroughs waste via the mechanical Recycling Facility at Frog Island.

This contract has been in place since 1<sup>st</sup> January 2003. At the inception of the contract it was agreed that Shanks would pay a sum annually to reflect their use of the depot i.e. the access road, the weigh bridge and reception staff hut, security at night, general running costs, maintenance of perimeter fences, the space for receiving and storing waste brought in by the public, the mess room facilities and parking for their staff. The sum charged was based on the Reuse and Recycle site being one fifth of the total depot area plus 10% of the cost for the messroom facilities.

Since 2003 the sum agreed has been re- negotiated several times to reflect the changes made to the depot and claims from Shanks that they should only be paying one sixth of the total cost.

The annual charge to Shanks has now been successfully renegotiated and an amount agreed to reflect their reduced use within the depot until 2011. Overall, this has resulted in a shortfall of £50K per annum which is being addressed with this pressure bid.

**9P Housing Benefit Grant Changes - £150,000**

The Department of Works and Pensions has imposed a 10% subsidy cap for temporary accommodation compared to the 5% cap in 2007/08. In addition, the Government have reduced the administration grant for Housing Benefit. The sum of £150,000 will enable these grant changes to be managed within budget.

**10P Drainage/Sewer charges - £80,000**

This proposal relates to the withdrawal of the charge for the above service and the sum required is to reinstate the necessary income budget currently provided for this charge.

**Sub-total Customer Services Department**

**£400,000**

**BUDGET PRESSURES – ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**REGENERATION DEPARTMENT**

**11P Spatial Regeneration income shortfall - £280,000**

An income shortfall exists in current budget levels due to the inability of Planning Policy to generate income as previously agreed of £120k and the change in Planning Delivery Grant of £160k.

**12P Staffing Costs in Leisure Centres - £125,000**

Changes in legislation particularly around health and safety of public buildings has influenced the staffing levels which have had to increase to adhere to the regulations, particularly those associated with swimming pools. In addition to this the Part Time Workers Directive that was introduced in October 2005, has had a major impact on the rates of pay that are paid to staff. The biggest impact is the enhanced rates for weekend working.

The current budget allocation is therefore insufficient to enable the service to remain within the employee budget. Steps are being taken to further reduce the staffing budget, but these are somewhat radical and will undoubtedly impact on staff's terms and conditions. If no further addition is given to this budget, steps will have to be taken to dramatically reduce the service provision currently available to the community.

**13P Income from the Learning & Skills Council for Barking and Dagenham Training Services - £85,000**

Barking and Dagenham Training Services (BDTS) provides the following courses for young adults aged 16-25:

- Apprenticeships and Advanced Apprenticeships in the sectors of Health and Social Care / Early Years, and Construction
- Entry to Employment (E2E) courses. This provision is for young people with low levels of prior attainment, and with a high vulnerability or track record of being not in education, employment or training (NEET).

Historically BDTS has been part-funded by the Local Authority to supplement the revenue received from the Learning and Skills Council (LSC), and in 2005/06 it chose to remove this support.

The funding received from the LSC by BDTS is wholly dependent upon the success of each individual learner (the amount of funding drawn down is related directly to the numbers of those students who gain the apprenticeship framework or E2E certification), and the decisions made by the LSC regionally in terms of the numbers of apprenticeships they will support. In the last 2 years the LSC has decided to limit the numbers of Construction apprenticeships despite high levels of interest and demand shown in the borough. This has a direct impact on the revenue received by BDTS.

**BUDGET PRESSURES – ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

An additional factor from 2006 has been the removal nationally of a training allowance that acted as key recruitment attraction to both apprenticeships and specifically to E2E programmes where recruitment across the whole of east London remains challenging.

**14P Broadway Theatre - £165,000**

The Broadway was established as a performing arts venue as part of the regeneration programme for Barking and Dagenham, opening to the public in September 2004. Conceived as a partnership with Barking College, the venue sought to provide accommodation to its 'School of Performing Arts' and a visitor attraction for the Borough, contributing to the night-time economy and leisure 'offer' for residents and visitors.

Continuous debate around the agreements for use of the auditorium have demonstrated that the theatre is unable to meet the high income targets anticipated, due to lack of access to the space for hire and audiences. In addition the operational 'skeleton' costs i.e. the core costs of building and staffing maintenance are now better understood and comparative work with other borough venues of similar scale demonstrate the original core grant of £250,000 to upkeep the venue is insufficient based on the current business model.

A supplementary grant of £200,000 was agreed in 2005/06 as a result and negotiations are underway with regard to the service provision and business plans required to assess the continuance of the grant after 2007/08. Additional income generation has been negotiated with the Adult College allowing the supplementary grant to be reduced to £165,000 per annum. The Chief Executive has asked that before the Council commit the £165k that the full business case is signed off by the Council.

**Sub-total Regeneration Department**

**£655,000**

**RESOURCES DEPARTMENT**

**15P Local land charges income - £150,000**

In early 2007 central government de-regulated the fees that Authorities could charge for providing their Local Land Charges services, subject to statutory "Guidance". That "Guidance" limited the total fee income to the cost of delivering those services, which for this Council was calculated at £400k. As a result of this guidance fee charges were amended and approved by the Executive, to reflect achieving income to match these costs. However, previous annual fee charges had been achieving income in the region of £550k and therefore these new regulations have resulted in the need for a budget amendment of £150k.

**16P Oracle Support – Software Maintenance - £80,000**

**BUDGET PRESSURES – ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

All Oracle Financial/HR/Payroll Management system modules are covered by an annual support licence fee to ensure on-going support and software updates are obtained from Oracle. The core budget was set in 2002 following initial system implementation. Since then, the system has expanded to meet users' needs.

**17P Electoral Services - £45,000**

Additional funding was secured in 2007/08 of £30,000 to reflect the implications of the Electoral Administration Act 2006 which included at that time additional monies to deal with the costs associated with the organisation of the Local Elections, and an initial assessment of the increased administration of the registration process. That assessment projected the need for an additional £30,000 in 2008/09 which was included in the three year financial plan (MTFS).

This year, with the full effect of the legislation now known the position has increased to £45k and addresses the overall staffing and service requirements.

This will address new administration processes that need to be implemented both in relation to registration and electoral functions. It has also been necessary to review the way the Annual Canvass and monthly rolling registration is conducted.

**18P Sponsorship of Dagenham & Redbridge Football Club ground - £30,000**

The Executive agreed to sponsor Dagenham and Redbridge Football Club's grounds for a three year period starting 2007/2008 through to 2009/2010 at a cost of £30,000 per annum.

As the sponsorship deal was agreed during the course of the 2007/2008 financial year no provision was made in the 2007/2008 budget to meet the sponsorship costs and the costs for 2007/2008 were met within existing budgets. This pressure bid is to meet the sponsorship costs during the following two years of the sponsorship deal.

**19P Review of support to Council's Governance structures - £300,000**

Following a review of the Council's political structures, and taking into account the effects/obligations of the impending new Local Government Act the Assembly at it's meeting in May 2007 adopted the recommendations of the Governance Working Party including an acknowledgement of the need to provide more staffing resources in Democratic Services for this area.



**BUDGET PRESSURES – ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**20P Unified Property System - £85,000**

A programme of projects are required to match address files in systems across the authority with the LLPG (Local Land & Property Gazetteer) and then to keep the LLPG up to date with future changes to properties in the borough.

This bid is required to data-match systems with the LLPG, starting with Revenues and Benefits. Once this match has been completed the LLPG will need to be maintained.

As well as the data matching project, this bid is for the revenue needed to fund a post in Planning to increase the capacity of the team currently maintaining the LLPG.

**Sub-total Resources Department** **£690,000**

**OVERALL PRESSURES TOTAL** **£6,045,000**

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## BUDGET OPTIONS FOR INVEST TO SAVE

### ADULT & COMMUNITY SERVICES DEPARTMENT

#### **1IS Community Equipment – Retail Model - £100,000**

The joining of the PCT and LA equipment distribution could deliver modestly up to 20% saving on the joint £1.5m service – by sharing the overheads across the two partner organisations, economies of scale and procurement gains from partnering. The saving is anticipated at between £75,000 and £150,000 per annum recurring once the measures are in place for both parties.

#### **2IS Electronic monitoring of service delivery of care - £100,000**

We will be able to identify planned against actual delivery and only pay for hours that are provided. This will enable us to identify packages of care requiring a review and eliminate the potential for overcharging. Experience in other authorities has demonstrated real cashable savings arising as a result of Electronic Monitoring.

We will also move to electronic invoicing for the services, this information will be loaded into our SWIFT system and then both planned and actual will be uploaded into Oracle. This will reduce manual invoice processing thus reducing administrative costs.

The system will provide management information that will generate charges levied to Service Users based on hours of service received. It will also produce Department of Health statutory returns and improve reliability performance indicators.

#### **3IS Transitional Services – for young people with complex needs at Heathlands Day Centre - £280,000**

The savings on out of borough placements will outweigh what we will invest to set up this resource provision. At present we are spending an average of £128k per young person on an individual out of borough placement, some of which do not meet their needs entirely. Taking the six young people already identified from out of borough placements, this shows a potential maximum saving in the region of £750,000 given average costs of placements against in borough costs of approximately £255,000 in years 2 and 3 – A lot of these estimates are indicative, and will depend on ultimately the number of young people placed (ie between 2 and 6 maximum), and what the alternative cost of their care would have been – but it should be re-iterated that it only needs to divert 2 potential clients from an out borough placement to break even.

If we do not develop such provision for these young people as well as those out of borough, then we will have little option but to place them out of borough with funding from adult services, and this would increase the budget pressure.

The money spent on out of borough provision (both current spending and future spending, if this provision is not developed) could be saved by investing in-house resourced provision, thus enabling our young people to stay nearby their families and carers, maintaining their family relationships. Furthermore the only costs in years to come will be

**BUDGET OPTIONS FOR INVEST TO SAVE**

the running costs of the resourced provision, which will be contained within the Commissioning budget.

**Sub-Total Adults and Community Services Department** **£480,000**

**CHILDREN'S SERVICES****4IS Increased capacity in Fostering & Adoption - £240,000**

Recruitment of 2 social workers for recruitment of foster carers, introduction of differential fee arrangements to in house foster carers to maintain complex placements and an advertising campaign. Savings will be generated by a reduction in outborough placements by transition into foster carer arrangements.

**Sub-Total Children's Services** **£240,000**

**CUSTOMER SERVICES****5IS Externalising the Out of Hours/Careline Service provision - £440,000**

The service currently provided in house by the Borough is inefficient and extremely expensive. Externalising the service will allow us to offer a service which is bought in from an accredited supplier at a competitive price and which will be of a high quality. This investment includes potential redundancy costs of £300k, which will only be incurred should redundancies be necessary.

**6IS Trade waste service – moving towards electronic monitoring methods - £125,000**

The trade waste teams collect in excess of 16,000 tonnes of waste per annum (including domestic waste of 7,852 tonnes). From this figure approx 770 tonnes is not charged to anyone. This equates to an estimated £155k of uncharged expenditure. Accurately recording and billing all waste collected to the relevant businesses will eliminate any unaccounted side waste.

First year savings are unlikely as it will take at least six to nine months to carry out the tender, commission the project, install the IT systems and provide training. However, in years 2 and 3 it is anticipated that the additional income released will be approximately £155k.

However, the on going savings will be net of the licence fees and staff cost of £35k which then equates to annual savings of £120k.

**Sub-Total Customer Services** **£565,000**

**BUDGET OPTIONS FOR INVEST TO SAVE****RESOURCES DEPARTMENT****7IS Introduction of i-expenses software - £70,000**

Purchase of software and licence to introduce electronic payment of petty cash and other expenses. Savings will be generated through less supplies and services and administrative staffing.

**8IS Introduction of i-collections software - £35,000**

Improved arrangements for debt management and reporting – linkage to existing Receivables and General Ledger systems to enable reduction in bad debts.

**Sub-Total Resources Department** **£105,000**

**OVERALL INVEST TO SAVE BIDS TOTAL** **£1,390,000**

<b>Summary of Investment and Savings 2008/09</b>			
<b>Option</b>	<b>Investment £'000</b>	<b>Saving £'000</b>	<b>Net Position £'000</b>
1	100	0	100
2	200	100	100
3	330	50	280
4	505	265	240
5	440	0	440
6	125	0	125
7	70	0	70
8	60	25	35
	<b><u>1,830</u></b>	<b><u>440</u></b>	<b><u>1,390</u></b>

**Note:** The savings for future years are estimated as:

2009/10    £1.3m  
 2010/11    £1.4m  
 2011/12    £1.6m

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**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**ADULTS & COMMUNITY SERVICES DEPARTMENT**

**1S Commissioning and Contracting - £1,450,000**

Within the Department, the Commissioning Service purchases just over £50m of services from the Independent Sector, primarily for Care Services. It is felt possible given the Departments purchasing power and schedule of contract reviews for the coming year to generate savings of £1.45m (approximately 2.5%).– This is felt a challenging but realistic target to achieve without service delivery detriment. The savings sum will primarily be generated in 5 key areas namely.

**(i) Independent Sector Commissioning (£750,000)**

The department has some traditional care / welfare contracts still with the Independent Sector that have not been reviewed for some time, it is envisaged by the review of some of these contracts with 2 or 3 of the major providers reductions can be made in the order of £500,000, aligned with modernising services provided, and personal choice. Opportunities also exist within the Supporting People area to look at services commissioned and funded departmentally and by Supporting People Grant currently and those services planned for future years. An efficiency gain of circa £250,000 will be targeted overall within the department.

**(ii) Reduction of annual Inflation increase to providers (£400,000)** The Councils budget setting process allows for a 2.4% inflation increase generally for external contracts within budgets. It is not felt unreasonable given for example Council Gershon targets and VFM targets to pass some of the requirement to deliver cashable efficiency savings onto providers, so it is envisaged to hold back approximately 1% of the inflation uplift to providers next year. Whilst each case will be looked at individually and there may be some exceptions to the 1% claw back, the overall amount will equate to a £400,000 1% gain.

**(iii) Independent Sector Home Support Contracts (£250,000)** The department is in the process of re-tendering all its external home support provision and this should be finalised at the beginning of the new financial year. The exercise is primarily to re-state expected service quality outcomes from providers, and to allow flexibility in future provision. Services are commissioned presently from over a dozen providers and amount to approximately £7.5m. One of the key objectives of the re-tender will be to reduce the number of service providers to a more manageable 3 or 4, thus delivering an expected economies of scale gain in the region of 3% on prices.

**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

(iv) **Meals on Wheels retender (£50,000)**

The meals on wheels service was retendered late in 2007/08, and as a result together with generally accepted better quality meals a saving was also made in the region of £50,000 from the previous provider. The meals still remain subsidised to the service user.

**2S Passenger Transport Service – Efficiency Gain - £100,000**

The Passenger transport service is administered by the Adult and Community Services Department in the Adult Care Section, in partnership with Kendrick Ash. Since taking on the service in Adults progress has been made in reducing sickness and subsequent agency/cover costs of the £4m service – better utilisation of the vehicles and the cessation of some taxi usage has also led to gains being made – A saving of around 3% (£100,000) for 2008/09 is deliverable.

**3S Community Safety and Preventive Services - Efficiency Gain and Partnering Opportunities - £200,000**

The Community Safety and Preventive Service budgets equates to around £6m gross in 2008/09. Service areas include Youth Offending Services, Substance Misuse/Drugs Services, CCTV, Community Safety Security and Parks Police.

The service area is relatively new to the Adult and Community Services Department, and it is now felt timely to review all of the areas and funding opportunities. The savings target of £200k (approx 3%) will be generated by looking at service efficiencies, systems and process reviews, smarter ways of working and smarter procurement. Together with working with our partners to secure for LBBB additional funding in areas such as Home Office Crime initiatives and from the PCT for health improvement activity in respect of Substance Misuse. External and local funding opportunities exist in this service area and it is felt possible to secure the additional money/gain in 2008/09.

**4S Mental Health – Efficiency Gain & Partnering Opportunities £100,000**

Mental Health budgets at LBBB equate to approximately £5m. This 2% saving target is felt achievable primarily by looking for partner contributions from the PCT and NELMHT towards current residential and day service costs, specifically where services are assessed as a Health responsibility. Specific areas being looked at include:

- Continue with strategic modernisation review of mental health day care services by looking at all current day services and the mode of provision.
- Ensure all client reviews are refreshed and new goal of transferring existing committed spend against social care budgets to local NHS provision, where appropriate and clinically indicated.



**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

- Exercise control and restraint on all non-pay budget lines and management controls wherever possible regarding staff recruitment, minimisation of agency staff usage and reductions in sickness etc.

**5S Administration and Systems efficiency - £250,000**

The Director has tasked each Head of Service with finding £50,000 administrative and system efficiency gain and £50,000 from the department's central processes and systems costs. The gain will be delivered in 2008/09 by primarily reducing administrative staff numbers, together with and leading to some wider reviews and automation of processes in the department. The continued reduction in the use of agency staff, will also lead to staffing cost gain with better outcomes.

It is envisaged by February/March all post reductions delivering the £250,000 will be identified (some posts have already been actioned).

**6S Additional Income and Charging - £350,000**

The Adults department within its £92m gross budget receives £18m in Income from various sources, namely government grants, benefits and allowances to fund Residential Care costs, partner contributions and fees and charges from people/organisations using our services/buildings. It is felt feasible to generate an additional £350k (approx 2%) in 2008/09 from a variety of sources. The additional income will be generated from 4 main sources namely:

- (i) **Charges to Other Local Authorities (£150,000)**  
Occasionally other Local Authorities request to place their service users for reasons of location/specialism etc in one of the Council run establishments, usually a residential care home or a day centre (eg Heathlands). In these instances the council is permitted to charge full cost for these clients, on average £500 per week (£25k per annum). Currently the council is generating additional income of approximately £150k from such placements (approximately 6 people). It is felt prudent to add this amount to the income budgets for 2008/9 onwards.
- (ii) **Meals on Wheels Price increase (£50,000)**  
The current cost of a meal to service users (approx 350 of them) is £2.60 per day/meal this represents a subsidy of £1.70 per week pence against the price from the provider of £4.30per meal. It is proposed to increase the cost of the meal by 50 pence to £3.10 per meal still leaving a subsidy of £1.20 per meal. All meals recipients will also benefit in 2008/09 from a recent agreement with the PCT to fund the provision of fresh fruit and vegetables as part of the meals service - this will generate an additional income of £50,000 from the approximate 100,000 meals provided annually. It is felt this is an opportune time to review meal prices after the new meal provider contract started last year.

**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

- (iii) **Home Care Charges to Clients assessed to pay full costs (£50,000)**  
 Service users with more than £21,500 in savings are assessed (under Government Fairer Charging guidance) to pay the full cost for their care – the department has approximately 65 clients (out of approximately 800) in this category and it is proposed to increase charges to these service users from £8.50 per hour to £10 per hour (approx 18% increase), this reflects the average cost of care the council now pays. Increasing charges to full cost payers has been a common practice locally and nationally recently, as it is seen as fair (due to income levels) and relatively few service users are affected.
- (iv) **Home Care Charges – all clients (£100,000)**  
 Due to the statutory means test required before Charging is allowed (Department of Health Fairer Charging guidance), which basically protects service users on low incomes/income Support and benefits etc - most service users are assessed a nil charge for their care at LBBB (only approximately 25% of clients pay towards their care) .The Council mitigates against universal services for all by having an eligibility criteria for receipt of care services.

Due to the limited number of service users paying for services, the Department is looking to introduce a more refined/targeted charging system for service users in 2008/09 that will generate additional income from a relatively small base of payers, but first the system will require a new electronic monitoring/data capture system (that will basically capture every minute of service received by a service users).

This system will allow the charging system to be based on actual service received rather than as currently based on planned/estimated service and is expected to generate/capture more service.

Before the system is introduced it will need to be procured tested and all external providers of care will be obliged to use the system, this is being written into new home care provider contracts for next year.

**Sub-Total Adults & Community Services Department** **£2,450,000**

**CHILDREN'S SERVICES DEPARTMENT**

**7S Senior Management Restructure - £140,000**

Deletion of former Head of Service post (Pupil and Family support) together with support post and related budgets. The post holder left in 2007 and the duties have been divided up between the rest of the Children's Management Team.

**8S Safeguarding and Rights Service – £230,000**

The Safeguarding and Rights Service deals with Social Work/Care management Residential Fostering and Adoption services, Leaving Care services, Family Support and Asylum seekers. The budget for the service is over £25m and although these budgets are amongst the most

**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

challenging and difficult to contain, it is felt realistic to target a sum of £230,000 across the service area in terms of efficiency. Areas being targeted for the gains are:

- (i) **Care Management Support Budgets (£50,000)**  
The Section 17 support budgets in the service have been reviewed and it is felt possible to remove the previous allocation to the Care Management Team and for this to be absorbed within the division.
- (ii) **Community Education Psychology Service (£50,000)**  
The budget for the service is in the region of £2m gross , and it is felt reasonable to target a £50,000 efficiency gain in terms of staffing structures/recruitment and generating income.
- (iii) **Children with Disability Care Packages (£20,000)**  
Approximately 25% of Children with Disabilities who receive a care package have complex health needs – it is planned to ensure Health colleagues are more involved in the process , and make appropriate contributions if assessed – the integration of the Special Education Needs (SENART) teams into the processes will also assist in gains/additional partner contributions.
- (iv) **Children in Care Teams (£75,000)**  
Reduction in staff costs through deletion of 2 posts (one in Looked After Children Health and Education Services (LACHES) & one in the Learn to Live Team (L2L), together with restructure of the management function in the L2L team.
- (v) **Preventative Service Management (£35,000)**  
It is planned to fund 50% of the Children’s Prevention Group Manager post from utilisation of Shared Services & Engagement government grant, as it is relevant to the work performed.

**9S Shared Services and Engagement - Grant Funded Central Costs - £300,000**

The council now provides a growing number of internal services to the new children centres, extended schools, early years and childcare settings within the Shared Services & Engagement (SSE) service. The range of council services include financial services, IT support, HR and departmental services. These are direct services and should be fully funded from the appropriate external grant. Given expenditure and grants in these areas are in the region of £10m gross, it is felt feasible to secure £300,000 in such allocations. Also following a review of car allowances, it has been established that some reductions in essential allowances would be possible.

**10S Shared Services & Engagement – Staffing and Supplies & Services - £50,000**

Services previously managed by the former Head of Service (Pupil and Family support) has been divided up between the Children’s Management Team – Service areas inherited by the Head of Shared Services & Engagement (SSE) will be subject to a review, with a view to identifying £50k of efficiency gain/procurement gain/administration reduction, through economies of scale reductions.

**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**11S Quality & Schools Improvement - £300,000**

The Quality and Schools Improvement Service covers areas such as The Westbury CIAS, Asset and Capital Management Inclusion and SEN (Special Education Needs) and Teacher Accommodation and Training Services. Given net budgets in the region of £15m, savings in the region of 2% are felt reasonable. Specifically the £300k will be achieved by the deletion of 6 full time posts, by means of full review of the service re tasks and responsibilities, buy back opportunities where appropriate with Schools and reviewing the use of external grants. The service areas are funded from a combination of council funding, SLA buy back with schools, standards funds and dedicated school grant. It is planned to re-examine the current level of service provision including a full review of staff and other resources funded through the standards fund, SLA's buy back provision funded by schools, contribution from funding streams within the Building Schools for the Future project and the central expenditure element of the ring-fenced dedicated schools grant.

**12S Education Inclusion Service Staffing Restructure - £60,000**

The Education Inclusion (Special Needs Support) service is being reviewed with a view to securing a modest £60,000 saving in staffing.

**13S Integrated Family Services - £60,000**

Efficiencies will be sought in the provision of Integrated Family Services in the sum of £60,000 – staffing review, support budgets and smarter procurement options will be looked at to secure the gain.

**14S School Clothing/Uniform and Footwear Grant – Change of criteria - £60,000**

The authority currently offers a school uniform grant to support families with the cost of school clothing and footwear. School clothing grants are made at the discretion of the authority and the authority is under no legal obligation to provide this. Grants are currently given to those families who meet a criteria etc (broadly in receipt of Income Support Allowances/Child Tax Credits etc), the grants cost the service in excess of £200,000 per annum – it is proposed to reduce overall spend by a third in this area (£60,000) – by means of reducing numbers overall receiving grants, or by reducing the limits/amount of grant (currently up to £70).

**15S Children with Complex Needs - contribution from PCT - £135,000**

The Children's service deals with many young children with complex needs including health related needs, in various service areas, including Children with Disabilities, LACHES (Looked After Children Health and Education Service) and Portage. After negotiations, the local PCT has agreed to contribute towards these cases with interface issues with Health and make a recurring commitment to these service areas of £135,000.

**Sub-Total Children's Services Department**

**£1,335,000**

**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**CUSTOMER SERVICES DEPARTMENT**

**16S National Non Domestic Rates (NNDR) joint working with London Borough of Havering - £50,000**

This saving reflects the Executive in principle decision (6 November 2007) to enter into a partnership Shared Service initiative with Havering in 2008/09 for the delivery of NNDR service. It is anticipated that savings will be achieved by both Councils joining forces to deliver one joined up service. Savings are anticipated from staffing, on going annual software maintenance costs and printing and despatch costs at annual billing.

**17S Increased income from Court Costs income - £100,000**

This service collects Council Tax and Business Rates from customers who are responsible for payment of the tax. Currently the collection rate is low compared to our nearest neighbours, in order to increase the collection rate we have been undertaking more intense recovery activities (i.e. more reminders & Summonses at shorter time intervals etc).

This will have the effect of increasing the number of people who are eventually summonsed to Court. This will in turn improve on our collection rates and as a result bring in more income in the form of Court costs.

Also, during the last financial year, Court costs for Council Tax summonses were increased from £67 to £93, with an additional £30 being due if the customer does not pay before the Court date (£123 in total). NNDR Summons costs were also increased with costs currently at £127.30 for a summons and £99.70 for a liability order.

The introduction of a new computer system (Academy) will afford us more flexibility in how we conduct the recovery schedule.

**18S Fleet management – better use/procurement and shared services - £100,000**

Through better procurement of our Vehicle supply and maintenance contract we expect savings of up to 15% of total spend.

**19S Review of pest control income - £10,000**

The saving sees an above inflation increase of 7.5% in fees and charges for Pest Control.

**20S Reduced number of vehicles for frontline managers and inspectors - £40,000**

The saving will remove the current council owned vehicles from front line managers and inspectors and replaced with a smaller pool of specialist vehicles and casual car user allowances.

**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**21S Additional over-payment income - £150,000**

Additional income will be generated through improved recovery of Housing Benefit overpayments.

**22S Staff savings through business review - £805,000**

Employee and related budgets will be reduced in the following areas:

Barking and Dagenham Direct

- |   |               |
|---|---------------|
| ○ 3 posts as part of the roll out of academy system | £100k         |
| ○ 3 posts in General Income                         | £100k         |
| ○ Overtime reduction in Revenues & Benefits         | <u>£ 80k</u>  |
|   | <u>£ 280k</u> |

Environmental & Enforcement

- |  |              |
|--|--------------|
| ○ Overtime reduction on Highways grounds | £200k        |
| ○ Management of Parks and Cemeteries     | £ 50k        |
| ○ Overtime reduction across cleansing    | <u>£100k</u> |
|  | <u>£350k</u> |

Remainder of Customer Services Department - staffing	£175k
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**23S Trade Waste Service – Charging - £245,000**

This saving will be generated by increased charging of commercial waste collection of £145k and schools trade waste collection of £100k.

<b>Sub-Total Customer Services Department</b>	<b><u>£1,500,000</u></b>
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**REGENERATION DEPARTMENT**

**24S Spatial Regeneration - Reorganisation of staffing - £50,000**

Within 2008/09 one post will be deleted. By 2009/10 another post will be deleted and some other realignment of grades upwards will have to take place. Any redundancy costs will be met from leaving other posts vacant.

**25S Club liaison staffing - £35,000**

This saving will be achieved by the deletion of one post (currently vacant) which was designed to build capacity in voluntary sporting clubs within the Borough. Other forms of partnership working and closer working with the Neighbourhood Management function may in part bridge the gap created by this deletion.

**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**26S Increased car parking tariffs – on and off-street - £50,000**

Above inflation tariff increases will bring these charges more in line with parking charges made elsewhere by neighbouring boroughs and other providers in the Borough. The structure of the tariffs should encourage more frequent vehicle turnover and attract new customers to commercial areas. Off-street tariffs will be set lower than on-street tariffs to encourage drivers to use off-street facilities and make available more on-street facilities for local shoppers.

**27S Income from mobile CCTV and from new powers to charge for moving traffic violations - £280,000**

Additional income of £150,000 per annum is expected from the issue of Penalty Charge Notices for the enforcement of drivers that violate moving traffic violations.

Also, additional income of £130,000 per annum is expected from the general expansion of CCTV capacity.

**28S Car Parking Income - £300,000**

Previous year's outturn on income raised through the improved identification and collection of Penalty Charge Notices in particular CCTV generated notices indicate that through current tariffs and robust management that additional income above the current budget level will be sustained.

**29S Land Drainage - £50,000**

Expenditure in this area has been consistently less than the current budget and this saving can be achieved with no detriment to the service.

**30S Leisure, Arts and Olympics staffing - £45,000**

A review of the management structure in this service.

**31S Merger of Management of B&D Training Service and Adult College - £40,000**

The merger of these two areas will lead to management and administrative staff savings with no impact on service provision.

**32S Administration - £20,000**

Reduction of one administrative staff due to early retirement.

**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

**33S Staff savings - £60,000**

Reduced use of agency and overtime across the department

**Sub-Total Regeneration Department****£930,000****RESOURCES DEPARTMENT****34S Service reviews - £990,000**

Savings will be achieved from a rigorous review of all staffing structures in the Department which will lead to the delivery of efficient and effective professional services which reflect the objectives of the Council priorities.

The key areas already identified and implemented for savings are:

- (i) **Management Structure (£365k)**  
A review of the second and third tier management structure by the amalgamation of service areas and consequent reduction of two head of service posts and two group manager posts.
- (ii) **ICT Service – Systems Development Team Restructure (£250k)**  
Within this team there is responsibility for customer relationship management work which reviews the IT access of services between the Council and Customers. The Head of ICT has reviewed our current approach to “Customer Intelligence” and has concluded that this team can be downsized by four posts through redeployment and vacant posts.
- (iii) **Payroll Team (£70k)**  
With the introduction of single status and staff moving to monthly pay from weekly pay it is possible to downsize this team by the deletion of two posts through one vacant post and one early retirement.
- (iv) **Occupational Health Service (£30k)**  
With a shared service now operating with the London Borough of Havering it is possible to achieve one administrative post saving through a redundancy.
- (v) **Administrative Officers (£95k)**  
The Resources Department has reviewed its PA structure supporting the director and heads of service and has created a single business support unit to provide the relevant service. This has been achieved by the deletion of three posts.
- (vi) **Marketing & Communications Team (£80k)**  
A review of the combined marketing and communications team has commenced with the reduction in staffing levels of around 2 to 3 staff through vacant posts/redeployment.



**BUDGET SAVINGS - ALL COUNCIL SERVICES**  
**(EXCLUDING SCHOOLS)**

(vii) **Human Resources Service - Administration (£50k)**

A review of the above service will identify administrative savings through vacant posts/redeployment.

(viii) **Train to Gain” funding (£50k)**

External funding will be generated to support our trainee scheme

**Sub-Total Resources Department**

**£990,000**

**OVERALL SAVINGS TOTAL**

**£7,205,000**

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**CORPORATE PROPOSALS****INCREASES****1C Reduction in interest on balances £1,000,000**

As a result of the current and future spend on the Council's capital programme, which is supported by Council capital receipts, it has been identified that due to the forecasted reduced level of balances, the Council will see a reduction in the level of interest it will generate on its remaining balances. The calculation also takes into account the recent change in the interest base rate to 5.25%.

**2C Levies - £429,000**

The Council contributes to various levying bodies, which are, East London Waste Authority (ELWA), London Pensions Fund Authority, Lee Valley Regional Park Authority and the Environmental Agency.

The increase above is due to the increase for the ELWA levy above inflation (£367k) and relates mainly to the significant increase in contract costs, which reflects the investment by Shanks of significant sums in the waste management facilities across the waste authority needed to meet the Government's targets for recycling and diversion from landfill. The balance of £62k mainly relates to an above inflation increase from the London Pension Fund Authority.

**3C Revenue repayments for borrowing - £1,000,000**

The Council has a significant investment programme for its infrastructure, assets and new developments. Currently the Council has used self generated capital receipts and external funding to finance the programme. To enable continued investment the Council will now seek to take advantage of "prudential borrowing" to part fund the relevant capital projects. This in turn means that the Council will need to borrow and subsequently will need to make annual repayments to repay loans and to pay interest on those loans. The sum above is allocated to enable the budget to be available for this process.

**4C Pension Fund triennial review - £750,000**

Every three years the Council's pension fund is reviewed by the Council's actuaries and they look at both the assets and liabilities of the fund. The recommendation of the actuary is that the pension fund employer contributions need to increase to 17% for 2008/09, 18% for 2009/10 and 19% for 2010/11.

**Sub-total of Increases****£3,179,000**

**CORPORATE PROPOSALS****REDUCTIONS****5C Review of Contingency, Provisions and Use of Reserves –  
£1,195,000**

An annual review of the contingency and other provisions is undertaken in the light of current year performance with the contingency and a thorough assessment of factors which need to be addressed as part of the contingency budget and other provisions required. In addition, as part of the proposed budget it is intended to use general earmarked reserves to contribute to the overall budget for 2008/09.

**Sub-total Reductions** **(£1,195,000)**

**OVERALL TOTAL OF CORPORATE PROPOSALS** **£1,984,000**

**INCREASED BUDGET OPTIONS FOR SCHOOLS****FUNDING DEVOLVED TO SCHOOLS WITHIN THE DSG****1Sc Schools Budget Minimum Funding Guarantee - £3,423,000**

The Government's first three-year school funding settlement for 2008/11 includes a basic increase of 2.1% minimum funding guarantee per pupil to individual schools. The changes in pupil numbers between January 2007 and those used in the indicative DSG for 2008/09 in Barking and Dagenham rise by 0.83%. While pupil numbers will vary in detail between the indicative numbers and the actual numbers for January 2008, the Minimum Funding Guarantee allocation must be set aside for delegation to schools within the DSG total.

**2Sc Funding to support 'Day Six' provision - £180,000.**

There is £30k included within the Dedicated Schools Grant for the first time which provides resources to administer the new statutory requirement for schools to provide or arrange full time education from and including the sixth day of a permanent exclusion. This ministerial priority provides for both sectors although exclusion numbers at Primary level are much lower than Secondary.

In addition to the day six provision, the Pupil Referral Unit managed by Dagenham Park Community School is currently educating around 30 pupils above the number specified in the Council/school service level agreement.

It is essential that this provision continue to be developed to ensure that pupils remain in mainstream local provision as far as possible and reduce the dependence on more expensive out of borough placements. The shortfall is £150k.

**3Sc Trinity School – additional pupils - £150,000**

Provision to cover the cost of the increasing numbers of Special Education Needs (SEN) pupils attending the Special School. The school is currently oversubscribed and there will be increasing pressure to place children in out of borough placements. This also includes funding to support the Living and Learning centre and provide resources for a delegated six place full time unit. This issue is under continuous review with the School management and will be subject to further consideration. The cost of external placements for these children will be significantly more than the funding required for Trinity Special School.

**4Sc Union Facilities Agreements - £70,000**

Formulaic allocations of time for trades unions and professional associations have been refreshed and additional costs will be incurred to meet the current agreements. This funding will be distributed on a formula factor to the schools whose staff are being released for these duties.

**INCREASED BUDGET OPTIONS FOR SCHOOLS****5Sc Headroom delegated to schools to meet additional inflationary pressures, 14-16 diplomas, personalisation and other priorities - £1,938,000**

The Minimum Funding Guarantee would barely provide a standstill budget for individual schools and the workings of the funding formula would be substantially over-ridden by the absence of any headroom. As retained expenditure within the DSG is subject to the Central Expenditure Limit (explained earlier in this paper), the balance of any funding must be delegated to schools to comply with the School Funding Regulations. School priorities might include 14-16 diplomas or activities relating to personalisation

**Sub-Total Additional Funding to individual schools £5,761,000**

**RETAINED FUNDING WITHIN THE DSG****6Sc Catering Service - £200,000**

The schools catering service-trading accounts are currently indicating a deficit of around £200,000 more than the current DSG central expenditure element contribution of £170,000. This is due to increased costs from the healthy eating initiative, reductions in the number of sales and additional staffing costs resulting from improved cooking methods. It is forecast that the effect of the above ongoing budget pressures and salary increases from single status will continue in 2008/09. The Government have announced that there will be a new earmarked standards fund grant made available to all authorities to support the take up of school lunch to replace the current targeted school meals grant. This grant must be used to provide additional funding and not to provide replacement for existing funding. The service remains under review and will be subject to further reports within Children's Services and the Schools Forum.

**7Sc Non-Maintained School Fees - £150,000**

The current forecast for non-maintained school fees provides an anticipated budget pressure amounting to £150,000, this is due to the increased numbers of children with complex needs and the direct result of the recent significant increase in the number of safeguarded children cared for in external placements. The budget £2m held within the central expenditure element of the Dedicated Schools Grant.

**8Sc School management structures and financial recovery plans - £150,000**

Provide earmarked funding to support management restructure and recovery planning for schools taken off special measures, schools causing concern and providing resources to sustain school improvement. This item remains within the central expenditure element of the Dedicated Schools Grant. Currently there are no schools within the authority under special measures.

**INCREASED BUDGET OPTIONS FOR SCHOOLS****9Sc Early Years Private, Voluntary and Independent Providers - £150,000**

Actual cost of this will vary once January 2008 PVI pupil count is undertaken, but it is expected that costs will rise with the number of pupils and £150k is the best estimate at present.

**10Sc Inflationary increases on retained budgets - £326,000**

This assumes an average 2.5% increase on retained budgets. Inflation in school budgets is covered by the Minimum Funding Guarantee.

**11Sc Reduction in provision for schools specific contingencies – (£230,000)**

The workings of the Central Expenditure Limit mean that the CEL will be breached if this transfer from retained budgets to devolved budgets within the Schools Budget is not implemented. This adjustment is expected to be achieved through a change in accounting treatment for a pool of resource which primary schools contribute to deal with exceptional costs for pupils with complex needs. The impact would, therefore, be neutral in its impact.

<b>Sub-Total Other Increased support for Schools</b>	<b><u>£746,000</u></b>
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<b><u>OVERALL INCREASE FOR DEDICATED SCHOOLS GRANT</u></b>	<b><u>£ 6,507,000</u></b>
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## CALCULATION OF THE PROPOSED COUNCIL TAX 2008/09

	£'000	Band D Council Tax £	Increase %
<b>BARKING &amp; DAGENHAM</b>			
Base Budget 2008/09	274,230		
Executive Proposals	8,721		
Budget Requirement 2008/09	<u>282,951</u>		
Less: Formula Grant	-95,418		
Dedicated Schools Grant	-135,647		
Council Tax Collection Fund Loss	443		
Council Tax Requirement	<u><u>52,329</u></u>		
Council Tax Base	51,429.5	<u>1017.49</u>	
<b><u>Overall Council Tax - Band D equivalent</u></b>			
London Borough of Barking & Dagenham		1017.49	4.43%
Greater London Authority		311.25	2.40%
		<u><u>1,328.74</u></u>	3.95%

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**MEDIUM TERM FINANCIAL STRATEGY**

**2008/09 TO 2010/11**

**MEDIUM TERM FINANCIAL STRATEGY  
2008/09 TO 2010/11**

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## 1. Introduction

- 1.1. This document sets out a framework for using the Council Finances to deliver the Community Priorities over the next three years.
- 1.2 It is now possible to set out future years' expenditure plans because the funding announcements cover a three year period, and it is also possible to predict the broad parameters of Council expenditure for three years with a reasonable degree of accuracy.
- 1.3. The London Borough of Barking and Dagenham has since 1992 been able to maintain a debt free position. This advantage has enabled us to plan and predict our capital programme with a greater degree of confidence than other Councils. This has been reflected in turn in the revenue budget. However, due to changes in legislation from 2004, which have required us to pool 75% of our Right to Buy receipts, this debt free position is not sustainable in the long term and as a result the Council will need to return to borrowing in 2008/09.
- 1.4. Our Medium Term Financial Strategy (MTFS) is driven by the Council's desire to maximise its impact in addressing the needs of local people, delivering against the Community Priorities, and working with the local community wherever possible. There will be points of contention and disagreement about the actions that are needed, but these will be addressed through consultation and information sharing. Where contention arises, we will use the Community Priorities as a guide to finding the best solution for our Community, within the overall financial framework.
- 1.5. The Medium Term Financial Strategy covers the three years 2008/09 to 2010/11, with 2008/09 being based on the budget and plans agreed in 2007 and further developed in February 2008. It is a rolling strategy that is updated annually and informed by the capital strategy. This strategy will be:
  - a) Adopted as part of the 2008/09 budget process;
  - b) Updated during each year to assist budget planning for future years;
  - c) Reviewed in February each year when the annual budget is set.Steps b) and c) are now a part of the regular financial planning process.
- 1.6. This strategy aims to look beyond the immediate future in terms of service and financial planning. It takes account of the community priorities linking those priorities with a financial strategy for delivering them. It joins together the revenue and capital planning and provides a framework for using the Council's resources alongside other Public Sector funding.

- 1.7. The MTFs is also based on the Council's effective performance management arrangements which are based on a series of tools designed to help staff, partners and Councillors make informed decisions and improve services. The Council's performance management framework has:
- A clear definition of what we are trying to achieve, which is our vision: - 'together we will build communities and transform lives';
  - A clear definition of what success will look like in terms of the vision. Our vision is underpinned by the seven community priorities and three Council priorities;
  - Policies, strategies and plans to deliver the vision;
  - Targets and performance indicators which are SMART (specific, measurable, achievable, realistic and time bound);
  - Robust arrangements for performance reporting, review and scrutiny, which allow performance to be challenged and action to be taken when things are not going according to plan.
- 1.8 In the past year, the Council has also made great improvements in the way in which it delivers and manages value for money. The Audit Commission's annual Use of Resources assessment moved the Council from a two star to three star rating in 2007, and the latest 2008 assessment maintains our three star rating with the Financial standing score increasing to four.

Significant improvements and strengths that have taken place include:

- We have shifted resources to target improvement and considerable success has been achieved, for example in Planning and Housing Benefits;
- Children and Young People's Services have demonstrated marked performance improvement to gain a score of three for all criteria in the Annual Performance Assessment (APA);
- Significant progress has been made towards embedding the concept of value for money within the Council's culture. As examples, achieving and improving value for money is now a corporate priority and there is a lead Member and senior manager with overall responsibility for value for money. Information to enable effective scrutiny and challenge of value for money is improving in terms of regularity and quality;
- The Council has put in place processes and forums to ensure that value for money is more explicitly considered by staff;
- A new development has been to increasingly ensure value for money is integral to the budget setting and service planning process, and this is reflected within the format of the service scorecards.

Our challenge is to make sure value for money becomes a principle on which the whole organisation delivers services.



1.9 The key principles of the production of the MTFs can be summarised as follows:

- Aligning budgets and resources to key priorities;
- Ensuring value for money & efficiency in all service areas;
- The Approach to external funding;
- The Budget Strategy;
- The Levels of reserves and balances;
- The Capital investment;
- The Treasury Management Strategy.

## 2. Community and Corporate Priorities

2.1. The Community priorities which the Medium Term Financial Strategy will help to deliver are:

- a) Promoting Equal Opportunities and Celebrating Diversity;
- b) Better Education and Learning for all;
- c) Developing Rights and Responsibilities with the Local Community;
- d) Improving Health, Housing and Social Care;
- e) Making Barking and Dagenham Cleaner, Greener and Safer;
- f) Raising General Pride in the Borough;
- g) Regenerating the Local Economy.

Through these community priorities, and the organisations we work with, we have ambitious plans for the borough including the following:

- The planned **Barking Riverside** scheme which will create 10,800 new homes in the next 20 years. The development will include community, health-care and leisure facilities and will create more than 2,500 new jobs;
- Transforming **Barking Town Centre**, which will continue with finishing the Learning Centre by working with University of East London and Barking College, and demolishing and redeveloping the Lintons site;
- Improving opportunities for children through the successful programme of children's centres, and remodelling or rebuilding secondary schools using £200 million worth of funding from **Building Schools for the Future**;
- Involving and making communities stronger by introducing **neighbourhood management** projects across the borough;
- Achieving the targets set out in the **local area agreement** (LAA) with our strategic partners. The LAA helps join public services together more effectively and allows us to be more flexible in sorting out problems with public services.

2.2 Our Community priorities are all underpinned by the three Corporate priorities of:-

- Delivering Outstanding Customer Services;
- Improving Performance Across the Board;
- Regenerating the Borough.

These Corporate priorities will be delivered through service scorecards, our internationally recognised planning tool. The Council priorities can be explained as follows:

**Delivering outstanding customer service**

Building on the success of the award winning “Barking and Dagenham Direct” and the “Done in One” and “Tell Us” campaigns, we will continue to improve services through One Stop Shops.

**Improving performance across the board**

This is being achieved through a combination of targeting resources at priority areas and effective performance management systems, built around the principles of challenging below target performance.

**Regenerating the borough**

Much has been achieved with high quality developments across the borough. As well as plans for Barking Town Centre and the Riverside proposals are in hand to ensure local people are equipped to take advantage of the opportunities this development will present.

To deliver both the seven community and three Council priorities, we are all guided by five values, setting out how we will work. The Council values are:-

- Involve those affected when making decisions and shaping services;
- Take responsibility for customer care and service excellence;
- Value and develop the diverse talents of our employees;
- Demand best value for money from our services and invest in our future;
- Work in partnership with others across departmental, organisational and borough boundaries to deliver our community priorities.

2.3 The link between the community priorities and the budget is demonstrated in Annex 1.

### 3. Aligning Budgets to Priorities

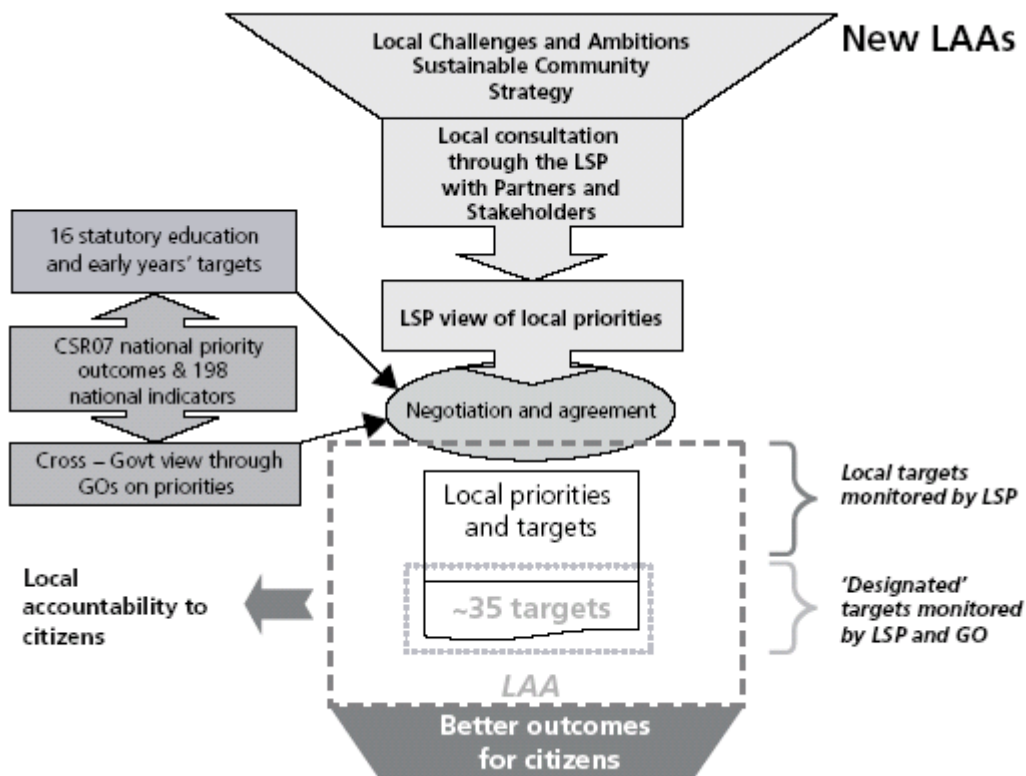
- 3.1 The most important issue for financial planning across the whole of the local area is how to ensure that funding is allocated to areas which are agreed as being priorities. One of the ways that we direct funding to priorities is through the annual budget cycle, where investment is directed towards key priorities and projects.
- 3.2 Another way that funding is allocated to priorities is through the Local Area Agreement (LAA). The LAA sets out the priorities for a local area agreed between central government and a local area (the local authority and other key partners such as the Primary Care Trust, the Police and the voluntary sector). Various funding streams from central government are then channelled to against the agreed priorities and targets.
- 3.3 The structure of the Local Strategic Partnership has been reviewed in the light of the need to deliver the LAA. As a result an inclusive **Public Service Board** has been formed to:
- Include the Voluntary and Community Sector;
  - Exercise a leadership and governance role;
  - Bring together the key decision makers in a geographic area in a way that is visible, meaningful, and accountable to local people which delivers improved public services;
  - Oversee public expenditure in the locality and manage relevant budget streams through joint planning and resource allocation; and
  - To act as an agent for transformational change.
- 3.4 The first LAA for Barking and Dagenham started in 2006/07. It is owned by the Local Strategic Partnerships and includes targets to deliver against shared priorities across the local area, with funding being allocated against the following thematic blocks and related targets:
- Children & Young People
    - Reducing number of 16 - 18 year olds not in education, employment or training;
    - Improving educational attainment for Looked after Children;
    - Reducing teenage pregnancy;
    - Reducing child obesity.
  - Safer & Stronger Communities
    - Reducing number of economically inactive people in the borough;
    - Reducing domestic violence;
    - Improving relationships in the community for people from different backgrounds.

- Healthier Communities and Older People
  - Increasing direct payments for older people;
  - Reducing residential and nursing care admissions for older people.
- Economic Development and Enterprise
  - Increasing percentage of adults in workforce with qualifications;
  - Reducing number of economically inactive people in the borough.

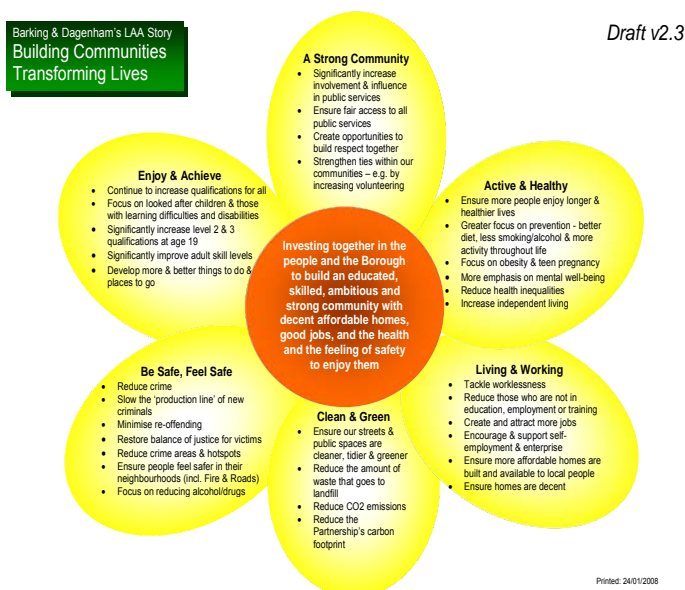
Targets for the LAA have been set over a three year period from 2006/07 to 2008/09. If all targets are met, a total reward grant will be payable from central government of £5.7m.

3.5 From 2008/09 onwards, the Partnership will agree a new Local Area Agreement with central government (the original LAA targets as referred to above are still applicable until March 2009, but the new LAA will set the framework for future years). A key development from 2008/09 onwards is that funding is now not allocated against specific thematic blocks. This gives partnerships more freedom over how to allocate funding best to fit with local circumstances.

3.6 The diagram below explains the process involved for the negotiation of new Local Area Agreements:



3.7 Within this context, it is vital that local circumstances are fully reflected in the LAA. The starting point for this is the development of a “story of place”. This can be demonstrated for Barking and Dagenham as follows:



### Living & Working

Barking and Dagenham is about to undergo its biggest transformation since the borough was first industrialised and urbanised. The Thames Gateway, of which it forms its heart, is the largest regeneration area in Europe. It is crucial to the Government’s plans to develop sustainable communities and to the London Mayor’s ambition to ensure prosperity is more evenly shared between east and west in London.

Over the next decade and a half, East London will benefit from 150,000 new homes and around a quarter of a million new jobs. New transport connections will make travel in the region and to the rest of London easier than ever. Barking and Dagenham’s population will rise dramatically and new housing will substantially change the character of the borough.

Our vision is for a vibrant local economy, with a wide variety of local retail, leisure and cultural facilities, and a well-educated, highly skilled population able to compete for new jobs in the borough, the Thames Gateway and London as a whole.

Economic development is a key issue for Barking and Dagenham, which currently performs poorly across a number of employment and enterprise indicators. Employment rates are low with few new jobs being created and local people not necessarily having the necessary skills.

### **Active & Healthy**

Health and social care is a major issue in the borough. Life expectancy is significantly below the national and London average for both men and women, with particular problems relating to cancer, coronary heart disease and teenage pregnancy. Access to decent housing is a key issue. To address these problems we are working with partners to encourage activities that result in healthier lifestyles and work together to improve facilities and the location of services; working together to provide seamless services to meet the needs of vulnerable children and adults; supporting improvements in residents' quality of life by implementing the decent homes standard in existing provision and new developments.

### **Enjoy & Achieve**

Barking and Dagenham has one of the fastest growing populations in the country and it is predicted to increase to 205,000 by 2020. At present, the population of 170,000 is living in just over 69,000 households and it also has a higher proportion of children than the London average. Nearly a quarter of the population is aged 0-15 compared to the London average of 19%. In the January census of 2007, 45 percent of school pupils are from black or minority ethnic groups.

Of the 354 local authorities, Barking and Dagenham ranks as the 21<sup>st</sup> most deprived area according to the Index of Multiple Deprivation, with some areas suffering concentrated levels of deprivation.

The borough also has the highest proportion of children and young people on the most deprived Acorn categories of 'moderate means' and 'hard pressed'. 32 percent of children under 16 live in families that are classified as income deprived. This links with the low employment rates and with fewer new jobs being created and local people not having the necessary skills.

### **A Strong Community**

The transformation of Barking and Dagenham provides great opportunities whilst bringing increased demand for services and creating challenges. The borough has a higher proportion of older people than the London average, 19% are over the age of 60 and relatively few in the 15-60 age group. An important recent change has been the rapid rise to 25% of black and minority ethnic residents, an increase of 15% since 2001. Historically, there has been a stable white, working class population in many parts of the borough, although in areas of Barking there has been significant ethnic diversity for over a decade. Increasing diversity offers considerable opportunities, but the pace of change poses a number of real challenges for community cohesion. The Borough has low levels of income and high rates of social exclusion, with high levels of teenage pregnancy, domestic violence, health inequalities and young people not in education, employment or training. These issues are being addressed through strong and inclusive partnership working, successful bidding for investment, and capacity-building for our community.

### **Be Safe, Feel Safe**

A safer Borough is a prerequisite for an improved quality of life and well being for all borough residents. This requires not only the continued reduction in actual crime but also the successful conveyance of positive messages which drive residents perception of safety within their communities and the image of the borough as a place where people wish to live, work and spend their leisure time.

While Barking and Dagenham have been successful in turning around the performance on crime detection and reduction over the past 14 months, the challenge remains to consolidate and continue to reduce crime levels via intelligence based tasking and enforcement. At the same time, we are resolved to use the breadth of our LAA to explore the casual factors leading to criminality and drug and alcohol abuse, and develop and implement preventative solutions which will bring about increased life aspirations and greater well being of individuals and the wider community.

### **Clean & Green**

The visual experience of the Borough continues to be a key priority for our local community as expressed in various consultations, most recently in 2007 linked to our roll out of neighbourhood management. Issues raised by local surveys showed rubbish and litter levels as one of the top five concerns with 39% of residents.

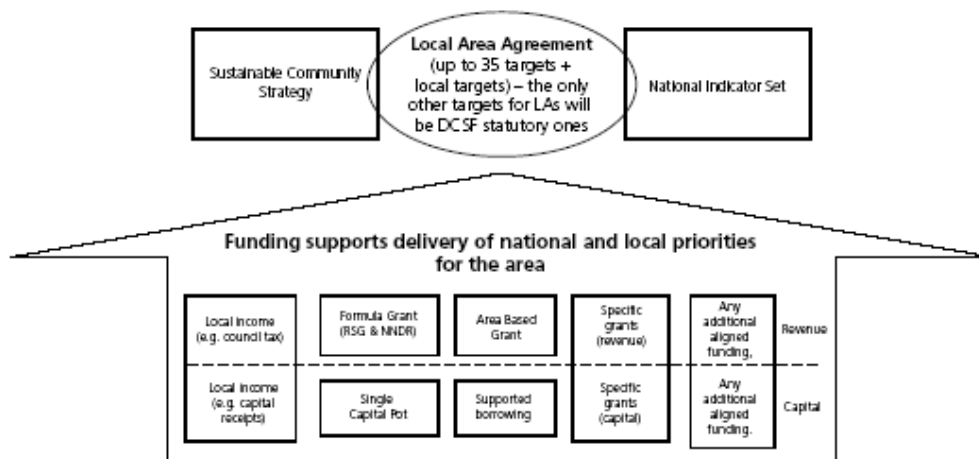
The Borough recognizes and is fully committed to its role in reducing the waste produced and the need to manage it in a more sustainable way. The Council, through its own auspices and in regional partnership through the East London Waste Authority, is resolved to plan and implement measures to reduce the amount of residential waste land filled and increase the levels of household waste recycled or composted.

Barking and Dagenham is at the forefront of tackling climate change through its carbon management programme and through its work in planning in the heart of the Thames Gateway regeneration. The Council is working with partners and stakeholders to use this opportunity to drive forward best practice in climate change mitigation and adaptation.

- 3.8 Against these themes, the Partnership will negotiate with central government (through the Government Office for London) to include “up to 35” targets from the governments suite of 198 performance indicators. In addition to these targets, there are 17 statutory education and early years targets.
- 3.9 The challenge for financial planning will be to re-align budgets and funding against the priorities and targets that are agreed within the LAA. A major development to enable this to happen for 2008/09 is the introduction of an “area based grant”.

This grant replaces 37 previously specific grants and provides the Council with nearly £12.8m of funding that is no longer ring-fenced for specific purposes. Annex 2 details the grants that are now included in the Area Based Grant from 2008/09 onwards.

The diagram below illustrates how all the various funding streams flow into the LAA.



3.10 It is vitally important that clarity exists over what current funding streams are being spent on, and what the implications are for moving funding from one area to another. Failure to understand these questions could expose the Council, and partnership as a whole, to significant financial commitments that cannot be funded.

To ensure that these questions are answered, so that a review can take place on how funding is aligned to priorities, and to ensure that value for money is being delivered on existing projects, a challenge process will take place involving the LAA sub-blocks, in February and March 2008.

3.11 To ensure that the Council and its partners can meet the targets that are set and contribute to the priorities agreed this will, in require fundamental changes to how we go about our business. This may be in the form of modernising the way that the Council works, or by ensuring that we are delivering the best possible services to our customers. As such, a number of programme boards have been created to drive improvement across the organisation. They are as follows:

- Modern ways of working;
- Excellent customer services;
- A place to live and work;
- A place to learn;
- A strong community.

These programme boards form part of the framework on how we plan to deliver against the priorities and targets that we have agreed.



#### **4. Service Planning**

- 4.1 The Council's service planning process is based upon the use of the balanced scorecard performance management framework. This tool enables us to take a high-level view of performance and aids in translating high-level local and national priorities, into deliverable actions and positive outcomes for local people.
- 4.2 Each service division within the Council produces an annual service plan (known as a balanced scorecard) which sets out how they will deliver their contributions to the Community and Council priorities.
- 4.3 In addition the Council also produces a range of published strategies and plans and a full list is set out in Annex 3. All have financial implications, some beyond the three year period anticipated by a Medium Term Financial Strategy.
- 4.4 The MTFs provides a resource plan to underpin the delivery of both the balanced scorecards and these local strategies and plans.

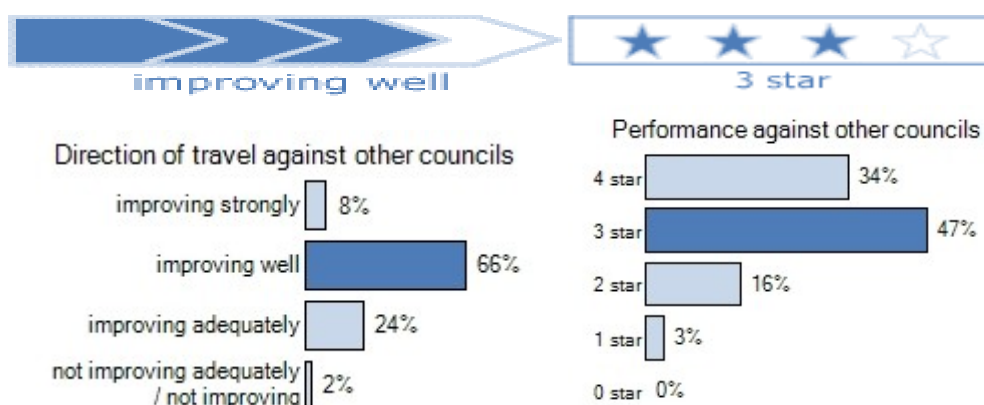
#### **5. Comprehensive Performance Assessment (CPA)**

- 5.1 The Comprehensive Performance Assessment, or CPA, is a framework developed by the Audit Commission to assess the performance of local authorities across the country.
- 5.2 The frameworks pull together a range of information in an objective and comparable way to reach an overall judgement on a council's performance. The frameworks have four common components:
  - Corporate assessments;
  - Use of resource assessments;
  - Service assessments;
  - Direction of travel assessments.
- 5.3 The Council's Corporate Assessment (CA) took place in March 2007. This assesses the Council's ability to lead its local community having clearly identified its needs and set clear ambitions and priorities. We achieved a rating of 3 (good) in this assessment.
- 5.4 The Council received a "3 star" assessment for Use of Resources in 2007. Use of Resources is considered in more detail below.

5.5 Service block inspections are also carried out on an annual basis. The latest results for service block assessments are as follows:

- Adult Social Care – 3 star (good);
- Children & Young People – 2 star (fair);
- Benefits – 3 star (good);
- Housing Services – 3 star (good);
- Environmental Services – 3 star (good);
- Cultural Services – 2 star (fair).

5.6 Barking and Dagenham’s CPA performance can be summarised as **improving well** and demonstrating a **3 star** overall performance.



5.7 **Use of Resources**

The Use of Resources element of the framework assesses how well the Council manages and uses its financial resources. It focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council’s priorities and improve services. It also considers areas such as internal control, and value for money across all services that the Council provides.

The individual scores for the Use of Resources assessment 2007 in the component parts are follows: (with the 2006 scores in brackets)

- Financial Reporting – 3 (3);
- Financial Management – 3 (3);
- Financial Standing – 4 (3);
- Internal Control – 3 (3);
- Value for Money – 3 (3).

The overall Use of Resources rating was a 3 in 2007 (2006 = 3).

For the 2007/08 assessment, the Audit Commission has proposed minimal changes to their methodology for Use of Resources. However, for 2008/09, the current approach will be replaced by a “three theme” approach. The diagram below exemplifies this:



### ***Managing Money***

The managing money theme replaces the three separate financial themes of the current approach on financial reporting, financial management and financial standing. This theme is designed to help organisations to improve the management of their financial resources and will be aligned with the good practice highlighted in the Audit Commission’s paper *World Class Financial Management*. It draws on current assessments but places more emphasis on the extent to which organisations understand their costs and what these say about the achievement of value for money. Using the value for money profile tools that have been developed, it assesses how well costs compare with similar organisations, how they link to performance and how they have changed over time. The theme will assess how organisations use this information to support their decision making and to identify and secure efficiencies. It will also assess how effectively those affected by spending decisions are given the opportunity to understand and influence those decisions.

### ***Managing the business***

The managing the business theme will assess the quality of leadership in bodies in setting clear priorities and arrangements for their effective delivery. It will incorporate important aspects of the current use of resources theme on internal control, risk management and counter fraud and will place new emphasis on current national priorities such as those stated by *Strong and Prosperous Communities* including commissioning and procurement and working effectively with partners. Effective commissioning arrangements are fundamental to improving outcomes for local people and to giving local people more opportunities to influence the way local services are run. Good organisations focus on how best to commission and design services that meet the needs of local people, while involving local people and providers in their commissioning processes. A well developed understanding of the supplier market helps organisations to utilise a broad range of providers and partners, best suited to providing particular services in an efficient way.

### ***Managing other resources***

The managing other resources theme will assess how organisations are using their natural, physical and human resources to support delivery of their priorities and to achieve value for money in a sustainable way. It will assess whether organisations have a strategic approach to minimising their impact on the environment, and how well they are tackling climate change. Asset management will have a stronger strategic focus than currently and reflect best practice on managing assets strategically and optimise their use for the community. It will also assess how local government bodies are responding to their local communities when those communities make a case to take over the management or ownership of assets in order to deliver greater community benefit. Effective workforce planning is a proposed new area for the assessment but is seen as essential to ensuring efficiency and effectiveness in delivering services.

It can be seen from the detail above, that this is a considerable change in focus for Use of Resources, from a predominantly “finance” based set of themes, to a set of themes that span not only all services in the Resources department, but many more across the Council.

## **5.8 Comprehensive Area Assessment (CAA)**

From April 2009, Comprehensive Area Assessment (CAA) will replace Comprehensive Performance Assessment (CPA). This marks a significant change to the current assessment regime following the passing of the Local Government and Public Involvement in Health Act (2007). CPA focused on services provided by local authorities. CAA will look at the public services in an area delivered by Councils and their partners including the private and voluntary sectors.

CAA will provide assurance about how well-run local public services are and how effectively they use taxpayers’ money. But it also aims to be more relevant to local people by focusing on issues that are important to their community. It will develop a shared view about the challenges facing an area, such as crime, community cohesion, a sustainable environment or public health issues such as obesity, and will also create a more joined up and proportionate approach to public service regulation.

## **5.9. Efficiency**

Targets for efficiency gains were set across the public sector for the period 2005/06 to 2007/08. The Council’s efficiency target for this period was £13.4m and we have achieved and exceeded this challenging target one year early.

It is vitally important that the momentum on the efficiency programme is maintained. The Comprehensive Spending Review that the Treasury carried out in 2007 did not allocate significant increases in grant funding to local government over the next 3 year cycle. This position, coupled with existing financial pressures and the continued drive for excellence across the Council's services, makes driving out efficiency gains increasingly relevant. The Review did not set specific efficiency targets for a further 3 year period but fully expects Local Government to deliver a high level of efficiencies against reducing grant levels.

The focus for 2008/09 and latter years will clearly be to continue to deliver efficiency savings. A systematic approach to identifying and address higher cost services is being embedded through the balanced scorecard process and through ongoing work across services on Value for Money. Creating links between this work and the efficiency agenda will enable us to continue to robustly demonstrate and further identify improved efficiency within the organisation. In turn this will enable us to maintain a robust balanced budget and continue to deliver quality services.

### 5.10 **Value for Money**

The Council is committed to high levels of spending in certain key "priority" areas to deliver substantial improvements to its community. These include:

- In previous years, the Council spent over and above FSS on Education with the aim of improving standards in Education across the Borough. Results have demonstrated that this investment is achieving the intended aim;
- The Council is also committed to allocating financial resources to both Children's Services and Adults Services in the medium term with the aim of improving the standard of social care;
- The Council is committed to ensuring it delivers on its cleaner, greener, safer priority;
- Supporting the needs of Customer First, One stop shops, the establishment of Neighbourhood Management Services and supporting invest to save bids in order to allow fundamental service reviews to be undertaken which would produce efficiencies and cost savings in later years.

The Council has a number of initiatives in place to ensure that value for money is achieved across both frontline services, and in support services around:

- Strengthening the strategic understanding of value for money;
- Continuing to improve the reporting of value for money;
- Continuously developing the culture of value for money;
- Developing stronger links between the budget process and value for money.

In addition, the Divisional Director of Corporate Finance is currently preparing a schedule of services that will be subject to a “zero based budgeting” exercise over the forthcoming years.

This exercise will concentrate on measuring the required outputs from a service/function against the required inputs to ensure the outputs are fully delivered. The resulting position is that some services will be identified as either being under or over resourced for their specific purpose. This will allow key decisions to be made in future budget processes on the shift and redirection of resources within the Council’s existing base budget.

Ultimately, savings may be derived but the key of the exercise is to ensure value for money services are being provided with appropriate outputs for the residents of our Borough and to reallocate resources where they are needed.

## 6. Funding the Medium Term Financial Strategy

### 6.1 Formula Grant Settlement

Since 2006/07, the local government grant settlement has been allocated using what is known as the “four block model”. This was a change in the methodology of grant allocation, replacing the Formula Spending Share (FSS).

The four block model grant allocations comprise the following components:

- A relative **needs** amount (e.g. to reflect differences in deprivation or other factors such as density and commuters) using Relative Needs Formulae (RNF);
- A reduction based on relative **resources** (the relative ability of authorities to raise council tax);
- A **central allocation** (basic amount) based on a per capita amount;
- An allocation to ensure a minimum increase in grant i.e. the **damping** amount required to fund the floor which is positive for floor authorities and negative for those above the floor. **The floor is set at 2.0% for 2008/09 (2.7% for 2007/08).**

In January 2008, the Department for Communities and Local Government confirmed the formula grant allocations for the period 2008/09 to 2010/11.

An illustration of the component parts of this calculation for Barking and Dagenham is set out below:

	2008/09 £m	2009/10 £m	2010/11 £m
Relative Needs Amount	80.37	83.05	85.60
Relative Resource Amount	(9.59)	(9.99)	(10.36)
Central Allocation	31.10	32.03	32.92
Floor Damping	(6.46)	(5.89)	(5.38)
<b>Total Formula Grant</b>	<b>95.42</b>	<b>99.20</b>	<b>102.78</b>

The following grants have moved into the formula grant baseline in 2008/09, having previously been allocated via specific grant:

- a) Delayed discharges - £414,984
- b) Access and systems capacity - £2,328,737
- c) Children's services - £1,201,708
- d) Waste performance and efficiency - £0

The calculation of the grant settlement is complex, and comprises a range of factors. The robustness of the data used within the settlement varies from dataset to dataset. It is important that, as a Council, we are aware of any issues that are leading to Barking and Dagenham being underfunded in the settlement. It is important that we lobby the government on these issues, so that future grant settlements are more robust and reflect the funding allocations that we deserve. The **two key lobbying issues** for the Council are the Area Cost Adjustment and the Population statistics.

## 6.2 Area Cost Adjustment

The Area Cost Adjustment (ACA) method of funding differential wage cost pressures across the Country is used within the financial settlement (formula grant) given to Councils by the Department for Communities and Local Government (DCLG). It is also used to distribute a number of specific grants and has historically informed the allocation of the Dedicated Schools Grant. The method uses data on relative wage rates derived from the Office for National Statistics' (ONS) Annual Survey of Hours and Earnings by grouping authorities together into geographic regions which are given the same ACA uplift to their funding.

Since 2003/04, Barking and Dagenham has been allocated to the "Rest Outer London" ACA geographic grouping. This means that the borough's relative needs formulae within the local government finance settlement were boosted by around 9% in 2007/08 to reflect the higher costs of recruiting staff using a general labour market approach. Boroughs allocated to the west London region by contrast receive a 15% uplift whereas those in inner London (the twelve former ILEA boroughs) gain around 26% in RNF (and thus grant) from the ACA top up. Since this change was introduced it has become increasingly evident that the ACA geography does not reflect the reality of labour cost pressures across the 32 London boroughs leading to a situation whereby Barking and Dagenham receives a substantially smaller ACA funding top up than several boroughs in the inner and west London areas which face comparable or lower relative general labour market wage pressures.

The latest Annual Survey of Hours and Earnings (ASHE) used for the 2008/09 settlement shows that Barking and Dagenham's individual labour cost adjustment (LCA) factor (the relative wage rates in each area adjusted for local patterns of employment) was 20%.

Barking and Dagenham's LCA factors 82% higher than the east London average. This effectively means the Council is only receiving around half of the ACA funding currently compared to what it is arguably entitled to based on its local wage data.

### 6.3 Population Statistics

The Council believe that the Office for National Statistics (ONS) have undercounted the borough's population significantly. Population statistics feed into the grant that the Council receives from central Government (via population projections), with approximately £500,000 received by this Council for every 1,000 resident population. If the borough's population was undercounted by 10,000, this would mean the Council is receiving at least £5,000,000 less grant than it is entitled to per annum.

The ONS data for the London Borough of Barking and Dagenham's population in recent years is as follows:

2001/02	165,851
2002/03	167,302
2003/04	165,862
2004/05	164,572
2005/06	164,521

These statistics suggest that the borough's population has actually fallen by 1,330 since 2001/02. In that same time period, a range of other statistics suggest that the borough's population has been rising e.g.:

- National insurance data in Barking and Dagenham shows that there were 2,600 registrations in 2004/05 and 3,200 registrations in 2005/06. This compares to immigration figures from ONS of 1,906 and 1,910 for the respective periods, suggesting a significant undercount for the ONS data;
- PLASC data from 2003 to 2006 demonstrates that the proportion of white British pupils in schools fell from 72.2% to 61.6%, suggesting significant migration into the borough (the school roll increased by 760 in that period). The percentage of black African pupils increased from 8% in 2003 to 15% in 2006;
- Since 1999, the total people on the electoral roll has grown from 115,000 to over 119,000 in 2004/05; and
- The number of people on GPs registers in 2003 was just under 170,000, by 2006 it was in excess of 176,000;

None of these datasets on their own provide sufficiently robust data to estimate the borough's population. The ONS, and Department for Communities and Local Government from which the funding is provided, argue that the ONS data is the most accurate source of information available. However, all of the data for Barking and Dagenham, as shown above, with the exception of the ONS estimates, show that the overwhelming trend is that borough's population is rising. Against this backdrop, the ONS data increasingly seems to lack credibility.



#### 6.4 **Floors and Ceilings**

Each year, the Government guarantees a minimum increase in the Revenue Support Grant for each Council. This is known as a “floor” increase and was set at 2% in 2008/09. The floor did not apply to Barking and Dagenham in 2008/09 as the grant increase was 5.5%.

The DfES also guarantees that every LEA receives a minimum per pupil increase in schools funding each year. Barking and Dagenham’s increase in per pupil funding for 2008/09 is 4.2%.

The floor damping had a significant impact on the grant settlement for 2008/09. Such a range of formula changes were made that “real” grant increases were scaled back by 64.2% to ensure that all authorities saw a minimum 2% increase.

#### 6.5 **Increases in Council Tax**

Each year when setting the Council tax the Authority needs to have regard to announcements from the Government in this area.

The capping criteria applied in 2007/08 was as follows: (as announced by the Local Government Minister, Phil Woolas):

- % increase in both council tax and budget requirement – “excessive” was deemed to be over 5%

Barking and Dagenham’s Council Tax rose by 4.88%, and the budget requirement grew by 4.1% and therefore we were within the capping criteria.

The capping criteria to be applied in 2008/09 have not been announced yet, and will not be until after authorities set their budgets. However, an indication was given in the speech made by John Healey (now MP for local government) to the House of Commons on the announcement of the 2008/09 provisional settlement, when he indicated that the average Council Tax increase should be substantially below 5%.

The proposed budget requirement for 2008/09 is £147.3m. The budget requirement, after adjustment for fundamental changes, shows a 6.5% increase on 2007/08, and the Council Tax increase is proposed at 4.4%.

#### 6.6 **Dedicated Schools Grant**

Schools funding is received by way of a “Dedicated Schools Grant” (DSG). This was introduced in 2006/07 and is a direct grant for schools budgets. The DSG is calculated as a set amount (£4,563 for 2008/09) per pupil. Estimated pupil numbers at this time suggest that the total DSG for 2008/09 will be £135.647m. This amounts to a year on year increase of 5.1%. Of the total increase in DSG for 2008/09, Barking and Dagenham have received a 1.6% top up in respect of deprivation and additional school places.

## 6.7 **Area Based Grant and Specific Grants**

From April 2008 onwards, a number of grants that were previously allocated as specific grants to Councils, will form part of an “area based grant” which is not ring-fenced. Councils will therefore have the freedom to decide how best to use this funding.

A list of grants from 2007/08 that have been put into the area based grant for 2008/09 is included in Annex 2.

The Council still receives a number of specific grant allocations from central government, which are ring-fenced for particular purposes. Confirmed allocations are detailed in Annex 4.

## 7. **Budget Strategy**

### 7.1 **Council Tax Strategy 2007/08 – 2010/11**

In February 2007 the Council set a Council Tax Strategy for 2007/08-2009/10. The key elements were:

- a) Key priority areas including:
  - Community Priorities;
  - Corporate priorities;
  - Addressing historic positions in departmental budgets arising from the 2005/06 outturn;
  - Addressing issues arising on core services in the monitoring of the 2006/07 budget;
  - Ongoing effects of options approved in the 2006/07 budget;
  - Resident’s aspirations arising from budget consultation;
  - Pressures for delivery of key services in 2007/08 and for future years e.g.
    - one-stop-shops;
    - driving up performance in under-performing services;
    - recurring costs of information sharing systems;
    - recurring costs of community safety initiatives;
    - accommodation strategy;
- b) Schools budget set at the new dedicated schools grant level;
- c) All services reviewed (apart from Schools);
- d) Continuing the protection of the services that deliver the Cleaner, Greener, Safer priorities;
- e) Supporting the needs of Customer First, One-stop shops and Neighbourhood Management Services;
- f) Supporting invest to save bids in order to allow fundamental service reviews to be undertaken which would produce efficiencies and cost savings in later years;

- g) Funding the outcome of Single Status agreements;
  - h) A proposed 5 year capital plan (2006/07 to 2010/11) totalling £350m with £132m of the programme funded from external resources, subject to full capital appraisal on a scheme by scheme basis;
  - i) A rigorous asset disposal programme and a capital programme that is dependent on around £85m of sale proceeds from land disposals. Potentially asset disposals may exceed this level and the programme has been set in order to accommodate a higher level of receipts if they are realised. Similarly if the £85m is not achieved the programme will need to be reassessed;
  - j) An assessment of the opportunity of returning to borrowing in 2007/08. The proceeds from interest on balances will reduce as accumulated capital receipts are used to fund the capital programme. The position on borrowing will be kept under review;
  - k) A council tax increase of:  
 2007/08 of 4.88% (4.75% LBBB, 5.3% GLA)  
 with further projected increases of:-  
 2008/09 of 5% (5% LBBB, 5% GLA)  
 2009/10 of 5% (5% LBBB, 5% GLA);
  - l) The Housing Revenue Account continuing to contribute to the Council's Corporate and Democratic Core costs to a sum of £750k;
  - m) Savings of £7.4m for 2007/08, however general protection of the service provision of cleaner, greener, safer. Of these savings a significant proportion (£5m) have been identified as cashable efficiency savings;
- With further reductions projected in the budget of about;
- £6.8m for 2008/09
  - and a further £4.8m for 2009/10 being required.
- Savings at this level will need to be made across all Services apart from the Schools budget. Targets are to be set to allow the process for identifying savings to commence 1<sup>st</sup> April 2007. The Chief Executive will be providing the initial targets for savings across all services;

- n) Pressures of £4.5m for 2007/08;  
This mainly relates to statutory requirements, unavoidable pressures, and existing commitments;
- o) Growth of £0.6m for 2007/08;
- p) Invest To Save approvals of £0.78m for 2007/08;
- q) The use of £1.3m of general reserves and £1.5m earmarked reserves for the 2007/08 budget;
- r) Further budget pressures of £20.6m and £19m are projected for 2008/09 and 2009/10 respectively across all Council budgets.

## 7.2 Budget Strategy 2008/09 onwards

For 2008/09 the key elements of the strategy set in 2007/08 have been built on and the budget has been based on:-

- a) Key priority areas including:
  - The continuation of improving standards in Education across the Borough. Results have demonstrated that the Council's previous investment is achieving the intended aim;
  - Commitment to allocating financial resources to both Children's Services and Adults Services in the medium term with the aim of improving the standard of Social Care;
  - Commitment to the Cleaner, Greener, Safer priority;
  - Regeneration of the Borough;
  - Supporting the needs of Customer First, One stop shops, the establishment of Neighbourhood Management Services;
  - Supporting invest to save bids in order to allow fundamental service reviews to be undertaken which would produce efficiencies and cost savings in later years;
  - Addressing historic positions and future pressures in departmental budgets arising from both the 2006/07 outturn and the projected 2007/08 position;
  - Ongoing effects of options approved in the 2007/08 budget;
  - Specific pressures for delivery of key services in 2007/08 and for future years e.g. driving up performance in under-performing services;
  - Appropriate Capital Investment;
  - Schools budget set at the dedicated schools grant level;
- b) A systematic approach to identifying and addressing higher cost services through the balanced scorecard process and through ongoing work across services on Value for Money;
- c) Improved efficiency within the organisation;

- d) Residents views on the budget;
- e) Establishment of longer term efficiency and saving targets;
- f) Identification and delivery of cross cutting corporate initiatives efficiencies and savings e.g. new procurement practices, absence, etc.;
- g) Commencement in 2008 of Zero based budgeting reviews across Council services;
- h) Identification and delivery of Income generating areas;
- i) Funding the outcome of Single Status agreements;
- j) A proposed 4 year capital plan (2008/09 to 2011/12) totalling £426.5m with £275.8m of the programme funded from external resources, subject to full capital appraisal on a scheme by scheme basis;
- k) A rigorous asset disposal programme and a capital programme that is dependent on around £44m of sale proceeds from land disposals;
- l) Robust treasury management activity including continuous assessment and revaluation of borrowing and investment strategy;
- m) A council tax increase of  
2008/09 of 3.95% (4.4% LBBB, 2.4% GLA)  
with further projected increases of:-  
2009/10 of 4.75% (4.5% LBBB, 5% GLA)  
2010/11 of 4.75% (4.5% LBBB, 5% GLA)
- n) The Housing Revenue Account continuing to contribute to the Council's Corporate and Democratic Core costs to an annual sum of £800k;
- o) Savings of £7.2m for 2008/09 with further reductions projected in the budget of about:
  - £9m for 2009/10
  - and a further £9.2m for 2010/11 being required.

Savings at this level will need to be made across all Services apart from the Schools budget. Targets are to be set to allow the process for identifying savings to commence 1<sup>st</sup> April 2008. The Divisional Director of Corporate Finance will be providing the initial targets for savings across all services;
- p) Pressures of £19.9m for 2008/09 mainly relating to statutory requirements, unavoidable pressures, and existing commitments (excluding DSG);

- q) Invest To Save approvals of £1.39m for 2008/09;
- r) The use of £0.4m of general reserves and £1.4m earmarked reserves for the 2008/09 budget;
- s) Further budget pressures of £15.3m are projected for both 2009/10 and 2010/11 respectively across all Council budgets (excluding DSG).

7.3 The strategy for 2008/09 and beyond continues the position that has been established in previous years.

7.4 A summary of spending and grant projections for 2008/09 onwards plus council tax increases are contained in Annex 5.

## **8. Inflation**

8.1 The General price inflation increase adopted for the 2008/09 budget strategy was based on the Consumer Price Index in June 2007 which was 2.4%. In arriving at the general price increase a variety of economic drivers were assessed some of which may have increased beyond 2.4% and others which may be subject to negligible inflation or even deflation.

8.2 Since the 2008/09 budget strategy was approved the economic situation in the UK has become uncertain, particularly following the impact of the 'credit crunch' in America and the problems that have befallen the Northern Rock bank. The UK Government and the Bank of England are committed to keeping inflation at low levels, and as a result interest rates have continued to remain at their fairly high levels throughout 2007. However interest rates are forecasted to fall in 2008 as the Government and the Bank of England attempt to ensure that the economy does not fall into recession. Whilst the 2008/09 budget has been based on a general inflationary increase of 2.4%, the Council will need to monitor the budget position closely during 2008/09 as a consequence of any new inflationary pressures, and take any appropriate action if necessary.

In terms of forecasting inflation for staffing costs, the 2008/09 pay increase will be subject to new negotiations between both the Employer and Employee representatives. At the time of preparing the MTFS these negotiations had not been concluded, however the Chancellor of the Exchequer has already made it clear that he expects public sector pay awards to be no higher than 2%. For the 2008/09 budget process the Council has made provision of 2.4% for its pay agreements on the assumption that the final agreement is in line with the Consumer Price Index.

8.3 The Council's actuary reported the results of its triennial valuation in October 2007 which outlined the performance and position of the Council's pension scheme. The valuation reported that the Council needed to increase its annual pension contributions in order that the pension fund would be sufficiently funded to meet its projected liabilities. As a result the Council's pension contributions will need to increase over the next 3 years from its current 16.2% contribution rate to 19% (an overall increase of 2.8%). For 2008/09 the contribution rate will increase by 0.8% to 17%, followed by 1% annual increases in both 2009/10 and 2010/11.

The next triennial valuation of the pension fund is due in 2010.

8.4 Other inflationary pressures which may impact on the Council's budget over the medium term could include future Government changes such as increased national insurance contributions, cost pressures relating to specific industry pressures e.g. Construction services and Energy costs, as well as additional costs arising on difficult to fill posts and the use of temporary staff. In addition the London 2012 Olympics is likely to have an impact on inflationary pressures in London over the forthcoming years, particularly within labour resources which are moved to deliver the necessary construction deadlines.

8.5 Approximately 80% of the Council's expenditure is on staff costs, so the inflationary pressures here are particularly important. Barking and Dagenham in common with nine other East London boroughs receives a top up of only 9% (around £20m) to its basic formula grant allocations to reflect the higher costs of recruiting staff in the capital – the area cost adjustment – compared to 15% for those in West London and 26% for the twelve inner London authorities. This is a lobbying area for the Council as relative wages paid in Barking and Dagenham are around 82% higher than the East London average according to the ONS's New Earnings Survey (the data source for determining relative wage rates) and this ought to be reflected in the area cost adjustment calculation.

The Government's inflation target is in the region of 2½% and the spending plans for local government have been based on being close to that target.

8.6 For the purposes of the strategy the following inflation assumptions have been made:-

	<u>2008/09</u>	<u>Later Years</u>
Employee costs	2.4%	2.5% (per annum)
Other inflation	2.4%	2.5% (per annum)
Fees and charges	2.5%	2.5% (per annum)
Pensions costs	0.8%	1.0% (per annum)

## **9. Vacancy Provision for Employee Costs**

- 9.1 Budgets are currently set taking into account various vacancy factors for staffing levels. Heads of Service have discretion as to the level depending on the local circumstances and the impact on delivering services. In general both the Adults and Children's services do not operate with such factors, as do services that are demand led.

Predicting staff costs', including recruitment and retention costs, is becoming increasingly problematic, with shortages in key areas, such as Planning, Finance and Adult Care Services. Other financial pressures include the level of sickness, high costs of repeated recruitment drives and the cost of temporary staff and consultants used to meet resource gaps.

- 9.2 The Council has a policy for reducing its use of temporary staff and this has fallen significantly in 2007 and is being monitored extensively throughout the Council.

## **10. Single Status**

- 10.1 In 2007 the Council successfully implemented its Single Status agreement across the organisation. The Capital & Revenue Support reserve was used to fund both the costs of reviewing and implementing the single status agreement.
- 10.2 The recurring costs associated with the recommendations of the agreement are reflected within the 2008/09 service budgets.

## **11. Fees & Charges**

- 11.1 The Council has an agreed charging policy and this is set out in Annex 6.
- 11.2 A Corporate Charging Register exists, based upon the annual fees and charges report approved by the Executive committee, which sets out a full schedule of the charges applied by the Council for services it supplies.
- 11.3 All charges are reviewed annually as part of the budget setting process and an appropriate report is submitted to the Executive. For 2008/09 the budget process was based on general fees and charges increasing by at least a 2.5% increase in yield in addition to the principles set out in the charging policy.
- 11.4 The Local Government Act 2003 also permits Councils to charge in further areas. The Council, in keeping with most other local authorities, has not yet taken full advantage of this power but is currently considering where discretionary charges.



- 11.5 The Department of Health “Fairer Charging” statutory guidance applies to non-residential charging policies within care environments. This guidance requires charges to take account of both the users’ ability to pay and level of service required. This in effect makes it a requirement to undertake a means test to decide levels of charge and to move away from previous non-means tested flat rate charges the Council has favoured in Social Care. The statutory means test has meant that over 50% of Social Care clients have been taken out of being required to pay charges.

This guidance will need to be adhered to when making charges for Social Care activities.

## **12. Reserves and Contingency**

### Reserves

- 12.1 When reviewing the Medium Term Financial plans, Councils need to consider its level of reserves and the reasons for those reserves. There is also a requirement to undertake a review when the annual budget is set in February/ March each year.
- 12.2 The CIPFA guidance on Local Authority Reserves and Balances 2003 does not set any “level”, but sets out the factors the Chief Financial Officer should use when assessing the level. The external auditors have been silent of specifying levels, tending to only comment on adequacy.
- 12.3 A significant amount of the services that the Council provide have little or no risk in terms of potential financial performance and other internal and external influences and factors. After assessing all the Council’s spending areas it is considered that an appropriate level of general reserves would be around £7.5m.

In addition to this sum, the Council will as usual also hold earmarked reserves for specific purposes.

- 12.4 Annex 7 sets out the Council’s position on reserves and a policy for their application. It can be summarised as follows:-

- General Reserve  
Projected uncommitted reserve at £7.4m for 2008/09;
- Repairs and Renewals Reserve  
This contains a small number of reserves to fund the repair and renewal of specific assets such as IT;

- Invest to Save and Service Reconfiguration Reserves  
These reserves were originally established with a balance of £4m each to be used as the Council underwent significant changes in its service provision as it addresses both the community priorities and new ways of working. Where invest to save funding is approved, and funded from the Invest to Save reserve, the initial savings derived from these investments will be used to replenish the reserve thus allowing more invest to save proposals to be considered in the future. In 2008/09 the projected uncommitted amount of these reserves will be £0.8m on Spend to Save and £0.8m on service reconfigurations;
- Insurance Fund  
This fund is held to meet potential and contingent liabilities that the Council self insures. At the end of 2008/09 the fund is estimated to be £3.5m. It is recommended that this is an appropriate level of provision and that it is maintained for any future unforeseeable items;
- Interest Equalisation Reserve  
This reserve was established to enable future reductions in investment income to be smoothed in the budget setting process;

A full profile over a three year period is set out in Annex 8.

- 12.5 All reserves and their policy will be reviewed annually as part of the budget setting process. The actual movement on reserves will be reported as part of the Annual Statement of Accounts. The Constitution does not specifically refer to reserves and as such delegates all matters to the Chief Financial Officer.

### Contingency

- 12.6 In assessing the budget an adequate level of contingency is required as well as appropriate levels of reserves and balances. Each year when assessing the level of contingency the following are examples of the factors that will be considered:-
- Projected pay awards (including London Weighting);
  - In year budget pressures of volatile budgets (e.g. homelessness, care packages, external placements);
  - Costs of new responsibilities, where estimates have been prepared with limited experience;
  - Unconfirmed grant funding regimes;
  - Unexpected events;
  - Variable interest rates;
  - Budget risks.

The level of contingency for 2008/09 has been set at £1.2m

### **13. Flexibility Plans**

13.1. In the event of an unforeseen event arising during the year creating a budget pressure, the following are examples of the action that may be taken by service managers.

- a) Examination of grant funding in order to maximise income;
- b) Income generation activity;
- c) Enhanced approval process for making commitments;
- d) Spending freeze;
- e) Recruitment freeze;
- f) Non statutory spend frozen;
- g) Deletion of all uncommitted one-off and special projects;
- h) Review of service provision level.

Notwithstanding this, it is important that there is a continuance of regular monitoring of all Council budgets, which will enable advance warnings of any potential budget risks. This will allow the Council to utilise the above options to control budget pressures in a timely and controlled manner.

### **14. Sensitivity Analysis**

14.1 The above flexibility plan describes measures that may be taken to respond to budget pressures. It is important to recognise the key budget areas that may lead to pressures and their likely impact, in order that officers may respond appropriately.

To this end, a sensitivity analysis has been undertaken of key potential causes of pressures, their likelihood and impact. This is detailed in Annex 9.

### **15. Services**

#### **15.1 Children's Services**

The introduction of the "dedicated schools grant" (DSG) in 2006/07 has fundamentally changed the way the local authorities budget for Education and schools as it formally removes any discretion for authorities spend on Education. Previous to 2006/07 the Council received funding through FSS, and, in theory, was in a position to spend that funding at its discretion. As it was already the long standing practice for this Council to spend at FSS levels for Education, this change has not had a significant impact.

With the introduction of the new departmental structures in 2006/07, as opposed to the previous Education department, the new Children's Services department now includes the former Social Services budgets in respect of the Safeguarding and Rights functions. In common with the vast majority of Councils (particularly in London) this budget is hugely demand led and under constant pressure.

The department has recently received notification that it has secured substantial funding from the Building Schools for the Future national programme. This will amount to in excess of £180m of Capital expenditure for the Council's schools over the coming years.

### 15.2 **Adult Care Services**

Adult Care Services will be subject to transformation over the next three years through the introduction of Personal Care Budgets. Nationally an extra £520m will be allocated to Councils as a Social Care Reform Grant to enable the facilitation of this programme .

Budget pressures have been experienced in 2007/8 in Adult Care Services particularly in home support and some disability services. Successful measures were taken to deal with these issues and to maintain expenditure within the proposed set limits for 2007/08 and beyond. Such measures included reviewing Fair Access to Care (FACs) criteria , controls around agency usage , and continued modernisation of service delivery

The department is continually challenging modes of service provision to ensure value for money, independence, and flexibility. In recent years this has meant the modernisation or closure of some traditional services and Establishments / Institutional care, with expansion in such areas as Individual Budgets and Direct Payments.

### 15.3 **Regeneration**

Regenerating the local economy as a community priority requires strong links to the financial planning of the Council. The Living and Working Board will highlight the financial implications of all regeneration activity in the Borough and endeavour to ensure there is a coordinated approach particularly regarding the financial implications - short, medium and long term.

Key to the regeneration strategy is the leveraging in of external funding and it is planned that this investment will generate external funding in the future (capital and revenue) to deliver the regeneration priorities. Since 2004, the Government has committed just over £39million towards regeneration of Barking Town Centre, up to 2007, £14 million towards the regeneration of Dagenham Dock, and £125 million towards London Riverside.

The establishment of the London Thames Gateway Development Corporation (LTGDC) has resulted in joint working and led to further funding being given to the Council to help deliver the regeneration agenda. More recently a Memorandum of Understanding with both LTGDC and English Partnerships EP (soon to become the Homes and Communities Agency) has resulted in further financial and resource commitment to Barking Town Centre. This involves a medium term relationship over the next 3-5years.

Notwithstanding this welcome investment in regeneration projects in the Borough the need for major investment in the London Riverside area and Barking Town Centre to secure the delivery of the Communities Plan's objectives will continue to require concerted effort and considerable resources with estimates of £2 billion for infrastructure improvements alone.

The next 4 years will see substantial investment in housing in Barking & Dagenham to realise the objectives within the Council's Housing Strategy 2007/10. The investment in new affordable homes, the existing Council housing stock and from the private sector will widen the choice of housing, improve housing conditions and contribute to the regeneration of the borough.

The Council in close collaboration with English Partnerships is establishing Local Housing Trusts to deliver, own and manage around 8,000 new affordable homes over the next 15 years. The Council's equity stake in these innovative bodies will be secured by the value of the land holdings invested, using this together with Housing Corporation grant to lever in private sector funding. In the course of the next 4 years there are plans for 2,700 new affordable homes with a total build cost of over £215 million.

Whilst the Council's option appraisal to achieve the decent homes target was signed off by the Government Office for London in September 2005, there have been a number of changes to the factors which underpinned the appraisal. Most significant amongst these was that our bid for over £50 million in PFI credits was placed on a reserve list by the Department of Communities and Local Government. This has necessitated a thorough review of the plan to achieve decent homes and plans for investment in the Council's housing stock.

Much work has been undertaken to look at the social infrastructure needs of the new communities and the impact on existing ones. Officers are considering with the Barking Riverside Company and English Partnerships, new ways of managing some of the public infrastructure created and also ways of capital funding it in the first place. All of this will impact on the medium term financial strategy, although most likely in future versions as the significant growth will come over 5-10 years. Currently at Barking Riverside there is a commitment via Building Schools for the Future to fund a new secondary school and special school. However there is also a need to find the funding for two new primary schools within the Barking Riverside area. Funding for one of these needs to be found within the 2008 calendar year and for the second one within calendar year 2010. At current estimates circa £16m is required for both schools.

Also within Barking Riverside there is a proposal that the domestic refuse will be undertaken by a underground vacuum system and much of the new public realm created will be managed via a Community Development Trust. Both these processes will have significant impacts over the medium to long term regarding the delivery of some elements of the Streetscene services.

The Council is committed to achieving a step-change in the range of services provided to residents in order to raise levels of skills and qualifications, and to significantly improve the employment rate. The allocation of Working Neighbourhood Funding 2008-10 does not reflect the high levels of known need across the borough, and specifically for priority groups such lone parents, those with ESOL (English for Speakers of Other Languages) and basic skills needs and residents claiming Incapacity Benefits. In addition to this pressure on resources, greater flexibilities in the local deployment of funding will be sought from the Learning and Skills Council in order to address these priorities.

#### 15.4 **Housing Services**

The Housing Revenue Account (HRA) and Housing Futures financial business model is updated on a regular basis to reflect ongoing service developments and financial pressures to be managed over the coming years. The model demonstrates the financial pressures to be resolved over the next 30 years to provide a balanced HRA.

The Housing Revenue Account has been set with an in year balanced base budget for 2008/09 and will maintain a working closing cash balance as at 31 March 2009 and for the foreseeable future.

A medium term HRA financial strategy is also being developed jointly with Housing Services and Corporate Finance managers.

The authority continues to be leading edge in developing the framework for introducing Local Housing Trusts whereby the authority will pilot the scheme that enables them to build, own and manage social housing in the Barking Riverside development.

The Regeneration department is continuing the previous work of the Customer Services department in order to achieve the decent homes standard.

The Housing General Fund includes Homelessness Advice, Prevention and Private Sector Leasing. The authority continues to work towards achieving the Government target of a 50% reduction in Temporary Accommodation numbers by 2010. The Government's introduction of a 10% Cap on Housing Benefit payments will also add a further pressure on the Homelessness budget from 2008/09.

#### 15.5 **Customer Services**

The Customer Service strategy is a key part of the Council's contribution to achieving the Council's vision by 2020. The Council wants to deliver outstanding customer service. This means putting local people at the heart of everything we do; involving and empowering them to take informed choices about the things which affect their lives. This is a cross cutting strategy applicable to all council services and partners that deliver services to customers. Together with the Council's

strategies on community cohesion, equalities and diversity, organisational development, and consultation and engagement, it will be the principal means by which the Council delivers the ambition of delivering excellent customer services.

To date a significant amount of work on Customer Service has been achieved through the 'Customer First' strategy. However, some of the transformational goals are still to be achieved. The aim of the Customer Service strategy service for 2008-2011 is to transform the experience of the customers – providing effective and efficient, value for money services.

Central to this vision will be a re-evaluation of the core processes and technologies to support customer services delivery, working alongside the Modern Ways of Working

**The Strategic priorities for the service** (links to Local Area Agreement, Community and Corporate priorities) will include the Excellent Customer Services strategy, which will incorporate the principle of the 'Done In One' approach and this will continue to be used for external marketing.

The Excellent Customer Services strategy specifically will work towards the following LAA priorities :

- Shared services - joined-up service delivery across all channels;
- Cohesion – involving the customers in service re-design through including Tell-Us feedback in the data gathering, and through the use of a themed approach for gaining further feedback – focusing on areas that matter to the residents of Barking & Dagenham;
- Worklessness – the strategy will need to ensure that opportunities in customer services to support the Council's priority to tackle worklessness are identified and maximized;
- Working with LSP to join up our approach to Customer Service.

**The Key outcomes to be achieved over 3 years:** rolling programme from 2007-2010 plan:

**2008/09**

- Customer Service strategy developed;
- Develop in-house capacity for delivering BPR programmes that include culture changes, skills and business process improvements – team, toolkit etc.;
- Development of a themed approach to the Tell-Us campaign linked to service transformation;
- Service improvement projects implemented that focus on improving services in the contact centre/OSS (approx. 4 services);
- Development of services that would benefit from further transition to the contact centre/OSS (approx. 2 services);
- Further development of the staff awards – with awards being directly linked to customer service improvements.

**2009/10**

- Opening of Dagenham OSS;
- Support for the implementation of changes to CRM;
- Delivery of BPR projects that require significant joined-up working & significant;
- Technology changes;
- Enhanced customer and service transactional data captured;
- Enhanced decision support available to the contact centre and OSS;
- Enhanced workflow capabilities to support business processes & enhanced links to the service applications;
- Delivery of improvements to self service channels – including website.

**2010/11**

- Improved access to services;
- Significantly improved customer service delivery;
- Better value for money in delivery;
- Culture change ensuring a 'Done in One' approach is realised across services;
- Improved customer intelligence to drive priorities and further improvements.

**15.6 Procurement**

The Corporate Procurement team are charged with looking at ways to generate financial savings and improve efficiency in the Council's procure to pay processes with a focus on meeting the requirements of the Gershon Efficiency Programme, the National Strategy for Procurement and preparing the Council for the impending CPA . Most of the Team's activities link to the Corporate Priority of Improving Procurement Practice but, in addition we will ensure that our procurement initiatives fit with the broader strategic objectives of the Council.



The main priorities for procurement are set out below:-

- **Developing Procurement Skills**

Effective procurement skills will enable the organisation to develop more efficient and best practice procurement which will assist in the successful delivery of major procurement projects, the management of strategic partnerships and the realisation of savings that can be channelled into priority services or into council tax reductions.

Working with the London Centre of Excellence during 2006 the Council undertook a skills audit of all procurement practitioners and those managers for whom procurement forms a significant part of their role. In support of the Council's Corporate Priority of Improving Procurement Practice, a framework of training to satisfy the training needs identified has been developed and is currently being promoted across the Council over the course of 2008/9.

- **Corporate Contracts**

Following a comprehensive spend analysis of the procurement activity, the Council will look to increase the number of corporate contracts as a consequence of standardising and aggregating demands for the supply of regularly used goods and services. This will enable the Council to explore opportunities to use various procurement options including partnering, use of voluntary and community sector, collaboration and consortia. Current areas of expenditure currently being or planned for review is vehicle fleet, consultancy services and energy.

- **Sustainability**

Linking in with the Corporate Priority of Regenerating the Local Economy, the Corporate Procurement Team will continue to work to establish mechanisms through which employment opportunities for local people can be exploited and local businesses developed and encouraged to exploit trading opportunities provided by the Council and through its procurement activities. We will also explore opportunities for working with voluntary and community sector organisations in supply and service delivery.

All major Council contracts are now advertised on the Council's and other small business websites in addition to traditional media. Links have been established with local business organisations in order to alert their members to Council trading opportunities, provide information on how the Council buys its goods and services. There is much information on the Council's website on how and where small businesses can access advice and support on winning business and developing capacity. This is supported by regular seminars and briefings provided by the Corporate Procurement Team in collaboration with various business support agencies. Each of these aspects will continue to be enhanced and developed.

Work is also underway to examine how the Council can ensure that its partners and suppliers conduct their business in a socially responsible manner through the adoption of fair working practices and workforce welfare.

In support of the Corporate Priority to Make Barking and Dagenham Cleaner, Greener and Safer, the Council will continue to develop environmental procurement policies and practices to ensure that environmental issues are proactively addressed in all aspects of procurement. This will include developing systems that are less paper reliant and looking at methods of waste reduction through the use of energy efficient, refurbished, recyclable and recycled products and materials.

- Equalities

In line with the Council Priority of Promoting Equalities and Celebrating Diversity we will work towards raising service providers' performance in race equality and in employment and equal opportunities in general by securing contracts that deliver equalities in public procurement for the residents of the Council. Guidelines on building equalities and diversity into Council contracts have been produced and published.

- Electronic Procurement

In line with the Corporate Priority of Improving Procurement Practice the Council is looking at the introduction of e-procurement solutions with a view towards improving efficiency in the purchasing process through reduced internal transaction times for regularly purchased goods and services, reducing error rates, focussing spend with contracted suppliers, speeding up invoice payment times and the identification of opportunities for collaboration and aggregation reducing purchasing price.

Work continues on rolling out of purchasing cards and the development of an electronic tendering and contract performance management solution is under way with a view towards implementation toward the end of the 2008/9 financial year. The development of an electronic marketplace has recently been completed and this will be roll-out across the Authority over the next twelve months. Also during 2008 the feasibility of introducing electronic invoicing processes enabling both large and small suppliers alike to submit invoices electronically will be explored. It is again expected that this initiative will reduced internal transaction costs of the Council as well as those of our suppliers.

It has been recognised that many local, and especially small, businesses may have difficulty trading electronically. Corporate Procurement and Regeneration will continue to work together over the next three years to provide assistance to that business in becoming e-enabled in order to trade with us and indeed most other local authorities

## **16. Capital Programme 2008/09 to 2011/12**

- 16.1 The Council is required to review its capital spending plans each year and set a Capital Programme. A key consideration when setting the programme is the projected level of available capital resources.
- 16.2 A variety of resources are available to local authorities to fund capital investment. The primary one is borrowing. As a result of the fact that all of the Council's capital receipts are now committed on existing schemes, in setting the capital programme for 2008/09 – 2011/12, the Council has to borrow in order to fund any additional commitments that are not funded from external sources.
- 16.3 The Medium Term Financial Strategy has set aside revenue funding to enable the Council to borrow over the period from 2008/09 to 2011/12. The purpose of this funding is to complement other sources of funding, such as external grants, to enable the Council to deliver an ambitious capital programme that supports its objectives.
- 16.4 A second source of funding is capital receipts which arise from the sale of assets such as surplus land and the sale of council dwellings. All of the Council's capital receipts are committed on existing schemes.
- 16.5 A third source of funding is capital grants, or external funding, issued by Government departments and agencies, which are often allocated on a competitive bidding basis for specified purposes. Many of these require local authorities to make a financial commitment to the running costs of the schemes.
- 16.6 The capital programme review has also encouraged "invest to save" or "self financing" capital schemes. In these cases, revenue savings or income generated will fund the cost of borrowing. Such an approach demonstrates the Council's commitment to achieving Value for Money on capital as well as revenue expenditure.
- 16.7 An important part of planning is for the Council to have a Capital Strategy and Asset Management Plan in place. In addition, there are other service capital plans that are required by Government departments and they need to link clearly to the overall Capital Strategy and Asset Management Plan. Specific ones exist for housing and education.
- 16.8 The Capital Strategy and the Asset Management Plan are integral to the Council's future capital investment planning process. The Capital Strategy links policies and priorities to capital investment and provides a framework for the operational work of asset management. The Asset Management Plan, which covers all of the Council's assets, provides essential information in determining capital investment needs.

- 16.9 A number of proposed schemes are considered in the Capital Programme report on 19<sup>th</sup> February 2008, totalling £246.5m (£182m of this is in respect of Building Schools for the Future). These schemes will be funded by a mixture of internal resources (borrowing, land sales and self financing) of £60.5m and externally funded sources of £186m. A summary of these provisional schemes are detailed in Annex 10.
- 16.10 The result of these proposed schemes, when added to the existing capital programme, produces an overall Capital programme for 2008/09 to 2011/12 of £452.5m and is detailed in Annex 11.

## 17. Capital Investment Strategy

- 17.1 The capital strategy governs the Council's investment in services and describes how the deployment and redistribution of capital resources contributes to the achievement of corporate goals.

The strategy is a corporate document and as such has been developed in conjunction with Members and senior officers across the Council. The Council continues to reinforce its corporate approach to asset management.

- 17.2 The Authority's strategic objectives, in relation to capital, can be summarised as follows:

- Successfully **deliver a capital programme** which is consistent with the Council's **key priorities**;
- **Maximising external funding** to support the delivery of the capital programme consistent with the Councils' key priorities, both from the private sector and through government grant funding; and
- **Maximising the utilisation of the Council's assets** by:
  - Ensuring that all investment properties are making sufficient returns;
  - Ensuring that non-profitably investment properties and assets surplus to requirements are disposed of as efficiently as possible;
  - Monitoring the utilisation of assets on a regular basis.

- 17.3 The Council's capital investment plans need align to the Council's priorities, and ensure that existing assets are maintained to an appropriate standard. These objectives need to be achieved with relatively scarce resources.

Members and senior officers have therefore set out their **key priorities in relation to capital investment** as follows:

- Investment in our **schools**;
- Investment in key **regeneration and arts** projects across the borough;
- Investment in streamlining our **office accommodation**;
- Investment in our **housing stock**;
- Investment in **highways maintenance**; and
- Investment in **IT infrastructure** to create efficiencies in the way we work.

## 18. Prudential Code for Capital Investment

18.1 The enabling legislation for the current capital regime is set out in the Local Government Act 2003 which came into force on the 1<sup>st</sup> April 2004. Authorities now have greater freedom to borrow than was the case before April 2004, providing they can meet the revenue costs of the borrowing and the running costs of the resultant capital scheme.

18.2 The prudential code provides an integrated approach to capital investment decision making with an authority having to take account the following when setting its capital investment plans:

- Affordability;
- Sustainability; and
- Prudence.

The wider aim is to bring together revenue and capital resources to meet service delivery objectives.

18.3 The Prudential Code for Capital Investment places reliance on a series of prudential indicators that must be determined by each local authority for the forthcoming year and the following two years. These indicators will assist Councils in determining an appropriate level of borrowing and to provide benchmarks against which they can monitor their borrowing levels. Annex 12 sets this out in more detail.

18.4 Under the Prudential Code, the Council is required to pool its housing capital receipts (something that it did not have to do prior to 1<sup>st</sup> April 2004). Pooling arrangements are as follows:

	<u>Retained by Council</u>	<u>Paid into National Pool</u>
Right to Buy Receipts	25%	75%
Other Housing Receipts	50%	50%

- 18.5 The current capital accounting environment makes a debt free position both less attractive, and less viable, and makes capital investment plans more dependent on borrowing. As referred to above, the current capital programme will require the Council to borrow at some point in the near future. The exact timing of this is a Treasury Management decision, and needs to be taken with regard to current and projected interest rates for both borrowing and lending.

## 19 Treasury Management Strategy

- 19.1 The Council approves an annual Treasury Management Strategy that governs its plans around the investment of its balances, and any plans to borrow. The key elements of this strategy are as follows:

### ***Investment of balances***

As at 31<sup>st</sup> December 2007, the Council had balances available for investment as follows:

	Balance at 31/12/07 (£m)
Internal balances	75.8
Scottish Widows	21.5
Investec	34.5
TOTAL	131.8

The Council's funds are spread across both in-house and external managers to achieve a balance between minimising risk and maximising returns. The Council has agreed benchmarks across all of these funds in consultation with both external managers and treasury advisors, and these benchmarks are designed to ensure that investment income in 2008/09 will exceed that which is required to support the Council's revenue budget.

### ***Debt free status and return to borrowing***

The capital regulations that were introduced on the 1<sup>st</sup> April 2004 (the "prudential code") made the Council's debt free status less attractive. In particular these regulations require Councils to pay 75% of their housing capital receipts into a national pool, when previously we had been able to retain 100% of these receipts. Transitional arrangements were in place to protect debt free Councils from these pooling arrangements, but they expired on 31<sup>st</sup> March 2007.

All of the Councils capital receipts have been committed for on schemes already included in the capital programme from 2006/07 to 2009/10. The Medium Term Financial Strategy, and budget model on which it is based, has made allowance for a revenue budget to finance the costs associated with borrowing £10m per annum. This has enabled the Council to update its capital programme for 2008/09 to 2011/12 with additional capital investment plans, while ensuring that these plans remain prudent, affordable and sustainable.

An “authorised borrowing limit” of £150m has been set for the period 2008/09 – 2010/11. This is a statutory limit, which it is illegal for the Council to exceed. It has been purposely set well above expected borrowing levels to allow for any unforeseen issues throughout the medium term.

The point at which the Council actually returns to borrowing is a treasury management decision which needs to take account of investment rates and long term borrowing rates. This decision will be taken in consultation with the Council’s expert treasury advisors. The fact that the Council already has approved capital plans that will require it to borrow, a return to borrowing will now happen as soon as the market conditions are right.

19.2 A range of technical and practical issues arise for the Council to consider in returning to borrowing. The Council has recently recruited dedicated resources to allow this transition to be managed as smoothly as possible. The Council has also recently re-tendered its treasury advisory services contract, to ensure that it has access to the best advice available in the market. Key considerations are as follows:

- The process of borrowing needs to be considered, for example the sources of finance and any restrictions placed on local authorities;
- The economic conditions have a bearing on decisions involving borrowing;
- The type of borrowing is an important consideration, whether it is supported, unsupported, general fund or HRA; and
- Accounting issues arise, such as the charging of a Minimum Revenue Provision (MRP).

In approving the authorised borrowing limit, members are delegating the decision to borrow to the Chief Financial Officer.

**Dated: February 2008**

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This annex shows the relationship between the Council's budgets and the 7 Community Priorities. Whilst some service budgets may support other priorities, the table below identifies the lead priorities for each page of the Council's Budget book.

The Support Services provided by the Resources Department, shown at the end of this schedule, are deemed to support all of the other services and consequently, to support all of the Council's Community Priorities.

Similarly, the 3 key Council Priorities, **Delivering Outstanding Customer Services, Improving Performance Across the Board and Regenerating the Borough**, are central themes to all we do and therefore every service activity and hence every budget, is directly linked to them.

<b>Analysis of Services Provided</b>

<b>Community Priorities</b>						
Raising General Pride in The Borough	Promoting Equal Opportunities and Celebrating Diversity	Developing Rights and Responsibilities within the Local Community	Improving Health, Housing and Social Care	Making Barking and Dagenham Greener and Safer	Providing Better Education and Learning for All	Regenerating the Local Economy
			√			
			√			
			√			
			√			
			√			

**ADULT CARE SERVICES**

Older Persons - Residential Care Providers
Physical Disabilities - Residential Care Providers
Learning Disabled - Residential Care Providers
Mental Health - Residential Care Providers
Sheltered Housing/Wardens

			√			
			√			
			√			
			√			
			√			

**ADULT COMMISSIONING SERVICES**

Older Persons - Other Care Providers
Physical Disabilities - Other Care Providers
Learning Disabled - Other Care Providers
Mental Health - Other Care Providers

			√			
			√			
			√			
			√			

**Analysis of Services Provided**

<b>Community Priorities</b>						
Raising General Pride in The Borough	Promoting Equal Opportunities and Celebrating Diversity	Developing Rights and Responsibilities within the Local Community	Improving Health, Housing and Social Care	Making Barking and Dagenham Cleaner, Greener and Safer	Providing Better Education and Learning for All	Regenerating the Local Economy

**COMMUNITY SAFETY & PREVENTATIVE SERVICES**

CCTV, Community Safety & Parks Police
ISSP
Substance Misuse
Youth Offending Team

√				√		
√	√		√	√	√	
			√		√	
√	√		√	√	√	

**COMMUNITY SERVICES, HERITAGE & LIBRARIES**

Community and Development
Community Halls
Equalities and Diversity

√		√				√
		√				
	√					

**COMMUNITY SERVICES, HERITAGE & LIBRARIES**

Heritage - Central
Heritage - Valence House
Heritage - Eastbury Manor
Heritage - Borough Archives
Libraries Service

√					√	
√					√	
√					√	
√					√	
√					√	

**Analysis of Services Provided**

<b>Community Priorities</b>						
Raising General Pride in The Borough	Promoting Equal Opportunities and Celebrating Diversity	Developing Rights and Responsibilities within the Local Community	Improving Health, Housing and Social Care	Making Barking and Dagenham Cleaner, Greener and Safer	Providing Better Education and Learning for All	Regenerating the Local Economy

**SCHOOLS**

Primary Schools					✓	
Secondary Schools					✓	
Standards Fund Grant					✓	


**QUALITY & SCHOOL IMPROVEMENT**

Special Education					✓	
Westbury Centre					✓	


**SHARED SERVICES & ENGAGEMENT**

Early Years Grant					✓	
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**PUPIL & FAMILY SUPPORT**

Youth and Community					✓	
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**SAFEGUARDING & RIGHTS**

Residential Care Providers					✓	
Other Care Providers					✓	
Support Services and Management					✓	


**Analysis of Services Provided**

<b>Community Priorities</b>						
Raising General Pride in The Borough	Promoting Equal Opportunities and Celebrating Diversity	Developing Rights and Responsibilities within the Local Community	Improving Health, Housing and Social Care	Making Barking and Dagenham Cleaner, Greener and Safer	Providing Better Education and Learning for All	Regenerating the Local Economy

**OTHER CHILDREN'S SERVICES**

Support Services
School Meals
Butler Court

					✓	
			✓			
					✓	

**ENVIRONMENT & ENFORCEMENT**

Refuse Collection
Cleansing
Vehicle Fleet
ELWA Support
Civic Amenity Site
Frizlands Depot
Cleansing Transport and Waste Support
Passenger Transport
Passenger Transport Management
Trading Standards
Environmental Health
Highways Maintenance

			✓	✓		
			✓	✓		
				✓		
				✓		
				✓		
				✓		
				✓		
			✓		✓	
			✓		✓	
		✓	✓			
			✓			
✓				✓		✓

**Analysis of Services Provided**

<b>Community Priorities</b>						
Raising General Pride in The Borough	Promoting Equal Opportunities and Celebrating Diversity	Developing Rights and Responsibilities within the Local Community	Improving Health, Housing and Social Care	Making Barking and Dagenham Cleaner, Greener and Safer	Providing Better Education and Learning for All	Regenerating the Local Economy

**CUSTOMER FIRST**

Emergency Out of Hours & Social Alarms				✓		
Registrars		✓				
Customer First	✓	✓	✓	✓	✓	✓

**HOUSING SERVICES**

Housing Revenue Account				✓		
Housing Services				✓		
Private Sector Leasing				✓		

**REVENUES & BENEFITS SERVICE**

✓	✓	✓	✓	✓	✓	✓
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**SPATIAL REGENERATION**

Thames Gateway				✓	✓	✓
Strategic Planning	✓	✓		✓	✓	✓
Barking Riverside				✓		✓
Building Development Control	✓	✓	✓	✓	✓	✓
Area Regeneration	✓	✓		✓	✓	✓
Barking Town Centre	✓	✓		✓	✓	✓
LBBB Partnership Implementation	✓	✓	✓	✓	✓	✓

**Analysis of Services Provided**

<u>Community Priorities</u>						
Raising General Pride in The Borough	Promoting Equal Opportunities and Celebrating Diversity	Developing Rights and Responsibilities within the Local Community	Improving Health, Housing and Social Care	Making Barking and Dagenham Cleaner, Greener and Safer	Providing Better Education and Learning for All	Regenerating the Local Economy

**ASSET STRATEGY AND CAPITAL DEVELOPMENT**

Land Management						
Dagenham Heathway Properties			✓	✓		✓
Roycraft House						✓
Vicarage Field						✓
Industrial Properties						✓
Other Properties						✓
HRA Properties						✓
Property Services				✓		✓
Public Buildings		✓	✓	✓	✓	✓
Building Cleaning				✓		
Building Cleaning Management				✓		
Public Conveniences				✓		
Land Drainage				✓		
Traffic Management				✓		
On & Off Street Parking				✓		
Road Safety				✓		
Highways and Civil Engineering				✓		
Highways Maintenance				✓		
Building Design and Maintenance		✓	✓	✓	✓	✓
Head of AS & CD and Support		✓	✓	✓	✓	✓
Stores & Procurement		✓	✓	✓	✓	✓

**Analysis of Services Provided**

<b>Community Priorities</b>						
Raising General Pride in The Borough	Promoting Equal Opportunities and Celebrating Diversity	Developing Rights and Responsibilities within the Local Community	Improving Health, Housing and Social Care	Making Barking and Dagenham Cleaner, Greener and Safer	Providing Better Education and Learning for All	Regenerating the Local Economy

**SKILLS LEARNING & ENTERPRISE**

Markets
Neighbourhood Renewal Fund
Building East Programme
London Riverside Projects
Project Trident
B&D Training
Adult College
Adult Basic Skills

√	√	√	√	√	√	√
			√	√	√	√
					√	√
					√	√
					√	√
					√	√
					√	√

**LEISURE, ARTS & OLYMPICS**

Parks & Open Spaces
Cemeteries
Allotments
Security
Sports Centres
Events
Recreation & Parks Divisional Support
Sports Development
Grounds Maintenance and Nurseries
Arts
The Broadway

			√	√		
				√		
				√		
			√			
√			√			
			√	√		
			√	√		
√				√		
√					√	
√					√	√

**Analysis of Services Provided**

<b>Community Priorities</b>						
Raising General Pride in The Borough	Promoting Equal Opportunities and Celebrating Diversity	Developing Rights and Responsibilities within the Local Community	Improving Health, Housing and Social Care	Making Barking and Dagenham Cleaner, Greener and Safer	Providing Better Education and Learning for All	Regenerating the Local Economy

**HOUSING STRATEGY**

General Fund	✓
Housing Revenue Account	✓

						✓
						✓

**CORPORATE RESOURCES**

CHIEF EXECUTIVE	✓	✓	✓	✓	✓	✓
DIRECTOR OF RESOURCES	✓	✓	✓	✓	✓	✓
PERFORMANCE & DELIVERY	✓	✓	✓	✓	✓	✓
DEMOCRACY & PARTNERSHIPS	✓	✓	✓	✓	✓	✓
LEGAL SERVICES	✓	✓	✓	✓	✓	✓
HUMAN RESOURCES	✓	✓	✓	✓	✓	✓
CORPORATE FINANCE	✓	✓	✓	✓	✓	✓
STRATEGIC FINANCE & AUDIT	✓	✓	✓	✓	✓	✓
ICT & E-GOVERNMENT	✓	✓	✓	✓	✓	✓
CORPORATE MANAGEMENT	✓	✓	✓	✓	✓	✓
GENERAL FINANCE	✓	✓	✓	✓	✓	✓

	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓
	✓	✓	✓	✓	✓	✓



## Annex 2

<b>Specific Grants moved into Area Based Grant</b>	
	<b>2008/09 (£)</b>
<b>Adult's Services:</b>	<b>Budget</b>
Adult Social Care Workforce (formerly National Training Strategy and HR Development Strategy)	526,000
Carers	873,300
Care Matters White Paper	0
Cohesion	0
Crime Reduction, Drugs Strategy and Anti Social Behaviour	94,214
Learning and Disability Development Fund (formerly with PCT)	170,150
Local Involvement Networks	0
Mental Capacity Act and Independent Mental Capacity Advocate Service (MCA & IMCAS)	62,525
Mental Health	554,560
Preserved Rights	495,000
Preventing Extremism	90,200
Respect	24,344
Stronger Safer Communities Fund	90,200
Supporting People Administration	135,000
<b>Total Adult's Services:</b>	<b>3,115,493</b>
<b>Children's Services:</b>	
14-19 Flexible Funding Pot	56,000
Child and Adolescent Mental Health Services (CAMHS)	569,900
Child Death Review Process	0
Children's Social Care Workforce (formerly HRDS and NTS)	4,100
Children's Fund	667,000
Choice Advisers	35,360
Connexions	1,485,377
Education Health Partnerships	56,000
Extended Rights to Free Transport	0
Extended Schools Start Up (formerly Extended Schools Grant)	307,500
General Duty on Sustainable Travel to School	12,525
Positive Activities for Young People	375,079
Secondary National Strategy – Behaviour and Attendance	68,000
Secondary National Strategy – Central Coordination	140,000
Primary National Strategy – Central Coordination	123,987
School Development Grant (Local Authority element)	1,811,000
School Improvement Partners	20,500
School Intervention Grant	40,000
School Travel Advisers	16,000
Teenage Pregnancy	123,000
<b>Total Children's Services:</b>	<b>5,911,328</b>

<b><u>Specific Grants moved into Area Based Grant</u></b>	
	<b>2008/09 (£)</b>
	<b>Budget</b>
<b><u>Regeneration:</u></b>	
Local Enterprise Growth Initiative (revenue element)	2,341,494
Sustainable Travel General Duty	12,838
<b>Total Regeneration:</b>	<b>2,354,332</b>
<b><u>Resources:</u></b>	
Working Neighbourhoods Fund (formerly Neighbourhood Renewal Fund)	1,424,000
<b>Total Resources:</b>	<b>1,424,000</b>
<b>TOTAL AREA BASED GRANT</b>	<b>12,805,153</b>

### Plans and Strategies

The Council produces a number of plans and strategies, many of which are statutory, and these are listed below:

<b>Name</b>	<b>Lead Department</b>
Barking and Dagenham Older People's Strategy	Adult & Community Services
Mental Health Strategy	Adult & Community Services
Social Services Delivery and Improvement Statement	Adult & Community Services
Adult Drug Treatment Plan	Adult & Community Services
Crime, Disorder and Drugs Strategy	Adult & Community Services
Drug Interventions Programme Plan	Adult & Community Services
Youth Justice Plan	Adult & Community Services
Anti-social Behaviour Strategy	Adult & Community Services
Domestic Violence Strategy	Adult & Community Services
Public Libraries Standards	Adult & Community Services
Emergency Plan	Adult & Community Services
Alcohol and Harm Reduction Strategy	Adult & Community Services
Community Cohesion Strategy	Adult & Community Services
Preventative Strategy	Adult & Community Services
Adult Learning Plan	Adult & Community Services
Equalities and Diversity Plan for Social Services	Adult & Community Services
Local Cultural Strategy	Adult & Community Services
Annual Performance Assessment Plan	Children's Services
Children's and Young People's Plan	Children's Services
Children's Centre Strategy	Children's Services
Local Safeguarding Children Board Business Plan	Children's Services
Child and Adolescent Mental Health Services Development Strategy	Children's Services
Young People's Drug Treatment Plan	Children's Services
Early Professional Development Plan	Children's Services
Educational Asset Management Plan	Children's Services
Accessibility Strategy	Children's Services
Extended Schools Strategy	Children's Services
Leisure and Play Strategy	Children's Services

<b>Name</b>	<b>Lead Department</b>
Housing Strategy	Customer Services
Housing Business Plan	Customer Services
Housing Strategy for Persons with Learning Disabilities	Customer Services
Homelessness Strategy	Customer Services
Private Sector Housing Strategy	Customer Services
Supporting People Strategy	Customer Services
Food Law and Enforcement Plan	Customer Services
Contaminated Land Strategy	Customer Services
Integrated Waste Strategy (ELWA)	Customer Services
Municipal Waste Management Strategy	Customer Services
Regeneration Strategy	Regeneration
Local Development Framework	Regeneration
Local Implementation Plan	Regeneration
Sustainable Energy Strategy	Regeneration
Local Air Quality Management Action Plan	Regeneration
Local Biodiversity Action Plan	Regeneration
Asset Management Plan	Regeneration
Parks and Green Spaces Strategy	Regeneration
Economic Development Strategy	Regeneration
Affordable Warmth Strategy	Regeneration
Workforce Development Strategy	Regeneration
Community Strategy – Building Communities and Transforming Lives	Resources
A Local Area Agreement for Barking and Dagenham	Resources
Medium Term Financial Strategy	Resources
Corporate Plan	Resources
Capital Investment Strategy	Resources
Human Resources Strategy	Resources
Information Technology Strategy	Resources
Implementing Electronic Government Statement	Resources
Disability Discrimination Act Access Strategy	Resources
Health and Safety Enforcement Plan	Resources
Procurement Strategy	Resources
Accommodation Strategy	Resources

<b>Ringfenced Specific Grants</b>	
	<b>£</b>
<b>Children's Services:</b>	
Ethnic Minority Achievement	1,671,477
Music Service	315,591
Extended Schools - Sustainability	312,764
School Development Grant	8,048,038
School Lunch Grant (formerly School Meals Grant and Targeted School Meals Grant)	342,859
Targeted Support for Primary Strategy	925,122
Targeted Support for Secondary Strategy	653,883
Contact Point (formerly Information Sharing Index)	149,000
Early Years: Increasing Flexibility of 3-4 Year Olds	-
Sure Start, Early Years and Childcare	7,831,955
Youth Opportunity Fund	190,400
Parent Practitioners Grant	50,000
<b>Total Children's Services:</b>	<b>20,491,089</b>
<b>Adult's Services:</b>	
Social Care Reform Grant (formerly Individual Budget pilot)	326,810
Supporting People (until 2009/10)	5,416,000
<b>Total Adult's Services:</b>	<b>5,742,810</b>
<b>Other:</b>	
Homelessness	100,000
PFI	3,304,000
Housing and Council Tax Benefit Admin Subsidy	2,280,802
<b>Total Other:</b>	<b>5,684,802</b>
<b>TOTAL SPECIFIC GRANTS</b>	<b>31,918,701</b>

## Annex 5

<b><u>SUMMARY OF BUDGET PROJECTIONS UP TO 2010/11</u></b>			
	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>BUDGET REQUIREMENT B/F</b>	<b>263,387</b>	<b>282,951</b>	<b>304,370</b>
<b>Pressures/Changes</b>			
Unavoidable	7,518	1,217	1,050
Likely Commitments:			
- Education spending to DSG	6,867	6,077	7,153
- Inflation (All council services excluding schools)	3,246	3,250	3,250
- Impact of 2008/09 budget decisions – pressures/Invest to Save	7,435	500	500
Areas of Potential Concern			
- Corporate	703	3,250	3,500
- Other	0	5,625	5,250
Future issues	1,000	1,500	1,750
<b>Total of Pressures/Changes</b>	<b>26,769</b>	<b>21,419</b>	<b>22,453</b>
Less: Impact of Savings (including efficiencies)	7,205	0	0
<b>Revised Budget Requirement</b>	<b>282,951</b>	<b>304,370</b>	<b>326,823</b>
<b>Funding:</b>			
Formula Grant	95,418	99,202	102,785
Dedicated Schools Grant	135,647	141,724	148,877
Council Tax Collection	52,329	54,685	57,145
Collection Fund Deficit	(443)	(250)	(250)
<b>Total Funding</b>	<b>282,951</b>	<b>295,361</b>	<b>308,557</b>
Council Tax Base (1)	51,430	51,430	51,430
LBB Council Tax (2)	1017.49	1,065	1,115
GLA Precept (3)	311.25	327	343
<b>Total</b>	<b>1328.74</b>	<b>1,392</b>	<b>1,458</b>
<b>Overall change</b>	<b>3.95%</b>	<b>4.75%</b>	<b>4.75%</b>
<b>Funding Gap to be met by savings/efficiencies/ /invest to save/use of reserves/review of growth/ level of Council Tax</b>	<b>0</b>	<b>9,009</b>	<b>18,266</b>
<b>(N.B. This is after allowing a 4.5% increase in LBB Council Tax)</b>			
<b>Notes</b>			
1. Assumes a nil increase in the Council Tax base for 2009/10 and 2010/11			
2. Assumes a 4.5% increase in Council Tax			
3. Assumes a further 5% increase for both 2008/09 and 2009/10.			

## Charging Policy for Council Services

### **1. Introduction**

- 1.1. This policy sets out the Council's framework for charging and has three fundamental principles:
  - Services should raise income wherever there is a power or duty to do so.
  - The income raised should cover the full costs of providing the service including all overheads.
  - Any departures from this policy must be justified in a transparent manner with reference to the Council's priorities and policies.
- 1.2. When the Council does not raise income in areas where it has the power to do so, it foregoes the opportunity to raise money to improve services and leaves less money available for spending on high priority services.
- 1.3. There are situations when the Council may decide not to raise income when it is empowered to or not to recover the full cost of a service. Members must be supplied with information to allow them to make these decisions in a structured and explicit manner. A decision to forego income or to subsidise a service is a policy decision about resources as significant as any decision made in the budget setting process.
- 1.4. This policy recognises three basic contexts in which charges are made. These will be considered in turn. The policy concludes by looking at the Council's approach to subsidy.

### **2. Context for Charging**

#### **2.1. Charging in a mixed economy**

- 2.1.1 In this context the council is providing goods or services which are also available, or could be available from the private and voluntary sectors or other public service bodies.
- 2.1.2 In principle these services must recover their full cost. Furthermore where applicable the Council should be guided by the market price where this produces a surplus. This is not solely a charging issue; breaking even or achieving a surplus also requires the costs of the service to be fundamentally reviewed.
- 2.1.3. If the Council is unable to recover its cost it must be debatable as to whether it should be providing rather than commissioning the service.

2.1.4. Wherever practicable the level of charges should mirror the level of service provided.

## **2.2. Mandatory Charging**

2.2.1. There are a number of areas of activity where the Council charges are set by central government by statute. The Council cannot vary these charges but it should seek to make progress towards full recovery by taking all reasonable steps to reduce the expenditure incurred in providing the service.

2.2.2. It is accepted that in some cases it may not be possible to deliver an acceptable service within the income available. In these cases, Members approval for the deficit must be sought together with an indication of the steps taken to minimise costs incurred.

2.2.3. In other areas charges will be determined by existing contractual commitments or by partnership arrangements in which the Council is one of a number of participants in policy formulation. Again the council should apply the principles outlined in this policy when contracts are renewed and promote them when partners consider charging policies.

## **2.3. Discretionary Charging**

2.3.1. In this context the Council is the sole or primary provider of services and has discretion on whether to levy fees and charges and the extent to which costs are recovered.

2.3.2. Again the starting point should be that services will normally be expected to cover their costs having regard to both the level of charges and the cost of the service.

2.3.3. Again wherever practicable charges should vary with the level of service provided.

2.3.4. The council may elect to subsidise some or all of the users of a specific service.

The next section sets out the policy on subsidisation.

## **3. Subsidy**

3.1. The Council offers subsidised services in a number of areas. There are two types of subsidy; a general subsidy to all users of the service and specific subsidies targeted at particular categories of users. Both types of subsidy may apply to part or all of a particular service.



### 3.2. **General Subsidy**

3.2.1. General Subsidies occur when a service is delivered at below cost to all users (e.g. off peak access to facilities).

3.2.2. When considering such a subsidy, Members must satisfy themselves:

- That the proposed subsidy demonstrably supports a Council priority or policy.
- There is evidence to suggest that the impact of the policy can be measured.
- The cost of the subsidy can be estimated and accommodated within Council budgets.
- That the proposal is the most effective approach to delivering the policy objective having considered alternatives.

3.2.3. The decision to subsidise and the level of subsidy should be reviewed on an annual basis.

### 3.3. **Specific Subsidies**

3.3.1. Specific subsidies are targeted at particular groups and service users. In the context of charging and social inclusion this is normally taken to refer to low income residents. However, it is important to remember that the principles underpinning this policy could apply to any group (e.g. religious and sporting groups) and may arise in the context of partnership working.

3.3.2. If the Council decides to subsidise certain service users it has the responsibility to use fair, transparent and objective criteria in deciding who should be subsidised and why. It should be possible to communicate these criteria to service users.

3.3.3. Again any proposed subsidy must demonstrably support specific Council priorities or policy objectives. The financial implications of the subsidy must be identified in advance and must be able to be accommodated within existing Council budgets.

3.3.4. It is important to examine each proposed subsidy on its merits and to avoid blanket approaches to this issue. For example, subsidising benefit claimants across all Council services could improve access to services while exacerbating the poverty trap associated with the interaction of tax and benefit tapers. This could add disincentives of a return to work and reinforce social exclusion. It could also add to the cost of the services at the expense of low income groups who are in employment.

- 3.3.5. It is important therefore that such subsidies are focussed and have a reasonable chance of making a significant contribution to the Council priority or policy under consideration.
- 3.3.6. The proposed subsidy regime must be simple to administer. Complex bureaucracies for assessment and recovery will add significantly to the cost of service provision for all users while adding little value. The need to keep things simple and cost effective will affect the detail and sensitivity of any income assessment and the extent to which charges are directly linked to precise levels of service provision.

## Charging Policy Commission

### Fundamental Principles

1. Charges should be made for goods and services when ever the Council has a power or a duty to do so and all cases where the council is providing goods and services already provided by the Private Sector.
2. The starting presumption should be that charges will be set a level to recover the full cost of the service including all overheads and where appropriate to mirror prevailing commercial rates. In the short term it is accepted that transitional arrangements may have to be put in place including a review of service costs, before full cost recovery is attained.
3. Discounting or subsidising charges may only be considered is cases where:
  - Such a policy would demonstrably support or promote Council priorities and policy objectives in an effective manner.

And

  - The consequences of the discount or subsidy can be both quantified and accommodated within the Council's budgetary estimates.

Or

  - Where it is necessary to enable the Council to meet its legal responsibilities given prevailing contractual frameworks, statutory provisions or eligibility criteria.

## Checklist for Reviewing Charges

1. What if any charges are currently levied? When were they last reviewed?  
How were these charges arrived at? Do they vary with the level of service provided?
2. What proportion of the cost of the service provided do they recover? What is the value of any surplus or subsidy within existing arrangements?
3. Is there a significant “cost of collection”?
4. Who are the customers of the service? How would they be affected by charging?
5. What Council priorities, policies or objectives are supported by this service?
6. Should the Council be providing this service? Is the service also provided by the private or voluntary sectors? At what price?
7. What would be the impact of charging on the basis of full cost recovery?
  - In financial terms – for example would there be an increase or decrease in revenue?
  - In terms of the impact on Council policies and priorities? – for example would there be a significant decrease in the take up of the service?What is the evidence for these projections of the impact of the policy?
8. Is there a case for subsidising or discounting the charges? What Council priority or policy would this support? What evidence do we have to indicate that subsidies or discounts would make a significant impact?
9. What alternative approaches have been considered? Do these service users have access to other sources of funding or subsidy? Have these sources been fully utilised?
10. How could such a discount or subsidy be structured or focused to achieve the best results?
11. Can the discount or subsidy be applied in a cost effective manner that is easy to communicate to customers? What would be the costs of collection if a discount or subsidy was implemented?
12. Can the income raised through the charging regime make a significant impact on the quality of service provision?
13. When will this charge next be reviewed? How will the impact of changes in the charging regime be monitored and reported.

## Reserves

### **1. General Reserve**

- 1.1. The free balance for 2008/09 is estimated to be £7.4m. This takes into account the current approved usage of the reserve in future years.
- 1.2. A significant amount of the services that the Council provide have little or no risk in terms of potential financial performance and other internal and external influences and factors. After assessing all the Council's spending areas it is considered that an appropriate level of general reserves would be around £7.5m.

### **2. Repairs and Renewal Reserve**

- 2.1. This reserve is set up to fund the repair and renewal of specific assets and is broken down into a number of individual reserves e.g. New Technology.

### **3. Invest to Save and Service Reconfiguration Reserves**

- 3.1. The Council is continually undergoing significant changes in its service provision as it addresses both its community and corporate priorities. Over the next few years changes as a result of the introduction of programme boards, modern ways of work, re-directing resources into priorities, government priorities and realising efficiency gains will significantly change the way the Council conducts its business.
- 3.2. Alongside this, the Council will also be required to make savings in order to continue to produce a balanced budget.
- 3.3. In 2005/06 a £4m reserve was ear-marked for potential invest to save activities and a further £4m was also set-aside into a Service reconfiguration reserve. Approvals have already been given in respect of the Customer First project, the office accommodation review, the Council restructure and the Contract framework agreement. The remainder of the reserve will be held for potential other one-off costs associated with service reconfigurations such as efficiency schemes, invest to save schemes, delivery of e-Government targets etc. Where invest to save funding is approved, and funded from the Invest to Save reserve, the initial savings derived from these investments will be used to replenish the reserve thus allowing more invest to save proposals to be considered in the future.
- 3.4. The use of these two reserves will be reviewed annually as part of the budget setting process.

#### **4. Insurance Fund**

- 4.1. The Insurance Fund is held to meet potential and contingent liabilities for insurance that the council self insures. In recent years the Council's contributions and payments from this fund have been broadly neutral. However it is recommended that a £3.5m level of provision is maintained for any future unforeseeable items e.g. contaminated land.
- 4.2. However, the Council recognises the need to ensure it has a strong approach to its risk management arrangements and the level of technical expertise of a corporate finance nature.

#### **5. Interest Equalisation Reserve**

- 5.1 The Council's General Fund budget has been prepared for 2008/09 utilising £1.8m of interest on balances. This sum is £1m lower than that budgeted for in 2007/08 and it is projected that this income will continue to reduce in future years as reserves and balances are used. Whilst the overall economic climate in recent years has maintained both relatively low levels and stable interest rates, the generation of interest receipts to the Council will be subject to any volatility in the markets. Economic forecasts over the next 12 months predict interest rates to fall which will place further pressure on the revenue budget. The establishment in 2003/04 of an interest equalisation reserve will enable future reductions in investment income to be smoothed in the budget setting process.

#### **6. Barking College**

- 6.1. The Adult College was given local delegated status about 12 years ago and is able to carry forward its budget surplus (or deficit). The college is almost entirely funded through Learning and Skills Council (LSC) income, which is allocated to the college for Further Education and Adult and Community Learning Course provision and delivery based on the LSC formula. The fund consists of an IT fund, specific projects and a contingency.

#### **7. Local Management of Schools**

- 7.1. These balances represent sums held on behalf of the schools and are earmarked for their use in accordance with the Council's education finance arrangements.

## **8. Housing Reserves**

### **8.1. HRA Working Balance**

The position on this reserve reflects the decisions made by the Executive on 19<sup>th</sup> February 2008 when the HRA estimates were considered along with the rent increase.

### **8.2 Major Repairs Reserve (MRR)**

The MRR at the 1/4/07 was £4.9m. The estimated ongoing balance is projected to reduce since contributions into the MRR will be broadly mirrored by the planned capital expenditure on MRR projects. Any balance is a timing issue.

### **8.3. Leaseholder Repair Fund**

Leaseholders contribute annually to this reserve in order to fund significant repairs. It is essentially ring fenced to cover their contribution to the relevant repairs.

HRA reserves are ring fenced to the HRA.

**Profile of Reserves**

	<b>Bal 1/4/07 £m</b>	<b>Bal 1/4/08 £m</b>	<b>Bal 1/4/09 £m</b>	<b>Bal 1/4/10 £m</b>	<b>Bal 1/4/11 £m</b>
General	13.3	9.3	7.4	7.4	7.4
<u>Earmarked</u>					
Repairs and Renewals	1.9	1.1	0.7	0.7	0.7
Invest to Save	3.2	2.2	0.8	0.9	1.0
Service Reconfigurations	2.8	1.5	0.8	0.3	0
Capital and Revenue Support Fund	4.5	0	0	0	0
Insurance Fund	3.5	3.5	3.5	3.5	3.5
Interest Equalisation	0.3	0.3	0.3	0.3	0.3

**Profile of Reserves**  
**Ring fenced areas**

	<b>Bal 1/4/07 £m</b>	<b>Bal 1/4/08 £m</b>	<b>Bal 1/4/09 £m</b>	<b>Bal 1/4/10 £m</b>	<b>Bal 1/4/11 £m</b>
Barking College	0.2	0.1	0	0	0
School Balances (net)	8.0	5.4	4.0	3.0	2.0
<u>HRA</u>					
- Working Balance	1.7	2.8	2.6	2.6	2.6
- MRR	4.9	1.5	0.2	0.2	0.2
- Leaseholder Repair Fund	4.6	5.6	4.0	4.0	4.0



### Sensitivity Analysis

Whilst assumptions as to events in the immediate future can be predicted with a high degree of certainty, this becomes less so in subsequent years. It is therefore important to be aware of the significant issues that can impact on future year budgetary assumptions, and the degree of any such impact.

#### Revenue

The table below considers the impact of a number of high risk factors (excluding school budgets)

Issue	Variance from budget	Cost £'000	Likelihood
Variance in Net Budget	1%	1,500	Possible
Reduction in Formula Grant funding	1%	950	Unlikely
Non-collection of Council Tax	1%	500	Possible
Further increase in Pay award	0.5%	1,000	Unlikely
Other inflation factors	0.25%	925	Possible
Variance in interest rates	0.5%	550	Possible
Increase in Adult Care costs	1%	150	Possible
Increase in Children's Placement costs	1%	150	Probable
Reduction in Leisure income	1%	24	Possible

The impact of variances from the budgeted position can be expressed in terms of the impact upon the council tax:-

Council tax band	Impact on Council tax of additional spend at:- (before discounts)	
	£0.5m	£1m
A	£6.48	£12.96
B	£7.56	£15.12
C	£8.64	£17.28
D	£9.72	£19.44
E	£11.88	£23.76
F	£14.04	£28.08
G	£16.20	£32.40
H	£19.44	£38.88

#### Capital

Asset disposals of £44m have been identified from 2008/09 onwards to generate capital receipts to fund capital expenditure. Should this anticipated level of disposals be exceeded, this will reduce the current financing costs in the revenue budget. Similarly, should planned asset disposals not materialise, this will require the programme to be reduced, or create an additional burden on the revenue budget. A 10% reduction in disposals would create a £4.4m gap in the capital budget. Financing this gap would cost approximately £350k per annum.

The capital programme also includes external funding. Including proposed schemes a total of £275m has been identified. Should the expected level of external funding not materialise, the programme would have to be cut accordingly. A 10% reduction in external funding would create a £27.5m gap in the budget if it was not cut, and financing this would cost the Council approximately £2.2m per annum in revenue costs.

**Summary of Additional Schemes to be added to Capital Programme  
2008/09 to 2011/12**

**(Subject to a detailed Business Case and approval by Enterprise  
Programme Office, Resource Monitoring Panel and Executive)**

<b><u>Department</u></b>	<b><u>2008/09 £'000</u></b>	<b><u>2009/10 £'000</u></b>	<b><u>2010/11 £'000</u></b>	<b><u>2011/12 £'000</u></b>	<b><u>Total £'000</u></b>
Children's	3,230	50,880	72,000	58,000	184,110
Adults & Community	3,510	3,630	560	0	7,700
Regeneration	4,158	14,450	1,389	253	20,250
Customer Services	7,700	7,500	5,000	3,000	23,200
Resources	2,220	3,500	4,380	1,150	11,250
<b>Total Programme</b>	<b>20,818</b>	<b>79,960</b>	<b>83,329</b>	<b>62,403</b>	<b>246,510</b>
<b><u>Funding:</u></b>					
Internal Sources	15,648	29,080	11,329	4,403	60,460
External Sources	5,170	50,880	72,000	58,000	186,050
<b>Total Funding</b>	<b>20,818</b>	<b>79,960</b>	<b>83,329</b>	<b>62,403</b>	<b>246,510</b>

**Summary of Proposed Capital Programme 2008/09 to 2011/12**

**(Subject to additional schemes being approved Enterprise Programme Office, Resource Monitoring Panel and Executive)**

<b><u>Department</u></b>	<b><u>2008/09 £'000</u></b>	<b><u>2009/10 £'000</u></b>	<b><u>2010/11 £'000</u></b>	<b><u>2011/12 £'000</u></b>	<b><u>Total £'000</u></b>
Children's	21,043	56,335	77,350	58,000	212,728
Adults & Community	5,309	3,719	560	0	9,588
Regeneration	60,934	52,902	26,939	12,533	153,308
Customer Services	14,883	8,300	5,000	3,000	31,183
Resources	6,295	15,689	22,100	1,650	45,734
<b>Total Programme</b>	<b>108,464</b>	<b>136,945</b>	<b>131,949</b>	<b>75,183</b>	<b>452,541</b>
<b><u>Funding:</u></b>					
Internal Resources	53,473	71,656	46,449	5,183	176,761
External Sources	54,991	65,289	85,500	70,000	275,780
<b>Total Funding</b>	<b>108,464</b>	<b>136,945</b>	<b>131,949</b>	<b>75,183</b>	<b>452,541</b>

### **Prudential Capital Guidelines**

1. In April 2004 the financial capital financing system was introduced based upon a prudential system of borrowing. Authorities are greater freedom to borrow than under the previous system, providing that they can meet the necessary capital and interest repayments from revenue accounts. The capital programme that has been set for 2008/09 to 2011/12 requires the Council to borrow at some point over that period. This makes the Prudential Code for Capital Investment relevant.

The system provides a more integrated approach to capital investment decision making with an authority having to take account the following when setting its capital investment plans:

- Affordability;
- its asset management plans;
- the implications for external borrowing;
- value for money through options appraisal and its strategic plans.

The aim is to bring together revenue and capital resources to meet service delivery objectives.

2. The requirements of the prudential system are based around some clear fundamental principles including:
  - A three year rolling capital programme and revenue forecast is to be prepared and maintained with estimates of the council tax and/or average housing rent for each year.
  - Capital spending decisions must be both affordable and within sustainable limits in relation to the levels of Council Tax and HRA rent required to support these plans over the medium term
  - When considering the affordability of capital decisions the Council will need to take into account all the available resources, both in terms of its capital payments and receipts, and its revenue income and expenditure
  - All authorities must adopt the treasury management code.
  - Authorities should not borrow for revenue purposes (except in the short-term)
3. The system places reliance on a set of “prudential indicators” which must be determined by each local authority for the forthcoming year and the two following financial years.

These indicators can be grouped into the following categories:

- Affordability
- Prudence
- Capital Expenditure
- External Debt
- Treasury Management

Although there are 5 key prudential indicator headings, they should not be looked at in isolation as they all have inter-relationships with one another. These compulsory prudential indicators are referred to in the Local Government Act 2003 and are embodied in the CIPFA Prudential Code.

4. The prudential indicators can be summarised as follows:

#### Affordability

These indicators compare the cost of all the authority's external borrowing with its overall expenditure. They also identify the increase in both Council Tax and HRA rents that will result from any additional borrowing.

The indicators for affordability are:

- Estimated/actual ratio of financing costs to net revenue stream for HRA and general fund.
- Estimates of the incremental impact of capital investment decisions on both the Council Tax and housing rents

#### Prudence

This indicator is designed to ensure that medium term borrowing is only used for capital purposes. The indicators for prudence are:

- Net borrowing and Capital Financing requirement

#### Capital Expenditure

These indicators look at estimated and actual capital expenditure and the Capital financing requirement. The indicators for capital expenditure are

- Estimated/actual capital financing requirement (i.e. borrowing) for HRA and general fund.
- Estimated/actual capital expenditure for HRA and general fund.

#### External Debt

These indicators set out the limits for external borrowing and are set in the context of the authority's Treasury Management Policy and strategy.

The indicators for external debt are:

- Authorised limit for external debt i.e. the authorised limit for borrowing plus the authorised limit for other long term liabilities.
- Operational boundary for external debt i.e. total external debt gross of investments separately identifying borrowing from other long term liabilities.
- Actual external debt as at 31<sup>st</sup> March of previous year

### Treasury Management

These indicators address treasury management issues such as the amount of debt at fixed rates, the amount at variable rates and the period over which the money is borrowed. The indicators for Treasury Management are:

- Adoption of CIPFA Code of Practice for Treasury Management in the Public Services
  - Upper limit on fixed interest rate exposure
  - Upper limit on variable interest rate exposure
  - Upper and lower limits for the maturity structure of borrowing
  - Prudential limits for principal sums invested for longer than 364 days
5. The code also places specific responsibilities on the Chief Finance Officer to ensure that matters required to be considered when setting and revising prudential limits are reported to the decision making body and to ensure that appropriate monitoring and reporting arrangements are put in place to assess performance against all the forward-looking indicators.
6. From 2004/05, authorities that were debt free as at 1<sup>st</sup> April 2004 have been required to pay a proportion of their housing revenue account capital receipts into a national pool as follows:
- Right to buy receipts including proceeds from sales to existing tenants or occupiers and mortgage payments by past tenants to the authority are subject to a pooling rate of 75%. This was phased in over a three year period with a pooling rate of 25% in 2004/05, 50% in 2005/06 and 75% in 2006/07 - subject to the difference between this and the 75% pooling amount in 2004/05 and 2005/06 being used for affordable housing.
  - Large and small scale voluntary transfer will not be pooled and may be used for any capital purpose.
  - All other housing capital receipts are subject to pooling at a rate of 75% for dwellings and 50% for land, commercial and other HRA property – unless they are used for affordable housing or regeneration where the poolable part of the receipt may be reduced to zero in accordance with the 'in and out' rules. Poolable receipts include the disposal of mortgage portfolios and payments made to redeem landlords share.

The transitional arrangements referred to above ceased on the 31<sup>st</sup> March 2007, and normal pooling arrangements will apply to this authority from that point onwards.

**Contacts**

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