

THE EXECUTIVE

Tuesday, 23 September 2003

Open Reports

- Agenda Item 3. Statement of Accounts 2002/2003 (Pages 1 - 69)**
- Agenda Item 4. Revenue Outturn 2002/2003 (Pages 71 - 81)**
- Agenda Item 7. Development of Employment Strategies (Pages 83 - 134)**
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- Agenda Item 12. Treasury Management Annual Report 2002/2003 (Pages 139 - 142)**
- Concerns Commercially Confidential Matters (paragraphs 1 and 7)*

Private and Confidential Reports

- Agenda Item 15a * Upgrade of Disc Storage System (Pages 143 - 145)**
- Concerns a Contractual Matter (paragraphs 7, 8 and 9)*
- Agenda Item 15b * Selection of Registered Social Landlords for Barking and Dagenham's Preferred Partners Panel and Allocation to new Housing Projects (Pages 147 - 151)**
- Concerns a Contractual Matter (paragraph 7)*
- Agenda Item 15c * Older People's Commissioning and Financial Strategy (Pages 153 - 201)**
- Concerns a Contractual Matter (paragraph 7)*

* The Chair will be asked to decide whether these reports may be considered as a matter of urgency under the provisions of Section 100(4)(b) of the Local Government Act 1972 in order to progress these matters without delay.

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THE EXECUTIVE

23 SEPTEMBER 2003

REPORT OF THE DIRECTOR OF FINANCE

STATEMENT OF ACCOUNTS 2002/2003		FOR INFORMATION
<p><u>Purpose of Report</u></p> <p>To present the interim draft Statement of Accounts for 2002/2003.</p> <p><u>Recommendations</u></p> <p>To note the interim Statement of Accounts and that a final version incorporating an Audit Certificate will be reported to a future meeting.</p>		
<p>Contact Officer Julie Parker</p>	<p>Director of Finance</p>	<p>Tel: 020 8227 2252 Minicom: 020 8227 2413 E-mail: julie.parker@lbbd.gov.uk</p>

1. Background

- 1.1 The Accounts and Audit Regulations issued by the Secretary of State for the Office of the Deputy Prime Minister sets out the requirements for the publication of the Annual Statement of Accounts. These regulations were revised in 2003, and for the financial year 2002/03 require local authorities to present a full draft set of final accounts to Members by the 30th September each year and publish these by the 31st December.

It is worth noting that under the revised Accounts and Audit regulations 2003 the deadline for both Member approval of the accounts and final publication is being brought forward by 3 months. To allow local authorities to adjust to these changes, these new deadlines are programmed to take place over 3 years as follows:

<u>Financial Year</u>	<u>Member Approval of the Accounts</u>	<u>Publication of Accounts and Completion of Audit</u>
2002/03	30 th September	31 st December
2003/04	31 st August	30 th November
2004/05	31 st July	31 st October
2005/06	30 th June	30 th September

- 1.2 The new timetable represents a significant challenge to the Council officers and particularly the Finance department. It will require:
- A radical review of the closure process.
 - Adequate staff resources
 - Corporate-wide support (including information required from 3rd parties e.g. external partners, schools, actuaries etc.)
 - Improved planning and guidance
 - Financial processes to be completed earlier
 - Clear divisions of responsibility between finance and service departments
- 1.3 Furthermore the accuracy and timeliness of the financial statements and the supporting records form part of the auditor judgements under the Comprehensive Performance Assessment.
- 1.4 The earlier closure of accounts also links in/compliments the duties of the Director of Finance regarding responsibility for corporate financial management, systems of internal control, robustness of estimates (setting and monitoring), adequacy of reserves, Capital accounting changes (Prudential code) etc.
- 1.5 The Director of Finance is currently reviewing the resources and skills required to address this shorter timetable and other changes to financial management and will report in due course.
- 1.6 The accounts for 2002/2003 are still in draft and the authority's appointed auditor has not yet completed the audit of accounts and so the statement is presented subject to audit and is likely to change although not significantly. Any significant changes will be reported to the Executive.
- 1.7 Once the audit certificate is signed a copy of the accounts will be reported and published. Copies will be forwarded to all Members of the Council.

LONDON BOROUGH OF
BARKING AND DAGENHAM

THE
STATEMENT
OF
ACCOUNTS

2002/2003

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EXPLANATORY FOREWORD

This forward provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main features of the Council's financial position at 31st March 2003.

1. **THE ACCOUNTING STATEMENTS**

The Authority's accounts for the year 2002/2003 are set out on the following pages. They consist of:-

• Responsibilities for Statement of Accounts	Page (v)
• The Statement on the System of Internal Control	(vii)
• The Statement of Accounting Policies	1
• The Consolidated Revenue Account:- which sets out income and expenditure on all services.	9
• The Housing Revenue Account:- which shows in detail income and expenditure on Council Housing.	17
• The Collection Fund Account:- which shows the receipt of Council Tax, Community Charges, Non Domestic Rates and Government Grants, which are then used to finance services provided by the Authority and the Greater London Authority.	22
• The Consolidated Balance Sheet:- which sets out the assets and liabilities of the Authority on the 31 st March 2003, excluding the Pension Fund (which is shown separately).	25
• The Total Movement in Reserves:- which shows the movement to/from reserves in the Authority's accounts for 2002/2003.	33
• The Cash Flow Statement:- which shows the movements in cash of the Authority's funds for 2002/2003, excluding the Pension Fund and Trust Funds.	35
• The Pension Fund Accounts :- which provide for retirement benefits for past and present employees of the Authority and the Admitted Bodies, with the exception of teachers who contribute to a scheme administered by the Department for Education and Skills.	38
• External Audit Report	44
• Signature of Chairman of the Executive to the approval of Statement of Accounts	46

2. REVENUE BUDGET

The following table sets out the overall comparison of original estimates and actual expenditure (in millions) on the day to day running costs of services for the area and shows where the money comes from.

	Budget	Actual
	£m	£m
<u>Money Spent</u>		
Barking & Dagenham Council Spending on Services:-		
• Education	116.2	119.6
• Social Services	50.5	54.7
• Other Services	16.3	12.6
	183.0	186.9
Levying Authorities		
• East London Waste Authority	4.1	4.1
• Lee Valley Regional Park Authority	0.1	0.1
• Environmental Agency	0.8	0.8
• London Pensions Fund Authority	0.2	0.2
• Greater London Magistrates Court Authority	0.2	0.2
	188.4	192.3
Precepting Authorities		
• Greater London Authority	9.0	9.0
	197.4	201.3
Total Money Spent		
Net Contribution to (from) Reserves		
• LBB&D	(1.9)	(4.5)
• Schools' Balances	0	(1.3)
	195.5	195.5
<u>Where the Money Comes from</u>		
• Council Taxpayers	47.3	47.3
• Government Grants	102.0	102.0
• Business Rates	46.2	46.2
	195.5	195.5

2.1 Revenue Services - Financial Performance

During 2002/03 spending exceeded the budget in the following main areas:

- Education (£1.84m) – This related to special educational needs transport, non-maintained school fees, staffing for the LEA and schools long term absence cover.
- Information Technology (£1m) – Implementation of the Oracle Financials System required additional resources during the year.

These overspends were offset by additional income from interest on balances.

However the 2002/03 budget did require an additional contribution from reserves of £2.6m to support expenditure on Council Services.

There are 2 main reasons for this additional expenditure being:

- £1.4m of expenditure related to works which were delayed from 2001/02. However an equivalent contribution of £1.4m was made to reserves in 2001/02 to support this known expenditure.
- The early implementation of stage 2 of the Social Services computer system (known as 'SWIFT') which was originally programmed for 2003/04 but was accelerated into 2002/03 at a cost of £500,000.

The Council has in place a medium term financial plan which aims to return the authority to a balanced budget in years 2004/05 and 2005/06 i.e. recurring revenue services will not be supported from General reserves.

The Council's reserves position as at 31/3/2003 is as follows:

	<u>31/3/2002</u>	<u>31/3/2003</u>
	<u>£000's</u>	<u>£000's</u>
General Reserves	20,709	16,238
School Balances	3,107	1,806

2.2 Government Standard Spending Grant

Government Standard Spending Grant is calculated as the difference between the Authority's Standard Spending Assessment (SSA) and the amount deemed to be raised locally by levying the National Standard Council Tax (CT) and the proceeds from the National Non Domestic Rating (NNDR) Pool i.e.

$$\text{Government Standard Spending Grant} = \text{SSA} - (\text{CT} + \text{NNDR})$$

The Standard Spending Assessment is set annually by the Government and is their estimate of the amount needed to be spent locally to provide a standard level of service.

In 2002/2003 the Council together with the five levying authorities budgeted to spend £188.4m. This amount is £4m over the Standard Spending Assessment of £184.4m.

3. **CAPITAL BUDGET**

In addition to the Revenue Budget there is a Capital Budget covering spending on construction and substantial improvements to Council housing, schools, roads, sports facilities and other buildings.

Capital Programme spending in 2002/2003 was £92.2 million compared with the planned expenditure level of £96 million.

At 31st March 2003, the Authority had £46.84m in Capital Receipts available to finance future years' capital programmes.

4. **ACCOUNTING POLICIES**

The accounting policies adopted by the Authority comply with the relevant recommended accounting practices. The Authority's policies are explained fully in the Statement of Accounting policies set out in pages 1 to 8.

5. **FURTHER INFORMATION**

Further information about the accounts is available from :-

Director of Finance, London Borough of Barking and Dagenham Civic Centre, Dagenham, Essex. RM10 7BY

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection has been advertised in the local press. The accounts have been audited and the auditor's report is on pages 44 and 45.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:-

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts

Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's statement of accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'); and is required to present fairly the financial position of the Council and its Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2003.

In preparing this statement of accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

**DIRECTOR OF FINANCE'S CERTIFICATION
TO THE STATEMENT OF ACCOUNTS**

For the purpose of identifying the relevant accounts on which the Auditors are to express their opinion pursuant to Section 18(i) of the Local Government Finance Act 1982, I certify that the accounts of the Authority set out on pages 1 to 37 and its Pension Fund on pages 38 to 43 have been submitted to the Authority's Auditors – Pricewaterhouse Coopers - and that they present fairly the financial position and transactions of the Authority and its Pension Fund at 31st March 2003, and their income and expenditure for the year then ended.

DIRECTOR OF FINANCE

DATE

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

1. This statement is given in respect of the Statement of Accounts for the London Borough of Barking and Dagenham. I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.
2. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
3. The system of internal control is based on a framework of regular management information, financial regulation, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:
 - Comprehensive Budgeting Systems
 - Regular review of periodic and annual financial reports which indicate financial performance against the budget.
 - Setting targets to measure financial and other performance.
 - The preparation of regular financial reports which indicate forecasted expenditure against the budget.
 - Clearly defined capital expenditure guidelines, and
 - As appropriate, formal project management disciplines.
4. For the financial year 2002/03, Barking and Dagenham Council devolved most of the internal arrangements to Deloitte and Touche. The Council employs its own Internal Audit Division and Deloitte and Touche reports to the manager of this Division.
5. A risk based approach was used in the development of each department's audit plan and Deloitte and Touche terms of engagement required them to operate in accordance with CIPFA guidelines.
6. My review of the effectiveness of the system of internal financial control is informed by:
 - The work of managers within the Council.
 - The work of the internal auditors as described above.
 - The external auditors in their annual audit letter and other reports.

**DIRECTOR OF FINANCE'S CERTIFICATION
TO THE STATEMENT ON THE SYSTEM
OF INTERNAL FINANCIAL CONTROL**

DIRECTOR OF FINANCE

DATE

London Borough of Barking and Dagenham

Accounting Policies

1. Introduction

- 1.1 These accounting policies are based on UK accounting standards (except where they conflict with specific statutory accounting requirements). The Council's accounts have been drawn up in accordance with these standards and fairly present the financial position and transactions of the Council.
- 1.2 The Statement of Accounts complies with the basic accounting concepts set out in CIPFA's Statement of Recommended Practices 2002 ("SORP") and the Best Value Accounting Code of Practice ("BVACOP"). These Accounting Policies have been revised since the 2001/02 Statement of Accounts, but the changes do not affect how the Council works in any significant way.
- 1.3 The Statement of Accounts provides information about the Council's financial performance and position that can be used in assessing its stewardship of public funds. The financial information can be depended upon to represent the substance of the transactions and events that took place during this financial year. The Statement of Accounts is free from deliberate or systematic errors, free from material error, complete within the bounds of materiality and has been prudently prepared where there is any uncertainty.
- 1.4 The financial information included in the Statement of Accounts is material: that is, where its misstatement or omission of it might be expected to influence any assessment of the Council's stewardship of public funds.
- 1.5 The Statement of Accounts is prepared on an accruals basis: that is it includes any material transactions that relate to this financial year.
- 1.6 The accounts are prepared on a going concern basis and assume that the Council will continue in existence for the foreseeable future. There is no intention to significantly curtail the scale of operations.

2. Accruals of Income and Expenditure

2.1 Customer and Client Receipts

Customer and client receipts for sales, fees, charges and rents that relate to this financial year have been accrued and accounted for. Where there is doubt that outstanding income will be received in the future, appropriate provision has been made.

2.2 Employee Costs

The full cost of employees in 2002/2003 has been charged to the year's accounts. Any significant retrospective adjustments or special payments (such as pay awards or redundancy payments) are charged or credited to the accounts with the additional amount as soon as it can reasonably be estimated.

2.3 Interest

Interest income has been accrued and accounted for in this financial year. This income has been credited to the Consolidated Revenue Account and the Housing Revenue Account based on the level of their respective cash balances. Interest is also credited (or debited) periodically to the delegated budgets of schools and the Adult College according to their under/overspend. Amounts are calculated using money market rates.

3. Supplies & Services

The cost of supplies and services received and works completed during this financial year have been accrued and accounted for in this financial year, together with an estimate of all amounts in excess of £500 where the exact amount was not known.

4. Deferred Charges

Deferred charges represent expenditure which may be properly deferred, including expenditure that may properly be capitalised, but which does not result in or remain matched with tangible assets. An example is house renovation grants. The policy of the Council is to amortise the charge to service revenue account over an appropriate period based on the benefit obtained by the service from the expenditure in a consistent and prudent manner.

5. Fixed Assets

5.1 Recognition

A fixed asset is defined as that one that adds benefits to the Council for more than one financial year.

5.2 Measurement

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. The cost of a fixed asset is its purchase price plus any other costs directly attributable to bringing it into a working condition for its intended use.

A *de minimis* level of £20,000 has been used for the majority of asset valuations, with £6,000 used for vehicles.

The following types of assets have been valued in the balance sheet at the lower of net current replacement cost or net realisable value.

Class of Asset	Valuation Method
Council Dwellings	Depreciated Replacement Cost
Other Land & Buildings	Depreciated Replacement Cost
Vehicles, Plant & Equipment	Depreciated Replacement Cost
Investment Properties	Open Market Value

The net current replacement cost of assets is defined as following: -

- Specialised operational properties are valued based on their depreciated replacement cost (DRP).
- Investment properties are valued based on their open market value (OMV).

Infrastructure assets from the 1st April 1994 are included in the balance sheet at historic cost net of depreciation.

Community assets are included in the balance sheet at nominal values.

Any increase in an assets value would be reflected in the Consolidated Balance Sheet and the fixed asset restatement reserve is adjusted to take account of the increase in value.

Assets that are included in the balance sheet at current value must be formally revalued at intervals of not more than five years. These accounts are based in the main upon a certificate issued by the District Valuer as at 1st April 2000. The next revaluation is due on 1st April 2005.

5.3 Disposals

Receipts from the disposal of fixed assets are credited to the capital receipts reserve on an accruals basis. Upon disposal, the net book value of the asset is written off against the fixed asset restatement reserve.

If an asset was disposed by an exchange for another asset, this other asset is included in the Consolidated Balance Sheet at its Fair Value.

5.4 Depreciation

Depreciation is provided for all fixed assets with a finite useful life (determined at the time of acquisition or revaluation). For fixed assets (other than non-depreciable land and non-depreciable operational investment properties) the only ground for not charging depreciation is that the depreciation charge is immaterial. Assets in the course of construction are stated at cost and not depreciated until brought into use.

Assets, other than land, are depreciated over their useful economic life as follows:

Asset Type	Depreciation Method
Buildings	Straight line basis over their useful economic life as determined by the district valuer.
Vehicles, Plant & Equipment	Straight line basis on an individual asset basis. This is generally between 5 and 10 years.
Computer Equipment	Straight line over 5 years
Infrastructure	Straight line over 20 years

6. Charges to Revenue

The capital charges made to service revenue accounts, central support services and trading accounts, equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the balance sheet at 1st April 2002. The notional rates of interest used are 6% for those fixed assets included in the balance sheet at current value and 6% for infrastructure assets and community assets which are included in the balance sheet at historical cost.

7. Foreign Currency Transactions

Income and expenditure arising from transactions denominated in foreign currencies are translated into Sterling at the exchange rate in operation on the date on which the transaction occurred. If rates do not fluctuate significantly during the financial year, then an average rate is used. If individual transactions were settled at a contracted rate, then that rate has been used. At the end of the financial year, monetary assets and liabilities denominated in a foreign currency (mostly for the Euro) are translated by using the closing rate or, where more appropriate, the rates of exchange under the terms of the relevant transaction.

8. Government Grants

8.1 All Revenue grants have been matched with their related expenditure. Grants provided to finance the general activities of a local authority or to compensate for a loss of income have been credited or accrued to the revenue account in this financial year.

8.2 Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, this amount has been credited to the Government Grants Deferred account. In order to offset the depreciation of the asset, a debit is being written off to the Asset Management Revenue account over the useful life of the asset.

8.3 Government grants or other contributions have been accounted for on an accruals basis, and are included in the financial statements when the conditions for their receipt have been complied with, and there is reasonable expectation that the grant or contribution will be received.

9. Investments

Short-term investments are included in current assets and are stated at the lower of cost or net realisable value.

10. Leases

The Council has no Finance Leases. Rental payments on Operating Leases are charged to revenue on a straight-line basis over the term of the lease.

11. Costs of Support Services

- 11.1. Charges or apportionments covering support service costs are made to all users, including services to the public, divisions of services, trading undertakings, capital accounts, services provided for other bodies and other support services. The costs of service management have been apportioned to the accounts in the same way, representing the activities managed.
- 11.2. The basis of the apportionments adopted has been used consistently for all users. The costs of managerial and professional services (such as architects, engineers, finance, legal and property professionals) are allocated on the basis of time spent or units of output. The cost of administrative buildings is allocated on the basis of floor areas occupied.
- 11.3. Best Value Accounting Code of Practice (BVACOP) requires the cost of service strategy and regulation of any service to the public to be allocated to a separate objective expenditure head in the accounts of that service. The costs of the corporate and democratic core and of unapportionable central overheads are allocated to a separate objective expenditure head and not apportioned to other expenditure heads.

12. Pension Costs.

- 12.1. The Council participates in the Local Government Pension Scheme, a defined benefit scheme, with employer and employee contributions paid into a separate Pension Fund. The amount of contributions is in line with actuarial advice and the pension costs included in the accounts have been determined in accordance with relevant government regulations. The cost of providing pensions for employees is charged to the accounts in accordance with the statutory requirements governing the pension scheme.
- 12.2. The Council currently pays an employer's contribution of 8%, which includes an element for Pension increases for all employees in the Council's Pension Scheme. Further details can be found in Note 1 to the Pension Fund Accounts (Page 40).
- 12.3. Where there are any variations from the regular cost of pensions (for example through changes to regulations and existence of fund surplus or deficits) these will be fully disclosed in the accounts.

13. Provision for Bad and Doubtful Debts

The amount carried forward for debtors has been adjusted for the provision for bad and doubtful debts. Where debts are totally uncollectible then they have been written off.

14. Other Provisions

Where the Council has an obligation that is a result of statutory provisions, contractual terms or a past event arising from the Council's actions, reasonable provision is made for any future financial liabilities and is charged to the appropriate revenue account.

Provisions are not made for either any future operating loss, nor for any situation where the Council anticipates it will be unable to cover future expenditure with income. Any such deficits would be accounted for in the current financial year.

15. Reserves

Amounts set aside for purposes falling outside the definition of provisions are treated as reserves. They fund future projects, unplanned expenditure and irregular but recurring expenditure. Transfers to and from reserves are distinct from service expenditure shown in this Statement of Accounts and the purpose, usage and the basis of such transfers are clearly identified in this Statement of Total Movements in Reserves on (Page 33).

16. Stocks and Long Term Contracts

Revenue goods and materials (stocks) that were not consumed by the end of the year have been carried forward. Stocks are included in the Consolidated Balance Sheet at the lower of cost or net realisable value. Interim valuations have been made for long-term contracts and work in progress. They have been valued at cost. Payments received or receivable on account have been deducted in arriving at the Consolidated Balance Sheet valuation.

17. Value Added Tax

All transactions are shown net of any Value Added Tax, whether capital or revenue, unless for some specific reason it is irrecoverable. As in the case of all Local Authorities, the Council is able to recover a major part of Value Added Tax incurred from H.M Custom & Excise. Any balance due to the Council is included in the debtors figure shown in the Consolidated Balance Sheet.

18. Capital Receipts

Local Authorities cannot credit Capital Receipts to the revenue account. Separate accounts are maintained for Capital Receipts that may be used to finance new capital expenditure, or set aside to pay credit liabilities in accordance with Sections 58 to 61 of the Local Government and Housing Act 1989. Following the repayment of all external debt during 1992/3, the Authority is (with certain minor exceptions) is currently able to utilise all new capital receipts received.

CONSOLIDATED REVENUE ACCOUNT

2001/2002 NET EXPENDITURE	SERVICE	2002/2003			
		NOTES	EXPENDITURE	INCOME	NET EXPENDITURE
£'000			£'000	£'000	£'000
	CONTINUING OPERATIONS	1			
3,841	Central Services to the Public		7,052	3,225	3,827
88	Court services		141	47	94
24,445	Cultural, environmental, and planning services		16321	(8,318)	24,639
115,273	Education services		155,664	36,072	119,592
11,594	Highways, roads and transport services		13,261	628	12,633
2,003	Housing services		29,266	26,768	2,498
46,207	Social services		85,040	33,566	51,474
8,001	Corporate and democratic core		10,302	2,610	7,692
211,452	NET COST OF GENERAL FUND SERVICES		317,047	94,598	222,449
2,153	Housing Revenue Account				(2,526)
	NET COST OF SERVICES				
950	Net deficit on trading undertakings	9			1,055
(21,388)	Asset Management Revenue Account	4			(21,190)
7,744	Amounts due to precepting authority				8,959
4,733	- levying authorities	2			5,485
(7,083)	Interest on balances				(7,439)
198,561	NET OPERATING EXPENDITURE				206,793
	APPROPRIATIONS				
(2,153)	Transfer to/from HRA balances				2,526
1,283	Contributions to/from Specific Revenue Reserves				1,648
1,008	Revenue contribution to Capital Financing				0
(9,469)	Contributions to/from Capital Financing				(9,736)
(296)	Contributions to/from LMS Reserves				(1,301)
188,934	NET EXPENDITURE (the amount to be met from Govt. Grants and Local Taxpayers)				199,930
	SOURCES OF FINANCE				
(104,140)	General Government Grants				(102,040)
(42,247)	Non Domestic Rate Income				(46,200)
(43,977)	Council Taxpayers				(47,219)
(190,364)	TOTAL REVENUE FINANCING				(195,459)

(19,279)	BALANCE AT 1ST APRIL 2002				(20,709)
(1,430)	NET GENERAL FUND (SURPLUS)/DEFICIT FOR YEAR				4,471
(20,709)	BALANCE AT 31ST MARCH 2003				(16,238)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. SERVICE ANALYSIS

The Authority has analysed expenditure in accordance with the new requirements of the CIPFA Best Value Accounting Code of Practice, published in 2000 Details of main services are shown below:-

Central Services To the Public

- Local tax collection
- Registration Of births Deaths and Marriages
- Emergency planning
- Local Land Charges

Court Services

- Coroners Court

Cultural, Environmental and Planning Services

- Culture and Heritage
- Recreation And Sport
- Tourism
- Library Services
- Cemeteries
- Environmental Health
- Flood Defences
- Waste Collection
- Street Cleansing
- Planning and development

Education Services

Highways, Roads and Transport Services

- Transport Planning Policy and Strategy

Housing Services

Social Services

Corporate And Democratic Core

- Democratic representation and management
- Corporate Management

2. LEVIES

	2001/2002	2002/2003
	£'000	£'000
East London Waste Authority	3,432	4,165
Environmental Agency	760	770
Lee Valley Regional Park Authority	133	136
London Pensions Fund Authority	172	167
Greater London Magistrates Court Authority	236	247
	4,733	5,485

3. DEBT REDEMPTION

As the Authority is a debt free authority and had a negative credit ceiling at 1st April 2000, it was not required to make a minimum revenue contribution under Section 63(i) of the Local Government and Housing Act 1989. The Authority has no outstanding commitment in respect of credit liabilities. In addition to the beneficial effect on Capital Financing (the Authority being able to use all its capital receipts with certain minor exceptions rather than setting aside a prescribed proportion) the annual burden of debt repayment on the revenue account no longer applies.

4. ASSET MANAGEMENT REVENUE ACCOUNT

Debits	£'000	Credits	£'000
Provision for Depreciation	9,736	Capital charge to Services:	
Provision for Housing Depreciation	15,147	Notional Interest	21,190
		Housing Notional Interest	38,004
		Depreciation	9,736
		Housing Depreciation	15,147
Writing off Government Grants deferred		Writing off Government Grants deferred	
Excess of Capital Charges over Depreciation and Interest charges	21,190		
Excess Of Housing Capital Charges over Depreciation and interest charges	38,004		
	84,077		84,077

The excess of £21,190,000 has been credited to the Consolidated Revenue Account, below the line, i.e. after the net cost of services has been determined.

The excess of £38,004,000 has been credited to the Housing Revenue Account below the line, i.e. after the net cost of service has been determined.

5. SECTION 5 - PUBLICITY EXPENDITURE

Section 5 of the Local Government Act 1986 requires Authorities to keep a separate publicity account. The definition of publicity is given as any communication, in whatever form, addressed to the public. A detailed account of this expenditure is available for inspection from:-

Director of Finance,
(Financial Services Division),
London Borough of Barking and Dagenham,
Civic Centre,
Dagenham,
Essex.
RM10 7BY

	<u>2001/2002</u>	<u>2002/2003</u>
	<u>£'000</u>	<u>£'000</u>
Staff Advertising	1,870	2,283
Non Staff Advertising	254	369
Printing	38	119
Publicity & Publications	251	391
TOTAL	2,413	3,162

6. AGENCY SERVICES

The Authority carries out certain work for the East London Waste Authority on an agency basis for which it is reimbursed. The areas of work involved are:-

- As Clerk to the East London Waste Authority (ELWA), carrying out administrative and legal work on their behalf. The value of these works was £206k in 2002/2003, (£206k in 2001/2002).
- ELWA also made a contribution to the Civic Amenity site of £17k in 2002/2003, (£22k in 2001/02).

7. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered under this Act to provide goods and services to other public bodies. Income was received under the subsection 1. (1)b of the Act for the provision of administrative, professional and technical services, in respect of contracts with the Barking College Corporation and Futures (former Careers Service) as follows:-

Service Provided	2001/2002	2002/2003
	£'000	£'000
Security – Expenditure - Income	5	0
Total Net Expenditure	5	0

8. PENSION COSTS

- **PENSION FUND**

In 2002/2003 the Authority paid an employer's contribution of £5.5 million into the Pension Fund (2001/2002 £5.0 million) representing 8% of pensionable pay. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation, the last review being 31st March 2001. Under Local Government Pension Scheme Delegations, contribution rates are set to meet overall liabilities of the fund. In addition, the Authority is responsible for all pension payments relating to added year's that it has awarded, together with related increases. In 2002/2003, these discretionary payments amounted to £561k (£505k in 2001/2002) 0.81% of pension pay.

- **TEACHERS**

In 2002/2003 the Authority paid £3.0 million (£3.5 million in 2001/2002) to the Department of Education and Skills in respect of teacher's pension costs. In addition, the Authority made discretionary payments during 2002/2003 of £306k (£298k in 2001/2002). This represents 0.62% of total pensionable pay

9. TRADING UNDERTAKINGS

The Council has established 20 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of these unit's expenditure and income in 2002/03 are as following:

	Expenditure £'000	Income £'000	Net Expenditure £'000	Memo Capital Charges Included £'000
Community Halls	978	255	723	216
Teachers Accommodation	185	200	(15)	42
Barking Market	555	555	0	0
Land	1,475	1,397	78	796
Eastbury House	282	57	225	2
Highways Maintenance	443	443	0	1
Building Services	12,413	12,413	0	30
Building Cleaning	3,154	3,154	0	0
Security	682	682	0	0
Other Cleaning	2,213	2,213	0	28
Grounds Maintenance	4,456	4,462	(6)	24
Welfare Catering	172	177	(5)	0
Other Catering	245	208	37	0
Refuse Collection	1,883	1,883	0	0
Vehicle Maintenance	1,457	1,457	0	0
Leisure Management	2,440	2,440	0	0
Parking Enforcement	539	539	0	0
Construction/Property Services	4,292	4,274	18	0
Housing Management	2,168	2,168	0	0
Housing Rents	696	696	0	0
Upvc/Joinery Factory (closed 31 st July 2002)	798	798	0	15
Total	41,526	40,471	1,055	1,154

Figures for the UPVC/Joinery factory are up to 31st July 2002 when the unit closed. There are no outstanding liabilities.

10. MEMBERS ALLOWANCES

The total amount paid to councillors in 2002/03 for member's allowances was £570,074 (£434,501 in 2001/02).

11. REMUNERATION OF SENIOR STAFF (INCLUDING TEACHERS)

Details of sums paid to or receivable by senior staff, sums due by way of expenses allowances and the monetary value of any benefits received other than in cash are as follows:-

2001/2002	Value Of Remuneration	2002/2003
Number of staff		Number of staff
109	£40,000 to £49,999	191
31	£50,000 to £59,999	39
12	£60,000 to £69,999	16
4	£70,000 to £79,999	7
4	£80,000 to £89,999	4
0	£90,000 to £99,999	1
0	£100,000 to £109,999	0
1	£110,000 to £119,999	0
0	£120,000 to £129,999	1

12. RELATED PARTY TRANSACTIONS

The Code of Practice requires a disclosure of any material transactions between the Council and its related parties. In early April 2003 all Councillors and Chief and Statutory Officers were canvassed to identify any such transactions that have taken place during 2002/2003. The following Members of the Authority have materially related party transactions with the Authority.

MEMBER	TRANSACTION DURING THE YEAR
M BAKER	Cllr Mrs Baker is a member of the Faircross C.A Committee.
J BLAKE	Cllr Mrs Blake is a member of the Kingsley Hall Management Committee.
A COOPER	Cllr Cooper is a Trustee of the Charities The Gascoigne Aid And Advice Shop & Thames Side Community Support.
V RUSH	Cllr Mrs Rush is the Chair Of Eaststreet, Director of the Community Development Trust – Abbey, Gascoigne and Thames, Director Of Groundwork East, Governor of Monteagle Primary School, Management Committee Member of the Tuition Centre and a Board Member Of the CVS.
T WADE	Cllr Wade & Mrs Wade are members of the Friends Of The Osborne Partnership.

13. BUILDING CONTROL SERVICES

The Building Control (Local Authority Charges) Regulations 1999 gave Local Authorities Powers to set their own charges for building control activities where a charge is imposed. The new charging regime became operative from 1st April 1999 and the Authority is required to break even against its chargeable services over a three year consecutive period. Building control services which do not attract charges are defined in the regulations and include activities such as dealing with dangerous structures, administration and enforcement of safety at sports grounds, entertainment licensing and general advice to council members and the public.

The following statement shows the total cost of operating the Authority's Building Control Service apportioned between chargeable and non chargeable activities. Certain activities performed by the Building Control Unit (such as providing general advice and liaising with other statutory authorities) cannot be charged for.

14. BUILDING CONTROL ACCOUNT

Expenditure	Chargeable £'000	Non Chargeable £'000	Total £'000
Employee Expenses	140	129	269
Transport	7	6	13
Supplies And Services	6	6	12
Agency	48	0	48
Support	113	84	197
Recharges	0	(37)	(37)
Total Expenditure	314	188	502
Income Building Regulations	(316)	0	(316)
Total Income	(316)	0	(316)
(Surplus)/Deficit	(2)	188	186

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HOUSING REVENUE ACCOUNT

2001/2002				2002/2003		
£'000	£'000	£'000		£'000	£'000	£'000
			INCOME			
	62,662		Rents of Dwellings		64,132	
	2,097		Non Dwelling Rents		2,169	
	2,803		Other Charges		2,026	
	21,881		Government Subsidy		24,272	
		89,443	TOTAL INCOME			92,600
			EXPENDITURE			
			Supervision & Management -			
			• General	12,460		
			• Special	5,985		
11,243					18,445	
5,780	17,023		Repairs & Maintenance (inc:DSO deficit)		17,624	
	17,683		Depreciation –MRA		15,147	
	15,220		Depreciation Other HRA Assets		471	
	704		Rents, Rates and Other Charges		1,160	
	1,317		Capital Charge		38,004	
	38,033		Increase in Bad Debt Provision		0	
	100		Housing Benefits		36,205	
	34,947					
		125,027	TOTAL EXPENDITURE			127,057
			NET COST OF SERVICE			34,457
		(38,737)	Capital Charges			(38,004)
		0	Loan Charges-Interest			0
		(2,219)	Interest receivable			(2,576)
		(5,372)	NET OPERATING EXPENDITURE			(6,123)
			Appropriations			
		7,525	Revenue Contributions to Capital			4,068
		0	Contribution from MRA			(471)
		2,153	TOTAL: (SURPLUS) OR DEFICIT FOR THE YEAR			(2,526)
		(3,109)	Working Balance B/F			(956)
		(956)	Working balance C/F			(3,482)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. THE COUNCIL'S HOUSING STOCK ON 31ST MARCH 2003 CONSISTED OF:-

	Houses	Flats	Total
One Bedroom	264	5,445	5,709
Two Bedroom	5,618	3,462	9,080
Three Bedroom	4,540	2,255	6,795
More than Three Bedrooms	161	22	183

During the year, 585 properties were sold under the Right to Buy legislation, a further 88 were sold to a Housing Association as part of the Voids Disposal Programme, 48 properties were demolished and 1 property was transferred into the Housing Revenue Account. The above figures exclude the hostel at Thompson Road, which provides 7 units and the Council's proportion of shared ownership properties.

2. VACANT DWELLINGS

The vacant possession value of dwellings at 31st March 2003 was £1,100m (2001/2002 £1,168m). The vacant possession value, when added to the balance sheet value of dwellings (as shown in Note 1 above) gives the economic cost of providing council housing at less than open market rents.

3. RENT ARREARS

	31ST March 2002 £'000	31ST March 2003 £'000
Current Tenants	2,547	2,283
Past Tenants	441	395
Total Housing Tenants	2,988	2,678
Commercial Rents	718	801
Total Rent Arrears	3,706	3,479
Provision For Bad Debts	2,100	2,100

These arrears exclude rates collected on behalf of Essex & Suffolk water.

4. ASSET VALUATIONS

The assets of the HRA are valued as follows:

<u>Fixed Assets Operational</u>	<u>31st March 2002</u> <u>£'000</u>	<u>31st March 2003</u> <u>£'000</u>
Council Dwellings	549,185	516,941
Other Land And Buildings	7,829	5,990
Fixed Assets Non –Operational	13,204	13,628
TOTAL ASSET VALUATIONS	570,218	536,559

5. MAJOR REPAIRS ALLOWANCE ACCOUNT

The major repairs allowance account is as follows:

	<u>2001-02</u> <u>£</u>	<u>2002-03</u> <u>£</u>
Opening Balance	0	12,385,158
Contributions During Year	15,220,000	15,618,037
Expenditure Incurred During Year	(2,834,842)	(17,517,319)
Contribution towards depreciation charge	0	(471,136)
Closing Balance	12,385,158	10,014,740

6. HOUSING SUBSIDY

New subsidy arrangements were introduced by the Local Government Finance Act 1989, which amalgamated the Rent Rebate Subsidy with the General Housing Subsidy. Prior to 1993/94, there were negative entitlements which obliged the Council to transfer an amount equivalent to the negative subsidy from the Housing Revenue Account to the credit of the General Fund. From 1993/94 the subsidy calculation has produced a positive amount thus resulting in subsidy being paid by the Office of the Deputy Prime Minister. For 2002/2003 this was £24.27 million (2001/2002 £21.88 million). Details of the subsidy calculation are as follows:-

<u>2001-2002</u>			<u>2002-2003</u>	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
28,970		Rent Rebates	30,067	
33,669		Notional Management and Maintenance	35,659	
15,220		Major Repairs Allowance	15,147	
137		Other Reckonable Costs	-	
	77,996	Notional Rent	(55,024)	80,873
(53,929)		Interest On Credit Ceiling	(1,573)	
(2,186)				(56,597)
	(56,115)	Subsidy Entitlement		24,276
	21,881	Adjustment from 2001/2002		(4)

				24,272
--	--	--	--	--------

7. CAPITAL RECEIPTS GENERATED

The capital receipts generated are as follows:

	<u>2001-02</u>	<u>2002-03</u>
	£	£
Right to Buy receipts	18,127,390	26,781,744
Mortgage principal repayments	1,350,000	1,418,158
Trickle transfer sales	8,926,150	8,072,064
Sales of HRA land	-	1,876,766
	28,403,540	38,148,732

8. SUMMARY OF HRA CAPITAL EXPENDITURE

<u>2001-02</u>		<u>2002-03</u>
£	<u>Expenditure</u>	£
18,715,846	Shape UP For Homes	22,528,865
3,156,028	Major Repairs Programme	7,333,027
556,701	Lift Replacement Programme	86,795
1,263,391	Capitalised Repairs	399,110
1,290,287	Disabled Adaptations	1,338,740
24,982,253	Total Capital Expenditure	31,686,537
	<u>Financed By</u>	
14,301,225	Usable Capital Receipts	11,101,218
7,525,000	Revenue Contributions	4,068,000
3,156,028	Major Repairs Reserve	16,517,319
24,982,253	Total	31,686,537

9. HOUSING RENTS

On the 5th April 1999 a new points based rents system was introduced. This allows initially, differential rents for types of properties i.e. Houses, Low Rise, Medium Rise, High rise and sheltered Flats, as well as number of bedrooms, parlours and garages.

Rents were increased on the 4th April 2002 by an average of £1.91 taking the average rent for all dwellings to £56.47 per week.

10. DEPRECIATION

<u>2001/2002</u>		<u>2002/2003</u>
15,220,000	Land	15,146,901
	Houses	
	Other Property	
453,235	Operational Assets	438,965
	Dwellings	
	Other land and buildings	
250,326	Non-operational assets	32,170
15,923,561	TOTAL	15,618,036

11. FURTHER INFORMATION

Resource Accounting was introduced from the 1st of April 2001 with one of the main objectives being to increase the transparency of the HRA. This is achieved by showing the value of the housing assets and the level of subsidy needed to maintain them. The main accounting changes are the introduction of a capital charge to reflect the cost of capital employed in providing housing assets and an allowance for depreciation.

The charge for depreciation, which has been set at the MRA level, is offset in the accounts by an equivalent increase in the subsidy paid by Central Government.

The new charges for capital and depreciation of other non-HRA assets are included within "the net cost of service" in order to show the true cost of maintaining the housing stock, but are contra'd out under net operating costs to ensure these notional costs do not fall on the tenants.

THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2002/2003

2001/2002			NOTES	2002/2003	
<u>£'000</u>	<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	
		<u>INCOME</u>			
33,222		Net Income receivable from Council Tax	(2)	35,864	
11,344		Transfers from the General Fund:- Council Tax Benefits		12,145	
40,860		Income collectable from Business Ratepayers		40,480	
78		Transfers from General fund:- Discretionary relief		79	
	85,504	TOTAL INCOME			88,568
		<u>EXPENDITURE</u>			
43,546		Precepts	(3)	46,961	
39,954		Business Rate:-			
431		Payment to National Pool	(5)	39,167	
		Costs of Collection		438	
1,338		Bad and Doubtful Debts/Appeals:-			
(518)		Write offs		1,584	
510		Provisions		352	
		Surplus transferred	(4)	311	
	85,261	TOTAL EXPENDITURE			88,813
	243	SURPLUS/(DEFICIT)			(245)
	525	Balance at 1st April 2002			768
	768	Balance at 31st March 2003			523

NOTES TO THE COLLECTION FUND ACCOUNT

1. GENERAL

This account reflects the statutory requirement for the Council to maintain a separate Collection Fund. This shows the transactions of the Council in relation to non-domestic rates, council tax and residual community charges and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the Council. Council Tax is shown net of benefits, discounts for prompt payments and transitional relief.

2. COUNCIL TAX

The Council levied a Council Tax of £911.43 for a Band 'D' property in 2002/2003 comprising:-

London Borough of Barking and Dagenham	£ p
Greater London Authority	737.55
	173.88
	911.43

The taxbase used to determine this figure was Band 'D' equivalent properties calculated as follows:-

BAND	NUMBER OF PROPERTIES IN BANDS	BAND 'D' EQUIVALENT PROPERTIES
A	7,494	4,173.6
B	9,941	6,738.9
C	40,408	32,468.2
D	7,562	6,969.5
E	1,750	1,973.9
F	316	432.6
G	46	79.2
H	23	3.5
	67,540	52,839.4

Allowance was made for additions to the list during the year and a non-collection rate of 2.5% this reduced the above figure to 51,525 Band 'D' equivalent properties.

3. PRECEPTING AUTHORITIES

The precepts levied on the Collection Fund in 2002/2003 were as follows:-

	£'000
London Borough of Barking and Dagenham	38,002
Greater London Authority	8,959
	46,961

4. SURPLUS TRANSFERRED

This figure represents the transfer of the estimated surplus on the Council Tax Collection Fund account as at 31st March 2002 to the London Borough of Barking and Dagenham's General Fund, and to the Greater London Authority in 2002/2003.

5. NATIONAL NON DOMESTIC RATES (NNDR)

Under the arrangements for Uniform Business Rates, the Council collects rates in the Borough based on rateable values which are assessed by the District Valuer, multiplied by a uniform rate in the pound which is set each year by the Government.

The total proceeds, less certain reliefs and allowances are paid into a central pool managed by the Government and these in turn are redistributed to local authorities as a standard amount per head of relevant population.

The Council's contribution to the pool in 2002/2003 has been calculated as follows:-

	£'000	£'000
Amount due from ratepayers net of transitional, mandatory and empty property reliefs		40,611
Less Amount of additional discretionary reliefs granted chargeable to pool	52	
Less Cost of Collection Including Interest Provision for Bad Debts and Write-offs	438 954	
Contribution to Pool		39,167

The contribution received from the pool in 2002/2003 was £46.2m and this was credited direct to the Council's General Fund.

The Rateable value at 31st March 2003 was	109,887,315
The Uniform rate in the pound (or multiplier) for 2002/2003 was	43.7

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CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2003

2001/2002				NOTES	2002/2003		
£'000	£'000	£'000		£'000	£'000	£'000	£'000
549,185			FIXED ASSETS				
311,708			OPERATIONAL ASSETS				
6,865			• Council Dwellings	1,2,3,5	516,941		
			• Other Land and Buildings		304,240		
29,963			• Vehicles, Plant, Furniture & Equipment		7,308		
2,252			• Infrastructure assets		34,240		
			• Community assets		2,884		
	899,973		Investment Properties			865,613	
	39,773	939,746	TOTAL FIXED ASSETS			51,763	917,376
			DEFERRED CHARGES	2			
203			• Improvement Grants/Other		2,991		
5,909	6,112		• Long Term Debtors	6	4,421	7,412	
		945,858	TOTAL LONG TERM ASSETS				924,788
			CURRENT ASSETS				
1,063			• Stocks and Work in Progress	7	715		
30,679			• Debtors	8	44,319		
(5,452)			Less: provision for Bad Debts		(5,803)		
164,417			• Investments - Short Term	9	155,282		
43	190,750		• Cash at Bank		47	194,560	
		1,136,608	TOTAL ASSETS				1,119,348
			CURRENT LIABILITIES				
(3,344)			• Receipts in Advance	10	(5,213)		
(33,959)			• Creditors	11	(41,403)		
(14,630)			• Cash Overdrawn		(4,946)		
	(51,933)		TOTAL ASSETS LESS CURRENT LIABILITIES			(51,562)	1,067,786
		1,084,675	PROVISIONS	12			(5,044)
		(4,854)	DEFERRED LIABILITIES	13			(4,537)
		(4,614)	GOVERNMENT GRANTS DEFERRED				(32,474)
		(16,381)	DEFERRED CAPITAL RECEIPTS				(7,517)
		(7,206)	NET ASSETS				1,018,214
		1,051,620	REPRESENTED BY:				
		698,492	FIXED ASSET RESTATEMENT RESERVE				636,867
		214,008	CAPITAL FINANCING RESERVE				240,769
		45,023	CAPITAL RECEIPTS (USABLE)				46,838
		23,153	CAPITAL RECEIPTS (SET-ASIDE)				26,149
		70,944	FINANCIAL AND SPECIFIC RESERVES				67,591
		1,051,620					1,018,214

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. INFORMATION ON ASSETS HELD

Fixed Assets owned by the Council include the following:-	Number as at 31 st March 2002	Number as at 31 st March 2003
Council Dwellings	22,490	21,767
Operational Buildings		
• Youth Service	10	10
• Conveniences	9	9
• Community Halls	19	19
• Registrars	1	1
• Office Buildings	11	11
• School Sites	49	49
• Libraries	11	11
• Sports and Other Leisure Centres	15	14
• Residential Homes	26	23
• Museums and Galleries	2	2
• Depots and Workshops	9	8
• Cemeteries	3	3
Operational Equipment		
• Vehicles	265	208
• Plant	518	538
Infrastructure Assets		
• Highways (kilometres))	306	318
Community Assets		
• Parks and Open Spaces (hectares)	445	445
• Allotments	16	16
Investment Properties		
• Strategic Land Holdings	53	50

2. DEFERRED CHARGES

	£'000
Balance 1/4/2002	203
Expenditure	5,013
Amounts funded by Capital Receipts	(2,225)
Amounts written-off in Year	0
Total Deferred Charges	2,991

Expenditure during the year is shown net of grants received.

3. CAPITAL EXPENDITURE AND FINANCING

Capital Programme expenditure for 2002/2003 included deferred charges amounting to £92.25 m (£84.2m in 2001/2002).

	2001/2002	2002/03
	£'000	£'000
Direct Revenue Financing	11,367	22,432
Capital Receipts – Usable	42,486	34,991
Capital Receipts – Set Aside	13,427	23,153
Government Grants	14,681	11,661
Other Contributions	439	372
Amounts Financed For Previous Years	(4,660)	(6,455)
Amounts Not yet Financed	6,455	6,092
	84,195	92,246

4. CAPITAL COMMITMENTS

Significant contractual commitments for future capital expenditure in the Authority's approved programme at the 31st March 2003 were:-

SCHEME	BALANCE OUTSTANDING AT 31/3/2003
	£'000
Shape Up for Homes Programme – External works	2,139
-Door & Window supply and Installation	5,000
-Rewiring	2,577
-Roof Repairs/Replacement	5,408
-Kitchen supply and installation	4,063
Jo Richarson Community School Temporary Accommodation	2,024
Lift replacement	296

5. MOVEMENT OF FIXED ASSETS 2002/2003

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Non Operational Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 1st April 2002	578,869	323,977	15,766	31,995	2,301	39,773	992,681
Additions			2,027	5,834	665	11,429	19,955
Disposals	(18,532)	(500)	(1,529)			(57)	(20,618)
Reclassifications		(620)				620	
Revaluation's							0
Gross Book Value as at 31st March 2003	560,337	322,857	16,264	37,829	2,966	51,765	992,018
DEPRECIATION							
Balance at 1st April 2002	(29,684)	(12,268)	(8,901)	(2,032)	(49)	(2)	(52,936)
Depreciation for Year	(15,147)	(6,400)	(1,427)	(1,557)	(33)		(24,564)
Reclassifications							
Disposals	1,435	51	1,372				2,858
Balance as at 31st March 2003	(43,396)	(18,617)	(8,956)	(3,589)	(82)	(2)	(74,643)
Net Book Value as at 1st April 2002	549,185	311,708	6,865	29,963	2,252	39,773	939,746
Net Book Value as at 31st March 2003	516,941	304,240	7,308	34,240	2,884	51,763	917,376

6. LONG TERM DEBTORS

- **Deferred Capital Receipts:-**

These are in respect of mortgages granted to former tenants who have purchased their dwellings from the Authority.

	<u>2001/2002</u> <u>£'000</u>	<u>2002/2003</u> <u>£'000</u>
Mortgages Outstanding 1st April	7,037	5,796
Principal Repayments During Year	(1,241)	(1,473)
New Advances during Year	0	0
Mortgages Outstanding 31st March	5,796	4,323

- **Other Mortgage Advances:-**

Mortgages advanced for the purchase of Private Dwellings

	<u>2001/2002</u> <u>£'000</u>	<u>2002/2003</u> <u>£'000</u>
Mortgages Outstanding 1st April	145	113
Principal Repayments During Year	(32)	(15)
New Advances during Year	0	0
Mortgages Outstanding 31st March	113	98

TOTAL LONG TERM DEBTORS	5,909	4,421
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7. STOCKS AND WORK IN PROGRESS

	<u>2001/2002</u> <u>£'000</u>	<u>2002/2003</u> <u>£'000</u>
Work in Progress	241	0
Stocks	822	715
TOTAL	1,063	715

8. DEBTORS

	<u>2001/2002</u> <u>£'000</u>	<u>2002/2003</u> <u>£'000</u>
Debtors	30,679	44,319
Less Bad Debt Provision	(5,452)	(5,803)
	25,227	38,516

	<u>2001/2002</u> <u>£'000</u>	<u>2002/2003</u> <u>£'000</u>
Analysis:		
• Government Departments	5,920	11,779
• Other Local Authorities & organisations	1,968	8,082
• Council Tax Payers etc.	5,194	4,056
• Housing Rents	3,493	3,488
• Employee Loans	745	742
• Prepayments	561	1,230
• Other	7,346	9,139
TOTAL	25,227	38,516

9. SHORT-TERM INVESTMENTS

The Authority has total investments of £155.3 m at 31st March 2003 of which £100m is managed by two external Fund Managers. The remaining funds are managed in-house.

The funds are in respect of capital receipts from Council House Sales together with reserves and cash balances and are managed with a view to maximising the return on investment within defined policy guidelines limiting risk. All investments are in Money Market Instruments.

The Council does not have investments in any related companies.

10. RECEIPTS IN ADVANCE

	<u>2001/2002</u> <u>£'000</u>	<u>2002/2003</u> <u>£'000</u>
NNDR	382	261
Council Tax	685	805
Section 106 Planning Agreements	1,580	1,647
Other	697	2,500
	3,344	5,213

11. CREDITORS

	<u>2001/2002</u> <u>£'000</u>	<u>2002/2003</u> <u>£'000</u>
Government Departments	10,818	16,320
Other Local Authorities	1,725	0
Housing Rents	865	612
Other	20,551	24,471
TOTAL	33,959	41,403

12. PROVISIONS

Details of self insurance provisions are as follows:-

	<u>2001/2002</u> <u>£'000</u>	<u>2002/2003</u> <u>£'000</u>
Balance brought forward	4,147	4,854
Claims made	(2,053)	(1,143)
Contributions to (from) Provisions	2,760	1,333
Balance carried forward	4,854	5,044

13. DEFERRED LIABILITIES

As at the 31st March 2002 the majority of the deferred liabilities related to dwelling stock transferred from the London Borough of Redbridge on 1st April 1994 for which there is still outstanding debt of £3.8m administered by them.

14. LONG TERM BORROWING

The Authority no longer has any long term borrowing, having decided to repay all such borrowing during 1992/93 by using set aside capital receipts specifically intended for this purpose.

15. NET ASSETS EMPLOYED

Net assets employed are analysed as follows:-

	<u>2001/2002</u> <u>£000</u>	<u>2002/2003</u> <u>£000</u>
General Fund & HRA	1,050,852	1,017,691
Collection Fund	768	523
	1,051,620	1,018,214

16. PROVISION FOR CREDIT LIABILITIES (MEMORANDUM ACCOUNT ONLY)

Movement in provision for credit liabilities was as follows:-

	<u>2001/2002</u> <u>£000</u>	<u>2002/2003</u> <u>£000</u>
Amount set aside as provision to meet credit liabilities at April 1 st	40,000	49,726
Use of PCL monies to finance capital expenditure etc.	(13,427)	(23,153)
New reserved receipts in year	23,153	26,149
Amount set aside as provision to meet credit liabilities at March 31 st	49,726	52,722

17. TRUST FUNDS

The Authority acts as trustee for eleven small trust funds. These funds provide education prizes and assistance to needy local residents.

	<u>2000/2001</u> <u>£000</u>	<u>2002/2003</u> <u>£000</u>
Trust Fund balances at 1st April 2002	79	83
Payments from funds during year	0	0
Income received by funds in the year (including new funds)	4	3
Balance at 31st March 2003	83	86

18. OTHER MATTERS/CONTINGENT LIABILITIES

For certain capital schemes, the Council may be liable for further payments under the terms of the contract as a result of contractors claims which are under negotiation. The precise amount is not quantifiable.

19. RESERVES AND BALANCES HELD BY SCHOOLS UNDER DELEGATED SCHEMES

	<u>2001/2002</u>		<u>2002/2003</u>	
	<u>No of</u> <u>Schools</u>	<u>£'000</u>	<u>No of</u> <u>Schools</u>	<u>£'000</u>
Schools in Surplus	53	3,367	38	2,997
Schools in Deficit	6	(260)	21	(1,191)
TOTAL	59	3,107	59	1,806

The authority's 'Scheme for Financing Schools' requires that schools carrying forward deficit balances must plan to recover the deficit from the following year's budget.

Where this is not practicably possible, schools may apply to the authority for permission to set a licensed deficit budget under the terms of the

scheme, which if approved, allows schools to plan to eliminate the deficit over a longer period up to a maximum of 5 years.

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STATEMENT OF TOTAL MOVEMENTS IN RESERVES 2002/2003

	CAPITAL RESERVES				REVENUE RESERVES						
	Fixed Asset Restatement Reserve £'000 (698,492)	Capital Financing Reserve £'000 (214,008)	Set-aside Capital Receipts £'000 (23,153)	Usable Capital Receipts £'000 (45,023)	General Fund £'000 (20,709)	Specific Reserves General Fund £'000 (30,410)	HRA Working Balance £'000 (956)	Specific Reserve HRA £'000 (14,994)	Collection Fund £'000 (768)	LMS** £'000 (3,107)	TOTAL £'000 (1,051,620)
Balance as at 1.4.2002											
Net (Surplus)/Deficit for year	20,618										
Contributions (Received)/Made											
Transfer between Reserves											
Unrealised (Gains)/(Losses on Revaluation of Fixed Assets)											
Effects of Disposals of Fixed Assets:											
Cost or Value of Assets Disposed											
Proceeds of Disposals			(26,149)	(37,241)							
Capital Financing:											
From Consolidated Revenue A/C		(845)									
From Housing Revenue Account		(21,585)									
From set aside Capital Receipts			23,153								
From Usable Capital Receipts		(29,956)		35,426							
Depreciation		21,707									
Adj assets not adding value	41,007										
Writing down Deferred Liability		(77)									
Writing off Government Grants											
*Other Movements		3,995									
Balance as at 31.3.2003	(636,867)	(240,769)	(26,149)	(46,838)	(16,238)	(32,058)	(3,482)	(13,484)	(523)	(1,806)	(1,018,214)

* Note:- Other movements in the capital financing reserve relate to the writing off of historic Government Grants.

** Note: - Schools balances represent sums delegated to Schools in accordance with the Education Reform Act 1988 which had not been spent at 31st March 2003

PURPOSE OF RESERVES

RESERVE	PURPOSE	USAGE	BASIS OF TRANSACTIONS
CAPITAL Fixed Asset Restatement	To enable current values to be included in the balance sheet.	Cannot be used in any way to finance revenue or capital expenditure.	The reserve is increased when valuations are increased and decreased when assets are sold or downward valuations are applied.
Capital Financing	To account for the cost of capital financing.	Cannot be used in any way to finance revenue or capital expenditure.	Largely replaces Capital Discharged (receiving credits for Capital Receipts applied and Direct Revenue Financing), but also contains Reserved Capital Receipts.
Usable Capital Receipts/ Set-aside Capital Receipts	To meet the cost of capital expenditure for the current and future financial years.	To finance Capital Programme.	Part of year end capital financing.
REVENUE (SPECIFIC) Capital & Revenue Support	To meet the cost of capital and revenue expenditure for the current and future financial years on such schemes or programmes of work as the Finance Committee approves.	To finance Revenue or Capital Programme.	Part of year end capital or revenue financing.
Capital	To provide cover for planned Capital Expenditure should anticipated Capital Receipts fail to arise.	To Finance Capital Expenditure.	Part of year end Capital Financing.
Repairs and Renewals	To meet the cost of replacement vehicles/equipment/plant at the end of their useful life.	To finance purchase of new vehicles, plant etc.	Part of year end capital financing.
Insurance	To provide a contingency sum to finance potential unquantified insurance losses.	As and when appropriate.	By transfer to Provisions when value of loss is established.
REVENUE (OTHER) Fund Balances (General, Housing, Collection Fund)	Accumulated balances.	Consideration is given to the availability of balances in overall financing options for each year.	Part of overall revenue funding
LMS	Accumulated balances on Local Management of Schools in accordance	At discretion of Schools' Governing Bodies.	As part of normal revenue transactions of individual schools.

						with Education Reform Act 1988.			
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CASH FLOW STATEMENT

	2001/2002	2002/2003
	£'000	£'000
<u>REVENUE ACTIVITIES</u>		
<u>Expenditure</u>		
• Cash paid to and on behalf of employees	150,086	162,163
• Other Operating Costs	103,842	125,633
• Housing Benefit Paid Out	14,623	16,256
• Non Domestic Rate Payments To National Pool	39,954	39,167
• Precepts Paid To Other Authorities	7,744	8,959
Total Expenditure (A)	316,249	352,178
<u>Income</u>		
• Council Tax Income (Net of Rebates)	(33,177)	(35,553)
• Community Charge Income	(1)	0
• Non-Domestic Rates Received from National Pool	(40,006)	(46,200)
• Revenue Support Grant	(104,140)	(102,040)
• Other Government Grants	(60,319)	(82,421)
• Rents (Net of Rebates)	(27,877)	(27,630)
• DSS Grants for Rebates	(24,931)	(28,280)
• Cash Received for Goods and Services	(23,478)	(24,845)
Total Income (B)	(313,929)	(346,969)
Revenue Activities Net Cash Flow (A-B)	2,320	5,209
<u>RETURNS ON INVESTMENTS</u>		
<u>Income</u>		
• Interest Received	(5,071)	(7,005)
Returns on investments Net Cash Flow (C)	(5,071)	(7,005)
<u>CAPITAL ACTIVITIES</u>		
<u>Expenditure</u>		
• Purchase of Fixed Assets	20,646	61,318
• Deferred Charges	34,270	31,285
	54,916	92,603
<u>Income</u>		
• Sale of Fixed Assets	(53,541)	(62,953)
• Capital Grants & Development Grants Received	(14,829)	(28,227)
	(68,370)	(91,180)
Capital Activities Net Cash Flow (D)	(13,454)	1,423
(Increase)/Decrease in Cash Equivalents (A+B+C+D)	(16,205)	(553)

NOTES TO THE CASH FLOW STATEMENT

1. RECONCILIATION OF REVENUE CASH FLOW

	2001/2002	2002/2003
	£'000	£'000
(Surplus)/Deficit per Consolidated Revenue Account	(1,430)	4,000
(Surplus)/Deficit per Housing Revenue Account	2,153	(2,526)
(Surplus)/Deficit per Collection Fund	(243)	245
NET (SURPLUS)/DEFICIT	480	1,719
Interest	5,071	7,005
Non Cash Transactions:		
Contribution to Provisions	707	190
Contribution (to) from Reserves	(13,296)	1,634
Contribution to Capital	(8,311)	(20,568)
Variations in Creditors	(6,157)	(9,676)
Variations in Debtors	6,039	13,289
Other Movements	17,787	11,616
Revenue Activities Net Cash Flow	2,320	5,209

2. MOVEMENT IN CASH & CASH EQUIVALENTS

	As at 31/3/2002	As at 31/3/2003	Movement
	£'000	£'000	£'000
Temporary Loan Investments	164,417	155,282	9,135
Cash at Bank	43	47	(4)
Cash Overdrawn	(14,630)	(4,946)	(9,684)
Net Cash (Inflow)/Outflow	149,830	150,383	(553)

3. ANALYSIS OF GOVERNMENT GRANTS ETC.

	2001/2002	2002/2003
	£'000	£'000
Revenue Support Grant	104,140	102,040
DSS Grants for Rebates:		
• Private Tenants' Rent Allowance	13,581	15,947
• Council Tax Benefit Subsidy	10,474	11,389
• Housing Benefit Administration	508	547
• Council Tax Benefit Administration	368	397
	24,931	28,280
Other Revenue Grants:		
• Education & Libraries	14,431	29,240
• Housing Revenue Account	21,881	24,272
• General Purposes	17	76
• Social Services	20,529	23,574
• Housing and Health	61	71
• SRB	3,400	5,188
	60,319	82,421
Capital Grants:		
• Transport Supplementary Grant	1,628	2,258
• Derelict Land Grant	224	0
• London Development Agency	0	164
• SRB/Lottery Grants	12,673	7,455
• Developer Contribution	185	65
• Home Office (CCTV)	119	86
• Sure Start	0	458
• MRA	0	16,500
• Government Office For London	0	1,241
	14,829	28,227
Total of Government Grants	204,219	240,968

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PENSION FUND ACCOUNT

2001/2002		FUND ACCOUNT	2002/2003	
£'000	£'000		£'000	£'000
		FUND ACCOUNT		
		Contributions and Benefits		
		Contributions receivable:		
5,638		• from employers(scheduled bodies)	6,118	
237	5,875	(admitted bodies)	261	6,379
4,521		• from employees (scheduled bodies)	5,048	
215	4,736	(admitted bodies)	238	5,286
	3,409	Transfers in (Note 5)		4,528
	14,020			16,193
		Benefits payable:		
12,456		• Pensions (scheduled bodies)	13,285	
101	12,557	(admitted bodies)	123	13,408
2,224		• Lump sums (scheduled bodies)	3,189	
63	2,287	(admitted bodies)	93	3,282
		Payments to and on account of leavers		
	121	• Refunds of contributions		191
	1,878	• Transfers out (Note 5)		1,775
	302	• Administrative and other expenses		336
	17,145			18,992
	(3,125)	Net withdrawals from dealing with members		(2,799)
		Returns on investments		
10,616		• Investment income		9,840
(13,287)		• Change in market value of investments (realised and unrealised)		(96,958)
(1,115)		• Investment management expenses		(1,011)
	(3,786)	Net returns on investments		(88,129)
	(6,911)	Net increase (decrease) in the fund during the year		(90,928)
	389,795	Opening net assets at 1 st April 2002		382,884
	382,884	Closing Net Assets At 31st March 2003		291,956

Return On Investments

2001/2002			2002/2003	
£'000	£'000		£'000	£'000
	389,795	Net Assets at 1st April 2002		382,884
6,376		Net new money invested (Surplus for the year)	6,030	
		Change in market value of investments:		
(12,061)		Net realised profits (losses)	(33,444)	
(1,226)		Net unrealised profits (losses)	(63,514)	
	(6,911)			(90,928)
	382,884	Closing Net Assets At 31st March 2003		291,956

PENSION FUND NET ASSETS STATEMENT
--

31st March 2002			31st March 2003	
£'000	£'000		£'000	£'000
22,469		INVESTMENT ASSETS		
		Fixed Interest Securities – Public Sector	9,448	
0		Index Linked Securities	10,885	
183,727		U.K. Equities – quoted	132,111	
0		U.K. Equities – unquoted	7	
102,837		Foreign Equities	75,978	
0		Foreign Fixed Interest Securities	0	
12,492		Management Funds – Property	14,563	
45,187		Management Funds – Other	35,527	
4,555		Freehold and Leasehold Property (Note 6)	5,665	
	371,267			284,184
		CURRENT ASSETS		
3,529		Debtors	1,887	
8,465		Temporary Investment	3,700	
3,413		Cash	2,544	
	15,407			8,131
		CURRENT LIABILITIES		
	(3,790)	Creditors		(359)
	382,884	TOTAL NET ASSETS		291,956

NOTES TO THE PENSION FUND ACCOUNTS

1. OPERATIONS AND MEMBERSHIP

The Fund is established under the provisions of the Superannuation Act of 1972 to provide pensions and other retirement benefits for the Council's employees, other than teachers, and the Scheduled and Admitted Bodies detailed below. The employees' basic contributions are 5% of remuneration for manual workers and 6% for officers. All new employees joining since 1st April 1998 make contributions at 6%. The Employers make a contribution as determined by the Actuary, who makes a valuation of the Fund every three years. The latest valuation took place as at 31st March 2001 and is effective from 1st April 2002 (see note 3). The employer's contributions are:-

EMPLOYER	Minimum Contribution for the year ending		
	31/3/2003	31/3/2004	31/3/2005
Scheduled Bodies:			
• London Borough of Barking & Dagenham	8%	8.5%	9%*
• University of East London	5%*	5.5%*	6%*
Admitted Bodies:			
• Barking Council for Voluntary Services	7%*	7.5%*	8%*
• Barking & Dagenham Old People's Welfare Association	7%*	7.5%*	8%*
• Abbeyfield Barking Society	7%*	7.5%*	8%*
• Barking College	7%*	7.5%*	8%*
• Disablement Association for Barking & Dagenham	10%*	10.5%*	10.5%*
• Barking & Dagenham Citizens Advice Bureau	10%*	10.5%*	10.5%*
• Heart of Thames Gateway Plc	10%*	10.5%*	10.5%*

*plus any early retirements costs based on the methods and assumptions issued by the Council's actuary.

2. ACCOUNTING POLICIES

- (i) **Investment Valuation** - All investments are shown at their market value.
- (ii) **Accruals Basis** - The accounts are prepared on an accruals basis. Any material transactions that were found to be for this financial year which arose or were received after the end of the year are enclosed in these pension financial statements.
- (iii) **Foreign Currency Translation** - The valuation of foreign equities is calculated by using the overseas market price current at the relevant date and the exchange rate for the appropriate currency at the time to express the value as a sterling equivalent.
- (iv) **Costs of Acquiring Investments** – these costs are included in the value of the assets.
- (v) **Investment Management Expenses** – Fees charges for the investment and custodial arrangements of the fund.
- (vi) **Materiality** - the financial information which is included in this Pension Statement is material: that it includes all items where the misstatement or omission of the transactions or net assets of the fund may be expected to influence the assessment of the Council's stewardship.

3. ACTUARIAL POSITION

The triennial review of the fund took place as at 31st March 2001 and the salient features of that review are as follows:-

- The funding policy of the scheme is to meet 100% of the liabilities
- The key financial assumptions adopted at this valuation are:-
 - Future levels of price inflation.
 - Future levels of real pay increases-i.e. over and above price inflation.
 - The discount rate applied to future liabilities to determine their present value.
 - The market values of the pension scheme's assets at the date of the valuation were: £389.8million. There has not been a review of the market values since this valuation.

For liabilities in respect of service prior to the valuation date it is assumed that the discount rate is equal to the expected future investment return from the existing assets at current market conditions. For liabilities which will accrue in respect of service after valuation date a discount rate has been adopted which is initially the expected return from existing assets at

current market conditions but which in the longer term reverts to the actuaries assumptions.

Financial assumptions (current Market Conditions)	Nominal % p.a.	Real % p.a.
Investment Returns		
Equities	6.25	3.45
Bonds	5.25	2.45
75% Equities/25% Bonds	6.00	3.2
Pay Increases (excl. increments)	4.8	2.00
Price Inflation/Pension Increases	2.8	0

Financial assumptions (Longer Return))	Nominal % p.a.	Real % p.a.
Investment Returns		
Equities	6.75	3.95
Bonds	5.75	2.95
75% Equities/25% Bonds	6.5	3.7
Pay Increases (excl. increments)	4.8	2.00
Price Inflation/Pension Increases	2.8	0

- The Employer's contribution rate has been determined at 8%, effective from 1st April 2002. This includes an allowance of 1% to cover early retirement costs.
- A comparison of the value of the assets with the value of the liabilities which have already built up is shown in the following table:-

Past Service Liabilities	£m
Active Members	170.3
Deferred Pensioners	33.5
Pensioners	156.2
Total	360.0
Assets	409.3
Surplus (Deficit)	49.3
Funding Level	114%

Employer Contribution Rates	%of payroll
Future Service Funding Rate	13.3
Past Service Adjustment	(5.3%)
Total Contribution Rate	8.0%

- The financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

4. PURCHASE AND SALE OF INVESTMENTS

During the year the Fund purchased investments totalling £142 million and sold investments at a price of £132 million, including net realised losses of £33.4 million.

5. TRANSFER VALUES PAYABLE AND RECEIVABLE

Transfer Values payable and receivable are included within the accounts on a cash basis.

6. FREEHOLD AND LEASEHOLD PROPERTY

All property is Freehold.

7. FUND MANAGERS

All the assets of the Authority's pension fund are managed by Deutsche Asset Management.

8. STOCK RELEASED TO THIRD PARTIES

The fund is involved with a stock lending agreement via its custodians. As at 31-Mar-2003 £2.6m of stock was lent to counterparties with 100.39% collateral exposure.

9. FURTHER ANALYSIS OF INVESTMENTS

The Council is required to disclose a further analysis of the investments between UK and Foreign, and between Listed and Unlisted investments. This information is included in the Net Assets Statement on Page 37.

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AUDITORS' REPORT TO LONDON BOROUGH OF BARKING AND DAGENHAM

We have audited the statement of accounts on pages 1 to 43, which has been prepared in accordance with the accounting policies applicable to local authorities. The statement of accounts comprises the Authority's accounts, on pages 9 to 37, which have been prepared in accordance with the accounting policies set out on pages 1 to 8 and the Pension Fund accounts, on pages 38 to 43, which have been prepared in accordance with the accounting policies set out on page 41.

Respective responsibilities of the Director of Finance and Auditors

As described above on page V, the Director of Finance is responsible for the preparation of the statement of accounts. Our responsibilities as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance. We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Council. We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of Opinion

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards. Our audit included an examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts it also included an assessment of the significant estimates and judgments made by the authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the authority's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the statement of accounts.

Opinion on the Authority's accounts

In our opinion the statement of accounts presents fairly the financial position of London Borough of Barking and Dagenham at 31 March 2003 and its income and expenditure for the year then ended.

Opinion on the Pension Fund accounts

In our opinion the statement of accounts presents fairly the financial transactions of the London Borough of Barking and Dagenham Pension Fund during the year ended 31 March 2003 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Certificate

We certify that we have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

PricewaterhouseCoopers
Southwark Towers
32 London Bridge Street
London SE1 9SY

Date

**SIGNATURE OF THE CHAIRMAN OF THE EXECUTIVE TO THE
APPROVAL OF THE 2002/2003 STATEMENT OF ACCOUNTS**

This Statement of the Authority's accounts for 2002/2003 was agreed by the Council's Executive on 23rd September 2003.

Signed:

Councillor Cameron Geddes, Deputy Chair of the Executive.
Chair of the Executive on the 23rd September 2003

Dated:

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THE EXECUTIVE

23 SEPTEMBER 2003

REPORT OF THE DIRECTOR OF FINANCE

REVENUE OUTTURN 2002/2003		FOR INFORMATION
<p><u>Purpose of Report</u></p> <p>To advise Members of the financial position for 2002/2003 now that the accounts are closed subject to Audit.</p> <p><u>Recommendations</u></p> <ul style="list-style-type: none"> • To note the final outturn figures for 2002/2003 • To note those budgets that have either overspent or underachieved income in excess of £100,000 • To note the necessary roll-forwards from 2002/2003 to 2003/2004 • To note details of Capital expenditure for 2002/03 will be reported to the Executive under a separate report in the near future. 		
<p>Contact Officer Lee Russell</p>	<p>Head of Finance</p>	<p>Tel: 020 8227 2966 Minicom: 020 8227 2413 E-mail: lee.russell@lbbd.gov.uk</p>

1. Revenue Outturn

- 1.1 Appendix A sets out the details of the revenue outturn for each Service for 2002/2003.
- 1.2 It is normal practice to formally report overspending of approved estimates by more than £100,000 and details of such items are set out in Appendix B.
- 1.3 Overall the Council overspent the original budget by £3.1m, of which the main overspends can be summarised as follows:

	<u>£000's</u>	
Roll-forwards of works from 2001/2002	1,400	*
Social services - Swift Project B/fwd from 2002/2003	500	
Education/SS – SEN Transport/Transport Recharge	765	
Education – Non Maintained School Fees	215	
Education – Administration Department	585	
Education – Schools Long Term Absence Cover	275	
Social Services – External Placements	290	
Oracle System	1,000	
Bed & Breakfast Accommodation	140	
Civic Centre Security	205	
Sub-Total	5,375	
Less		
Approved use of General Reserves to fund roll-forwards	(1,400)	*
Swift project b/fwd from 2002/03 (funded from General reserves)	(500)	
General Underspends/Contribution to Specific Reserves	(375)	
Total Overspend	3,100	

* Approved at Executive 17/12/02

- 1.4 The impact of these overspends was able to be significantly off-set by the Council's successful Treasury Management activities in 2002/03 which generated additional interest receipts of £2.4m to the General Fund. The effect of these additional interest receipts limited the need for just an additional £700,000 to be funded from General Reserves.
- 1.5 Overall the Council used £4.5m of General Reserves to support expenditure in 2002/2003 which is analysed as follows:

	<u>£000's</u>	
Approved contribution from Reserves to support 2002/2003 budget	1,900	*
Roll-forwards from 2001/2002 (See note 1)	1,400	**
Swift Project B/fwd from 2002/03 (see note 1)	500	
Other Overspends	700	
Total Use of Reserves	4,500	

* Approved at Executive 26/2/2002

** Approved at Executive 17/12/2002

Note 1: It should be noted that although the use of reserves for these purposes were approved there was no formal earmarking of the reserve. This position has been regularised for future financial planning.

- 1.6 However without the additional interest receipts generated during 2002/03 the overspend position, and the need to use more General Reserves, would have been much greater. It is therefore important that the highest level of budgetary control is exercised in future to prevent both overspends in these particular areas as well as the remainder of the Council's services arising.
- 1.7 Action taken in respect of the overspends arising in 2002/2003 is shown in Appendix C.

1.8 Finally there is also the need for a number of roll-forwards to be carried forward from 2001/2002 to 2002/2003 and these are listed at Appendix D and total £512,000. These will require a further use of the general reserve.

1.9 The position on the general reserve is as follows:

	<u>£'000</u>
Balance as at 1/4/02	20,709
Reserves used in 2002/03	(4,471)
	<hr/> 16,238
Reserves required for 2003/04	(3,200)
Roll-forwards from 2002/03	(512)
Other earmarked Reserves:	
• Urban Regeneration Company (currently under review)	(750)
• Age Concern	(190)
Uncommitted balance at 31/3/03	<hr/> 11,586

1.10 A figure of £11.6m in the general reserves is within the 5% guideline set by the CPA process.

2. Housing Revenue Account

2.1 The final working balance for the Housing Revenue Account for 2002/2003 was £3.48m, which compares favourably to the budgeted working balance of £3.49m.

2.2 During 2002/03 Members approved an expansion in the repairs and maintenance budget to be funded from a combination of the working balance and savings to be generated elsewhere within the HRA.

2.3 The final additional cost of repairs and maintenance in 2002/03 was in the region of £2m which was funded from delays in implementing the landlord services restructure and the implementation of the caretaking/neighbourhood review.

2.4 As a result of these savings it was possible to retain the working balance at the original level.

3. Capital Programme

3.1 Details of Capital Expenditure for 2002/2003 will be reported under a separate report in the near future.

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SUMMARY OF OUTTURN 2002/2003

<u>SERVICE</u>	<u>2002/2003</u>				
	<u>ORIGINAL ESTIMATE</u> £	<u>REVISED ESTIMATE</u> £	<u>ACTUAL</u> £	<u>VARIATION</u> £	<u>%</u>
EDUCATION	116,151,366	119,857,910	121,918,591	2,060,681	1.72
CHIEF EXECUTIVES	7,337,690	7,769,940	7,769,261	(679)	(0.01)
HEALTH & CONSUMER SERVICES	2,395,000	2,567,380	2,700,742	133,362	5.19
TECHNICAL SERVICES	14,781,000	15,724,320	15,628,314	(96,006)	(0.61)
HOUSING GENERAL FUND	2,043,010	2,417,330	2,476,883	59,553	2.46
PLANNING & DEVELOPMENT	3,400,110	3,346,990	2,980,536	(366,454)	(10.95)
ARTS, LIBRARIES & CULTURAL SERVICES	4,514,713	4,719,543	4,815,229	95,686	2.03
SOCIAL SERVICES	50,462,000	54,209,190	54,716,404	507,214	0.94
LEISURE AND AMENITIES	8,144,000	7,326,460	7,399,019	72,559	0.99
LAND AND PROPERTY	1,023,290	1,117,350	1,117,145	(205)	(0.02)
CONTINGENCY	8,459,810	-	-	0	0.00
TOTAL	218,711,989	219,056,413	221,522,124	2,465,711	1.13
GENERAL FINANCE	(37,696,490)	(38,040,914)	(40,506,625)	(2,465,711)	6.48
TOTAL REQUIREMENTS LONDON BOROUGH OF BARKING AND DAGENHAM	181,015,499	181,015,499	181,015,499	0	0.00
LEVIES AND PRECEPTS CHARGEABLE TO SSA	4,165,000	4,165,000	4,165,000	0	0.00
EAST LONDON WASTE AUTHORITY	135,322	135,322	135,322	0	0.00
LEE VALLEY REGIONAL PARK AUTHORITY	166,996	166,996	166,996	0	0.00
LONDON PENSION FUND AUTHORITY	770,300	770,300	770,300	0	0.00
ENVIRONMENT AGENCY	246,883	246,883	246,883	0	0.00
G.L. MAGISTRATES COURT AUTHORITY					
LBBB LEVY ON COLLECTION FUND	186,500,000	186,500,000	186,500,000	0	0.00

APPENDIX A

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OVERSPENDING IN 2002/03
ITEMS IN EXCESS OF £100,000

ESTIMATE DESCRIPTION	APPROVED ESTIMATE	ACTUAL EXPENDITURE	AMOUNT	
			£	%
<u>EDUCATION</u>				
SEN Transport	1,101,000	1,713,000	612,000	55.59
Non-Maintained School Fees	1,399,000	1,614,738	215,738	15.42
Administration Department Costs	2,620,070	3,205,066	584,996	22.33
Long Term Staff Absence Cover	100,000	374,793	274,793	274.79
Central Recharges (See Oracle Narrative)	1,211,510	1,936,718	725,208	59.86
<u>SOCIAL SERVICES</u>				
Education Transport Fleet Recharge	776,270	930,019	153,749	19.81
Learning Disabilities Residential - External Placements	4,526,586	4,816,662	290,076	6.41
Central and Departmental Support Services (See Oracle Narrative)	2,878,080	3,420,707	542,627	18.85
<u>HOUSING GENERAL FUND</u>				
Bed & Breakfast Accommodation	270,300	411,091	140,791	52.09
<u>TECHNICAL SERVICES</u>				
Civic Centre Security	312,670	518,122	205,452	65.71
<u>LIBRARIES, ARTS & HERITAGE</u>				
Dept/Central Support Costs (See Oracle Narrative)	366,200	510,240	144,040	39.33

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APPENDIX C

ANALYSIS OF OVERSPENDS 2002/2003 AND REMEDIAL ACTION UNDERTAKEN

<u>Service</u>	<u>Reason for Overspend and Remedial Action undertaken</u>
Education - SEN Transport	<p>Generally home to school transport has been provided for all pupils with SEN statements. The number of such pupils has increased over the years and this has led to the use of additional buses and the increased use of taxis with escorts to Transport individual pupils.</p> <p>ACTION UNDERTAKEN:</p> <ul style="list-style-type: none"> - clear home /school transport policy has been developed and implemented. - pupils with statements are now only allowed transport where absolutely necessary. - the use of taxis with escorts has been reduced to a minimum. - bus routes are being reviewed to ensure that they are cost effective. - 2003/4 budget provision increased but is still under pressure
Education – Non Maintained Fees	<p>The LEA has a statutory duty to provide the appropriate provision for statemented pupils. In extreme cases this will mean placement at external specialist SEN establishments. The costs of such provision and the numbers of pupils increased significantly IN 2002/03.</p> <p>ACTION UNDERTAKEN:</p> <ul style="list-style-type: none"> - LEA's policy is to develop in house provision (e.g. Trinity Autism Base) to reduce costs and allow quality of provision to be monitored
Education – Administration Department	<p>The 2002/3 budget did not include the effects of the comprehensive restructure of the EAL admin dept, effective from September 2002 and incorporating changes arising from the OFSTED inspection. The implementation required the employment of temporary agency staff and the leasing and fitting out of additional office accommodation.</p> <p>ACTION UNDERTAKEN:</p> <ul style="list-style-type: none"> - the 2003/4 budget is being revised to accommodate the restructure from existing resources - numbers of temp agency staff has been reduced. - fixed establishment lists are being produced and cost centre management introduced throughout the department.
Education – School L/T Absence Cover	<p>The LEA operates an insurance pool whereby schools pay a contribution and can reclaim the cost of covering certain staff who are absent for longer than a specified period. This should be self-financing, however the level of claims in 2002/3 led to a substantial overspend.</p> <p>ACTION UNDERTAKEN:</p> <ul style="list-style-type: none"> - schools encouraged to insure with external providers. - LEA insurance pool charge to schools increased by around 70%. - rigorous monitoring of all claims.

ANALYSIS OF OVERSPENDS 2002/2003 AND REMEDIAL ACTION UNDERTAKEN

Service	Reason for Overspend and Remedial Action undertaken
Social Services – External Placements (Residential Learning Disabilities)	This service is provided through a pooled budget with the PCT. In 2002/03 the service experienced increased demand and expensive specialist placements. The pooled budget for 2003/03 has been increased by both the PCT and the Council, and future overspends are not projected.
Oracle System	The cost of maintaining the Oracle system was not included within the 2002/03 Revenue budgets. The 2003/04 budget now includes appropriate provision therefore this overspend will not re-occur in the future.
Bed & Breakfast Accommodation	The homeless problem in London resulted in a high demand for bed and breakfast accommodation. The adoption of the Homelessness strategy and the approval of the Private Leasing scheme at the Executive on the 12 th August 2003 will reduce the reliance on Bed and Breakfast accommodation.
Civic Centre - Security	A number of security incidents took place during 2002/2003. As a result of these incidents a range of temporary security measures were introduced pending the installation of permanent security measures, to meet both the requirements of the Council insurers and to reassure staff. These temporary measures comprised the use of internal security guards and dog patrols. Permanent security measures have now been introduced and the budget provision increased in 2003/2004 to provide recurring security protection.

APPENDIX D

EST. NO.	DESCRIPTION	REASON NOT UNDERTAKEN IN 2002/2003	APPROVED ESTIMATE	ACTUAL EXPENDITURE	AMOUNT C/FWD
CE40	<u>CHIEF EXECUTIVES</u> Grants				
CE40	Community Forums - Minor Improvements	Safer Services - late appointment of consultant. Local Compact - ongoing scheme; due for completion March 2004 Various delays in securing other funding to enhance projects and spending decisions	802,670 95,760	748,673 33,695	54,000 62,100
CE50	Safer Services/Local Compact	Safer Services - late appointment of consultant. Local Compact - ongoing scheme; due for completion March 2004	33,000	12,447	20,600
CD10 CD40	<u>POLICY DIVISION</u> Corporate Equalities Corporate Equalities	Problems with recruiting corporate equalities officer and admin officer Lack of staff caused an underspend in supplies and services	109,170 98,000	94,606 94,834	14,600 3,200
MBHP	<u>CORPORATE HR DIVISION</u> Dept HR - Investors in People	Delay in Corporate Investors in People assessment	6,000	0	6,000
PA40	<u>LAND</u> Asset Management System	Phased implementation of new system	55,000	33,490	21,500
LB40 LH40 LH20	<u>LEISURE & AMENITIES</u> Cemeteries Computer system Sports centres computer system Dagenham pool small works	Office relocation took longer than anticipated, resulting in delays to the installation of hardware Problems in system implementation have caused delays in the schedule of works Unable to carry out works until Easter school holiday break commenced (14/4/03)	70,700 50,000 106,740	8,920 43,930 80,370	61,800 6,100 26,400
JA20 JE40 JF JD	<u>ARTS & CULTURAL SERVICES</u> Library Service - Building Improvements Arts Development - Gallery Exhibition Area Butler Court Eastbury Manor House	Building improvement works delayed - work undertaken 2003/04 Gallery exhibition refurbishment works delayed - work undertaken 2003/04 Surplus to be used for refurbishment Surplus to be used for the maintenance and refurbishment of House and development of the kitchen area.	93,090 25,200 15,000 238,000	51,106 0 (15,387) 225,359	42,000 25,200 30,400 12,700
HA40	<u>PLANNING & DEVELOPMENT</u> UDP Printing	Final UDP needs to be agreed upon before printing	129,650	4,340	125,400
GRAND TOTAL					512,000

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THE EXECUTIVE**23 SEPTEMBER 2003****REPORT OF THE DIRECTOR OF CORPORATE STRATEGY**

DEVELOPMENT OF EMPLOYMENT STRATEGIES	FOR DECISION
<p><i>This report is of strategic significance to the Council in supporting the regeneration of the local economy.</i></p> <p><u>Summary</u></p> <p>This report sets out details of two draft strategies that will ensure local businesses are supported to upskill their employees and that unemployed people are supported into jobs. Borough residents have a very low skills base and low average wages. Local employment has fallen in recent years, particularly in manufacturing and there is a need to support local businesses by upskilling their workforces. Funding streams are available and the Council is well placed to lead partnership activity.</p> <p>The Council can also help unemployed residents through its own recruitment practices and by placing employment conditions in the contracts it places. It also needs to consider training activities as a competing priority for any section 106 planning obligation monies that it secures.</p> <p><u>Recommendations</u></p> <p>The Executive is recommended to agree that:</p> <ol style="list-style-type: none"> 1. The draft strategies attached as Appendices be agreed as the basis for consultation with external partners; and 2. Further detailed reports be submitted on the role that the Council can play as a major employer, purchaser of services and planning authority. The first of these should outline the practical steps to be taken to work with existing local projects aiming to get local people into Council jobs through the provision of a range of pre-employment training and confidence building measures. <p><u>Reasons</u></p> <p>The development of London Riverside and the wider Thames Gateway offers significant opportunities for residents to access well paid employment, which is considered to be the key route to tackling social exclusion.</p>	

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1. **Background**

- 1.1 The Regeneration, Neighbourhood Renewal and Community strategies all include references to regenerating the local economy and in particular to ensuring that residents have the skills needed to succeed in the jobs market. However, while there is a range of project activity under these headings there is currently no dedicated strategy that sets out the Council's approach in relation to this area.
- 1.2 Regeneration staff have prepared a draft workforce development strategy (Appendix A) that looks at the local labour market and support for those in employment. A separate document (Appendix B) examines the particular support that the Council should look to provide to unemployed residents.

2. **Workforce development for those in employment**

- 2.1 This document sets out some of the key features of the borough workforce and firms. The proportion of residents with poor literacy and numeracy skills is the highest in the Learning and Skills Council London East (LSCLE) area. Barking and Dagenham also has the highest proportion of adults who fall below NVQ Levels 2 and 3 respectively and, according to the 2001 Census, the highest proportion of residents with no qualifications in London.
- 2.2 There have been marked improvements in the performance of the borough's schools in recent years but adults need further opportunities to improve their skills. Skill levels crucially determine the wages that residents can command, with the average hourly rate for borough residents being the lowest in London.
- 2.3 While the total number of businesses has been rising, job losses among larger firms has meant that 7,600 jobs in the borough have been lost over 1999-2001. Also over this period 36% of manufacturing jobs have been lost (5,700 jobs) and analyses at London level predict a continued contraction of this sector.
- 2.4 The borough is a net 'exporter' of labour, mainly into other London boroughs. This fact, combined with the loss of local jobs, the low skills base and the anticipated development of London Riverside and the wider Thames Gateway means there is a need explicitly to consider the links between local residents and local jobs.

- 2.5 There is a range of funders, particularly the Learning and Skills Council London East (LSCLE) and the London Development Agency, that fund initiatives upskilling workers. This type of skills development has a positive effect on firms, ensuring that they continue to develop and provide employment opportunities for residents.
- 2.6 The key point from this report is that the council is well placed to lead partnership activity to attract funding to support upskilling initiatives. This is justified in terms of maintaining a supportive environment for existing firms and thereby a supply of local employment. It would also have the effect of increasing the wages and incomes that residents can command.

3. Support for the unemployed

- 3.1 The rationale for local authority involvement in this area is again the central role that paid work provides in tackling social exclusion. The document explicitly recognises that the key support agency for unemployed residents is Job Centre Plus, but that the local authority can add significant local value to the various New Deal initiatives in a number of ways.
- 3.2 Registered unemployment in the borough as a whole is low in comparison to Inner London but there are wards with particularly high rates. These include Gascoigne, Abbey and Thames, where male unemployment is especially high. There is also a continuous flow into and out of unemployment, particularly for those with low skills.
- 3.3 There are also specific groups who face particularly high unemployment rates, such as people with disabilities, some black and minority ethnic groups and lone parents. A co-ordinated local response to the needs of these and others is required.
- 3.4 The draft strategy outlines some current initiatives in Barking and Dagenham and briefly sets out the activities of four other London boroughs for illustrative purposes.
- 3.5 There are some key future actions recommended in the draft strategy. The first is the inclusion of employment and training requirements such as recruiting and/or training a specified number of local residents, in all contracts and procurement activities where this is practicable. This includes a reference to monies secured through section 106 planning agreements, where training should be seen as one of the competing priorities for the Council, not least in areas where it is itself facing recruitment difficulties (e.g. social workers).
- 3.6 The other key action is that the local authority should, wherever possible, encourage local recruitment for its own workforce. This should be taken forward by directly working with two existing local projects – JobNet and Welfare to Work for Disabled People – both of which look to get local unemployed people into jobs through the provision of a range of pre-employment training and confidence building measures. Targeted activity would ensure that the Council workforce more closely reflected the changing demographic profile of the borough. This would also link closely with the Barking Lifelong Learning centre and Gateway to Health and Social Care projects.

4. Consultations

- 4.1 Consultations have taken place with a number of officers across departments, including the Head of Community Learning, Head of the Interim Statutory Planning Division, Corporate Procurement Officer and Corporate Human Resources Policy Advisor.

Background papers used in the preparation of this report:

- London Borough of Barking and Dagenham, Draft Workforce Development Strategy.
- London Borough of Barking and Dagenham, Draft Support for the Unemployed Strategy.

Draft London Borough of Barking & Dagenham Workforce development

Aims

This draft strategy sets out some key issues for improving workforce development in the borough. The key aims are to:

- raise the skills levels and incomes of local people
- enable current and future employers to upskill their workforces, boosting their competitiveness and role as ongoing assets to the borough and its residents.

Recommendations

1. The Council, through its role as planning regulator and its resourcing of business support services and partnerships, should explicitly recognise and promote the importance of upskilling local residents and employees.
2. Mapping needs to be undertaken on an ongoing basis of the key features of the local workforce and businesses.
3. The Council should look to develop with its partners initiatives that support key industry sectors, recognising that only a small proportion of residents are employed locally in manufacturing.
4. The focus of all initiatives should be on delivering training accredited to NVQ Levels 2 and 3.
5. Given the anticipated physical regeneration activities in South Dagenham and Barking Reach, priority should be given to supporting the construction sector.
6. The potential sub-regional importance of Barking Lifelong Learning Centre as a resource to recruit and upskill public sector workers needs to be recognised and commitments of support secured from all local partners.
7. The low level of basic skills in the borough mean that all initiatives need to include provision for basic skills training and will need to operate closely with the Adult Basic Skills Initiative and local providers.
8. Given the profile of skills and employment of the borough's residents promotional work needs to be developed further with schools to continue to raise the aspirations of students of all ages.
9. All partnership work should consider the potential for cross-borough collaboration, initially with Havering through the LDA co-ordinated London Riverside Action Group.

1. Introduction

1.1 This paper sets out key issues in relation to the existing and possible future role of the London Borough of Barking and Dagenham in supporting workforce development in the borough. It sets out:

- a rationale for local authority involvement
- an analysis of the borough workforce and firms
- a range of existing initiatives impacting upon workforce development and
- recommendations for future action.

A definition of workforce development

1.2 The Cabinet Office Performance and Innovation Unit (PIU), in a comprehensive recent report, has defined workforce development as consisting of “activities which increase the capacity of individuals to participate effectively in the workplace, thereby improving their productivity and employability”¹. Workforce development lies between training, which is narrowly focused, and education, which is broad, and is (the report states) necessarily firmly rooted in business needs.

1.3 At its widest, therefore, it encompasses initiatives in education, basic skills and information and communication technology (ICT), among others. Locally programmes such as the Adult Basic Skills Initiative, Learning Villages and establishment of UK Online centres, would all fall within the definition. It would also include those programmes that seek to improve the job prospects of unemployed or inactive residents of the borough, most notably those run by Job Centre Plus under the various New Deals.

1.4 However, this draft strategy is much more narrowly focused. It considers workforce development restrictively to include only those activities already or potentially impacting upon workforce skills in firms and organisations located within Barking and Dagenham.

2. Reasons for local authority involvement

2.1 The Local Government Act 2000 has placed a duty on local authorities to promote the economic, social and environmental well-being of their area. It is evident that the government sees this in the context of community *leadership*. Across the country local authorities have seen it as one of their priorities to promote inward investment and to seek to retain those businesses already located within their area, although there is no specific duty to foster business growth or development.

¹ Performance and Innovation Unit (2001), *In Demand: Adult skills for the 21st century*.

2.2 Essentially businesses are supported in the expectation that they will recruit a proportion of their workforce from the local population and/or will provide services to borough residents.² The former factor illustrates the importance of promoting local recruitment with an element of training and/or upskilling across the range of regeneration initiatives. This is particularly the case for the relatively low skilled workforce of Barking and Dagenham. At the extreme and in the absence of local control over business rates it would be possible for businesses locating within the borough to impose costs without any attendant benefits e.g. a manufacturer not employing any local labour.

Local aims

2.3 The key overarching document concerning economic development and regeneration for the borough is the regeneration strategy.³ All work undertaken by regeneration staff needs to make some contribution towards delivering the aims and objectives set out in this document. At a general level it is clear that the government sees work as an important instrument in tackling social exclusion. For this reason alone workforce development initiatives are worthy of Council support and in accordance with the overarching aims of the regeneration strategy.

2.4 More directly for the Council, the relevant workforce development matters as defined for the purposes of this draft strategy are:

- under education and skills, to encourage local employers to provide high quality work based training which allows residents to progress their careers throughout their working lives
- under local jobs and business: to increase the number of training courses aimed at new entrepreneurs and to support the development of more high-tech jobs requiring skills and education.⁴

2.5 The available evidence suggests that the primary route for action by the Council should be via involvement as “lead partners in accessing and channelling external resources. This is a crucial role and as lead partners they can play a key role in leveraging additional funding, ensuring co-ordinated action and achieving optimum use of resources.”⁵ The key requirement that emerges from research is for those needs articulated by businesses themselves to be acted upon.

² There are also possible indirect effects. Employees from such businesses may support local retail outlets while the business itself may source supplies locally. However, these should not be assumed, the latter particularly where transport links are improving.

³ London Borough of Barking & Dagenham (2001), *Barking & Dagenham: An Urban Renaissance in East London*.

⁴ These are just some of the direct references. As this paper argues that workforce development should be an integral part of the support provided to businesses it should also underpin a range of other aims and actions, e.g. supporting the community sector or cultural industries.

⁵ DTZ Peda Consulting (2001), *Fostering Business Growth*, Beacon Council Research Round 3 Theme Report produced for the Department of Transport, Local Government and the Regions.

2.6 The points to emerge from this analysis are that:

- supporting businesses is a necessary part of the work of local authorities
- this is best accomplished through partnership working with the full range of business support organisations and
- workforce development must be a part of the support offered, since this is a recognised area of market failure and a key route to tackling social exclusion through raising the incomes of local people.

2.7 The Council is already heavily involved with businesses, for example, through its role as planning regulator and resourcing of business support services. Given the importance of skills levels to business competitiveness and to raising the incomes of local residents the Council needs to explicitly recognise and promote the importance of upskilling initiatives.

3. The local workforce

3.1 An understanding of the key features of the local workforce is crucial to any discussion or analysis of what the role of the local authority should be and what areas it should prioritise for support. In comparison with Inner London Barking and Dagenham is characterised by a generally low level of unemployment, albeit the claimant count is high in certain wards in Barking.⁶ The key issue for the borough has been the low level of skills, including basic skills, in the local population, which means that the jobs which residents have accessed have tended to be on average lower paying.⁷

3.2 The Basic Skills Agency provide up to date figures on levels of literacy and numeracy at borough (and ward) level. The figures below relate to the working age population and thus will also include those who are economically inactive. Table 1 shows that in terms of literacy Barking and Dagenham, along with Tower Hamlets, has the highest proportion of its population with low, lower or very low skills in the London East Learning and Skills Council (LSC) area. The comparative national figure was 24%.

⁶ In May 2003 the highest claimant count rates were all in Barking: 10.3% in Gascoigne, 8.3% in Abbey and 7.9% in Thames. The corresponding figures for male unemployment were 12.5%, 9.8% and 9.8% respectively (Source: GLA & ONS).

⁷ Increasing the average income levels in the borough also relates to wider regeneration issues, especially the need to provide 'aspirational' housing that is attractive to those moving onto higher skills and income levels.

Table 1: Low literacy skills

Rank	Borough	N	%
=1	Barking & Dagenham	27,405	31.3
=1	Tower Hamlets	33,671	31.3
3	Newham	41,184	30.4
4	Hackney	34,937	29.0
5	Greenwich	33,565	25.9
6	Lewisham	35,153	23.4
7	Bexley	28,803	22.2
8	Havering	30,526	22.1
9	Redbridge	29,442	20.8
10	City of London	685	19.4
-	London East LSC	170,762	25.8

3.3 Table 2 reveals that borough residents also have the lowest level of numeracy skills in the London East LSC area as measured by the proportion with low, lower or very low skills. The comparative national figure was again 24%.

Table 2: Low numeracy skills

Rank	Borough	N	%
1	Barking & Dagenham	29,957	34.2
2	Tower Hamlets	34,157	31.7
3	Newham	42,295	31.3
4	Hackney	35,807	29.7
5	Greenwich	34,726	26.8
6	Lewisham	35,512	23.6
7	Bexley	29,631	22.9
8	Havering	31,288	22.6
9	Redbridge	28,789	20.3
10	City of London	683	19.3
-	London East LSC	176,942	26.5

3.4 Table 3 below serves to demonstrate the low skills/low pay nature of the local workforce. The first column shows the hourly pay rate, excluding overtime pay, for the listed occupations in the boroughs of Barking and Dagenham, Havering, Redbridge and Newham in 2001⁸. The figures in the second column are derived from the Labour Force Survey Local Area Database for 1999/2000

⁸ Derived from the New Earnings Survey 2001, and refers to those working in Barking and Dagenham, Havering, Redbridge and Newham. These boroughs were chosen as 72% of employed residents work in them. Query run using NOMIS.

and show the number of borough employees by occupation. They indicate the reason for the borough having the lowest hourly wage rate in London.

Table 3: Wage rates and the local workforce

Occupation	Hourly pay	LBBB workforce⁹
Professional occupations	£17.45	-
Managers/administrators	£15.66	6,000
Associate professional/technical	£14.29	-
Craft/related occupations	£9.68	10,000
Plant/machine operatives	£9.19	8,000
Clerical/secretarial occupations	£8.04	15,000
Personal/protective service occupations	£6.53	8,000
Other occupations	£6.52	6,000
Sales occupations	£6.21	-
Borough figures	£10.26	66,000

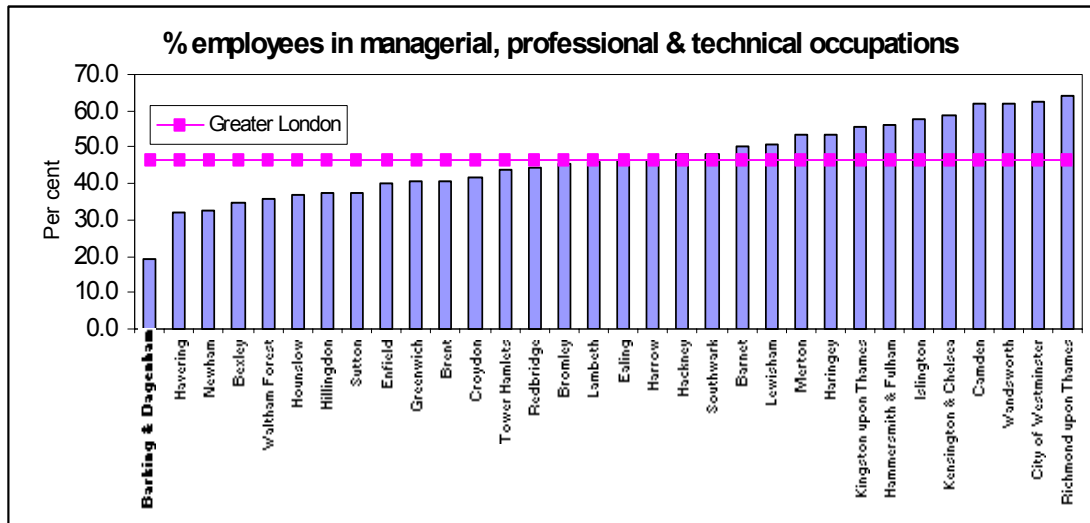
3.5 It is clear from the figures above that all workforce development initiatives supported by the Council need to include provision for an element of basic skills training. Literacy and numeracy, along with IT and ESOL are critical to success in the jobs market through leading to both higher wages and fewer periods of unemployment on average. The Council has supported the Adult Basic Skills Initiative in

3.6 The borough's workforce is concentrated in lower paying occupations. Only 19.2% of the local workforce works in the managerial, professional and technical occupations which have the highest hourly rate in London. This is the lowest figure by far, the next lowest in London being Havering at 31.8%, while the highest is Richmond upon Thames at 64% and three other boroughs have figures in excess of 60%. The average for Greater London was 46.3%. Figure 1 shows the relative position of the borough.¹⁰

⁹ Rounded to the nearest thousand. Figures below 6,000 have been suppressed as unreliable but the table indicates that some 13,000 residents work in the three occupations where figures are absent.

¹⁰ Figures taken from the 1999/2000 Labour Force Survey Local Area Database.

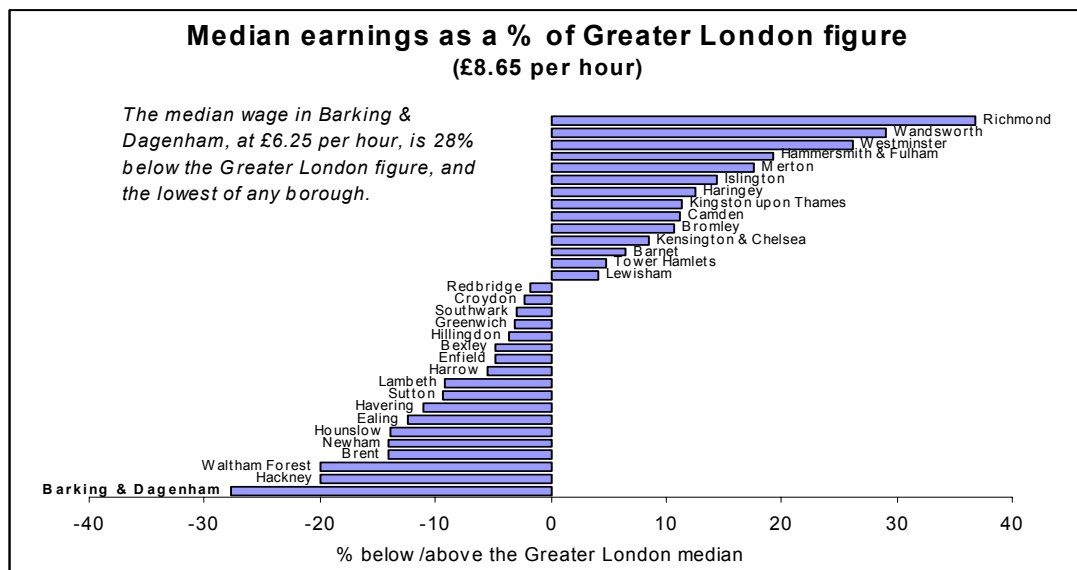
Figure 1



3.7 Applying the 19.2% figure above to Table 3 above would strongly indicate that the number of borough residents working in sales occupations is likely to be near to 5,000 when rounded, with this being the lowest paying of all of the various occupations listed.

3.8 The Labour Force Survey Local Area Database further emphasises the borough's poor position. In 1999/2000 the average hourly wage for borough residents, at £6.25 per hour, was the lowest of any London borough and some 28% below the Greater London average. Figure 2 illustrates again the scale of the problem facing the borough and its residents. Ensuring that the corresponding figure for the borough workforce moves towards mid-place of London boroughs is a key objective set out in the regeneration strategy.

Figure 2



Vocational skills

3.9 Recently released data from the English Local Labour Force Survey, collected over the period March 2001-February 2002 serve to confirm and quantify the relatively low local skills base. Table 4 below shows that half of all economically active adults¹¹ in the borough do not have even a Level 2 qualification. Both male and female residents, on this measure, are the least qualified in the London East LSC area. Indeed some 14,000 economically active people are estimated to have no qualifications at all.

Table 4: Percentage of economically active adults below Level 2

<i>Rank</i>	Borough	% below Level 2		
		Male	Female	All
1	Barking & Dagenham	48	52	50
2	Newham	43	43	43
3	Havering	41	41	41
4	Bexley	33	33	33
5	Tower Hamlets	35	27	32
6	Redbridge	31	32	31
7	Lewisham	30	28	29
8	Hackney	32	24	28
9	Greenwich	27	29	28
-	London East LSC	35	34	34
-	<i>London</i>	28	28	28

3.10 Table 5 shows that nearly three-quarters of borough residents (74%) fall below NVQ level 3. This is again the highest in the London East LSC area and is also true for both men and women. The 26% of residents achieving Level 3 is only a little over half of the 50% national target.

¹¹ Men aged 16-64, women 16-59.

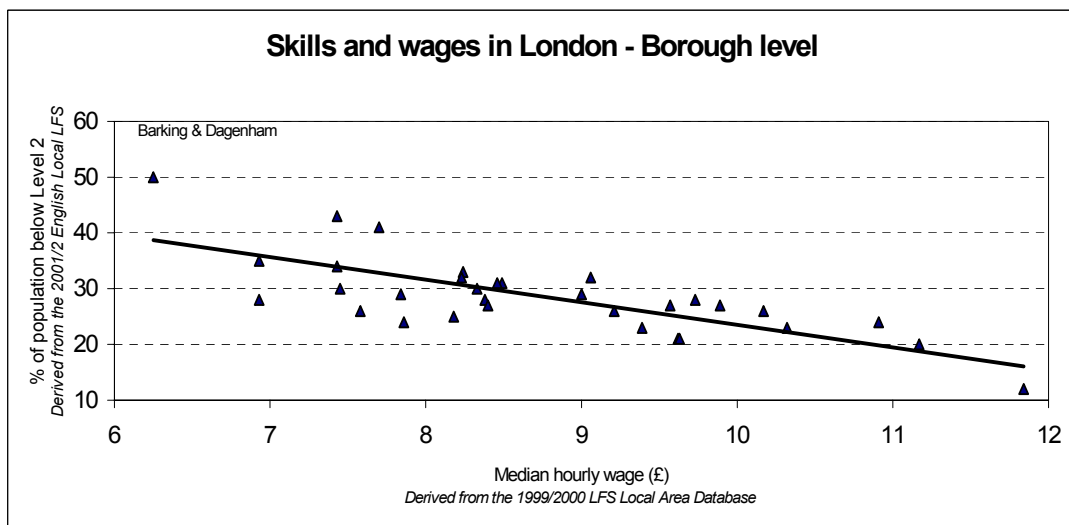
Table 5: Percentage of economically active adults below Level 3

Rank	Borough	% below Level 3		
		Male	Female	All
1	Barking & Dagenham	70	80	74
2	Havering	59	65	62
3	Newham	61	61	61
4	Bexley	56	65	60
5	Redbridge	49	52	50
6	Greenwich	48	50	49
7	Tower Hamlets	50	45	48
8	Lewisham	48	45	46
9	Hackney	46	38	43
-	London East LSC	54	55	54
-	<i>London</i>	45	47	46

3.11 The Labour Force Survey also provides figures on workforce residents who have received training in both the last 4 weeks and the last 13 weeks. Barking and Dagenham had the fourth lowest percentage of residents of any London borough having received training in the last 4 weeks (9%) and the third lowest in the last 13 weeks (16%). The corresponding London figures were 12% and 23% respectively.

3.12 There is a clear correlation between skills (levels of human capital) and wages, in that higher qualifications in aggregate lead to higher productivity and hence higher wages. Even a simple borough correlation can be used to emphasise this. Figure 3 below is a scatter diagram showing the proportion of the population below level 2 plotted against the most recent borough level wage data (for 1999/2000). Barking & Dagenham is highlighted.

Figure 3



3.13 The figures above have clear and quantifiable implications, not least for the LSC, which leads on workforce development issues. The 2002 Spending Review included a commitment to reducing by 40% the number of adults lacking Level 2 qualifications by 2010. Applied to the workforce in Barking and Dagenham¹² this would imply the need to train or accredit in excess of 13,000 individuals, over 2,500 per year.

3.14 Clearly there would be some impact from the existing workforce development activities of companies and other organisations, including the public sector. Similarly Job Centre Plus will have some impact through those going through aspects of New Deal. Additionally, these figures relate to residents of Barking and Dagenham, many of whom will work in other boroughs. Finally, retirements over the period will improve the position as those approaching retirement are more poorly qualified on the Level 2 criterion.¹³ However, the recent strategy document published by the government¹⁴ counters this by emphasising that over three-quarters of the 2010 workforce has already left full-time education.

3.15 It is clear that the national targets will require substantial investment if they are to be attained. It must also be clear that an area like Barking and Dagenham, with such a low skills base, will need an above average increase in activity if it is to approach the 40% reduction in those without Level 2 qualifications, let alone to narrow the gap with the rest of the country. The

¹² The economically active workforce is estimated at 66,000, of which half do not possess a Level 2 qualification.

¹³ According to the London Skills Survey 2001 33% of those aged 51-60 do not have Level 2 qualifications in London compared to only 18% of those aged 25-30.

¹⁴ Strategy Unit (2002), *In Demand: Adult Skills in the 21st Century – part 2*.

recently announced extension of Employer Training Pilots¹⁵ initiative offers a potential source of funding to the borough should it be extended to Barking and Dagenham. In any case, there is a clearly expressed need for LSCs to identify priority sectors and to analyse the barriers and opportunities to achieving a significant increase in Level 2 qualifications,¹⁶ which must impact on the borough given the figures outlined above. **It is clear that initiatives that the Council supports should focus on delivering training accredited to NVQ Levels 2 and 3.**

4. Local businesses

4.1 Just as it is important to have an understanding of the key features of the local labour force so it is also important to have an idea of the potential demand-side for labour from businesses based within the borough. A key method of doing this is to analyse figures available through VAT registrations.

4.2 Although there is a threshold below which registration is not necessary only the very smallest firms (typically one or two person businesses) are not included. The vast majority of business activity and local SMEs are therefore covered by these figures.

4.3 Table 2 below shows the number of VAT registrations and de-registrations¹⁷ over the period 1994-2001. Over the period as a whole the stock of businesses in the borough rose by almost a fifth to 2,665, and only in 1994 and 1998 did de-registrations outweigh registrations.

4.4 It is clear that in every year there were substantial numbers of businesses either ceasing trading or falling below the threshold for registration. In 2000, for example, no fewer than 245 businesses fell into this category, albeit this was far outweighed by the 410 registering in that year.

¹⁵ These pilots looked to explore ways of promoting workforce development activities in SMEs, including through paying not only for training courses but the actual staff costs of those on training. The recent Pre-Budget Report announced £130 million in funding over the next three years which the national LSC expected would allow between a quarter and a third of LSCs to be covered. London East is among those included and the scheme is expected to begin in late 2003.

¹⁶ Learning & Skills Council (2002), *LSC Draft Workforce Development Strategy to 2005*.

¹⁷ Note that some of those de-registering will have fallen below the threshold rather than ceased trading.

Table 6: VAT registrations & de-registrations 1994-2001

	Stock at start of year	Registered during year	De-registered during year	Net change
1994	2,240	265	345	-80
1995	2,155	390	270	+120
1996	2,275	295	255	+40
1997	2,315	355	270	+85
1998	2,400	430	440	-10
1999	2,390	395	285	+110
2000	2,500	410	245	+165
2001	2,665			

4.5 Further additional information is supplied through the Annual Business Inquiry for the period 1999-2001. Table 7 below shows that over this period there has been a fall in local employment of 7,600 jobs, equivalent to 14% of jobs at the beginning of the period. The heaviest fall by far was in manufacturing where over a third (36%) of jobs were lost. The loss of almost 6,000 jobs in this sector over this period represented just over three-quarters of the total net loss of jobs in the borough. Transport and communications, construction and banking, insurance and finance also registered large percentage falls in employment. Only in public administration, education and health (+9%) and other services (+7%) was there any growth in employment.

Table 7: Jobs by industry in LBB, 1999-2001

Industry	1999	2000	2001	% change
Manufacturing	16,000	12,100	10,300	-36
Construction	2,700	2,600	2,400	-14
Distribution, hotels & restaurants	11,400	10,800	11,100	-3
Transport & communications	6,500	5,400	5,000	-22
Banking, finance and insurance	7,100	6,900	6,300	-10
Public administration, education & health	9,900	10,200	10,800	+9
Other services	2,000	2,400	2,100	+7
Other	100	100	100	0
Total¹⁸	55,700	50,600	48,100	-14

4.6 Manufacturing employment in the borough has been overtaken in relative importance by distribution, hotels and restaurants and public administration,

¹⁸ Figures do not sum to totals due to rounding.

education and health. Despite this it still accounts for over one-in-five local jobs. **However, the dependence of the borough on what is a declining sector means that the borough will need to attract businesses currently located elsewhere as well as an increasing share of any new employment opportunities if further decline is to be arrested.**

4.7 One report estimates that although employment in London is set to grow by nearly 300,000 jobs, “within this the broad picture is one of further losses in primary and utilities, manufacturing and construction, more than offset by gains in the business and miscellaneous service sector of 310,000 jobs and smaller increase in non-marketed services (30,000 jobs) and distribution (20,000 jobs)”.¹⁹

4.8 Findings from the London Employers Survey 2000 add to this by showing that up to 17% of manufacturing jobs are at risk of movement out of London. The sector was one in which more firms were likely to report employing fewer employees in the last year. The London Framework for Regional Employment and Skills Action (FRESA) noted the “increased tendency to relocate low value-added activities, particularly in the production sector, in countries that offer low wage and low skill environments with low overheads. In parallel, London has witnessed a growth in higher-level skilled occupations and the service sector and a contraction in the production sector”²⁰.

4.9 Table 8 brings together the preceding information and shows the number of registered businesses by sector. The largest number are located in wholesale and retail (795), with real estate and business activities (540) and construction (410) also containing significant numbers. The larger average size of manufacturing concerns is shown by the fact that, despite being by far the largest industry, it ranks only fourth in terms of the number of businesses, with 290 registrations.

¹⁹ London Skills Forecasting Unit (2002), *London Skills Survey 2001*, p18.

²⁰ London Skills Commission, *London's Framework for Regional Employment and Skills Action*, 2002, p12.

Table 8: Change in registrations by sector

	1998	1999	2000	Whole period	Stock 2001
Agriculture & fishing	0	0	0	0	5
Mining, energy	0	0	0	0	0
Manufacturing	0	5	10	15	290
Construction	30	20	45	95	410
Wholesale & retail	15	25	30	70	795
Hotels & restaurants	0	20	20	40	180
Transport & communications	5	10	5	20	275
Finance	5	5	0	10	20
Real estate, business activities	75	35	45	155	540
Public administration	-140	0	10	-140	140
Education & health	0	-5	0	-5	15
All	-10	115	165	260	2,665

5. Local employment

5.1 It was argued above that it was quite possible, albeit as an extreme assumption, for a business located within Barking and Dagenham to impose costs on the local area (e.g. on the transport infrastructure) while bringing no attendant benefits (e.g. not a service provider or employing local people). The key point to draw from this is that it is not just the numbers or industries in which businesses are located but also the fact that for them to have a significant positive influence it is necessary for them to employ local labour. Workforce development projects that do not consider this point, however funded, are at risk of failing to benefit local residents.

5.2 There is no accurate data on the correlation between local jobs and local industries. The 1991 Census indicated that only some 43% of residents worked in the borough.²¹ The most recent data currently available is that contained in the 1999/2000 Labour Force Survey Local Area Database which is presented in Table 9 below.

5.3 It is evident from these figures that the borough is a net exporter of labour, with 66,000 residents in employment but, as Table 7 above showed, only 48,100 local jobs. The importance of manufacturing to local residents is less evident when examining these figures, with just under 14% employed in this sector compared to just over 9% in London as a whole. It should also be borne in mind that some proportion of those in manufacturing employment will be employed in other London boroughs or even further afield.

²¹ Figures from the 2001 Census should be available during 2003.

5.4 The biggest employment industry for residents is financial intermediation and related business services, with just under a quarter (23%) in these jobs. Two other sectors are of relatively higher importance than manufacturing. In comparison to London, manufacturing, construction and transport, storage and communication are the three sectors which are of relatively greater local importance, most notable of these being construction.

Table 9: Borough employment & borough employees

Industry	N	%	% London
Manufacturing	9,000	13.6	9.1
Construction	7,000	10.6	5.6
Wholesale/retail trade, repair etc, hotels, catering	12,000	18.2	18.5
Transport, storage & communication	6,000	9.1	8.3
Financial intermediation, real estate, renting & business activities	15,000	22.7	25.8
Public administration & social security, education, health & social work	11,000	16.7	23.1
Other ²²	6,000	9.1	9.6
Total²³	66,000	100.0	100.0

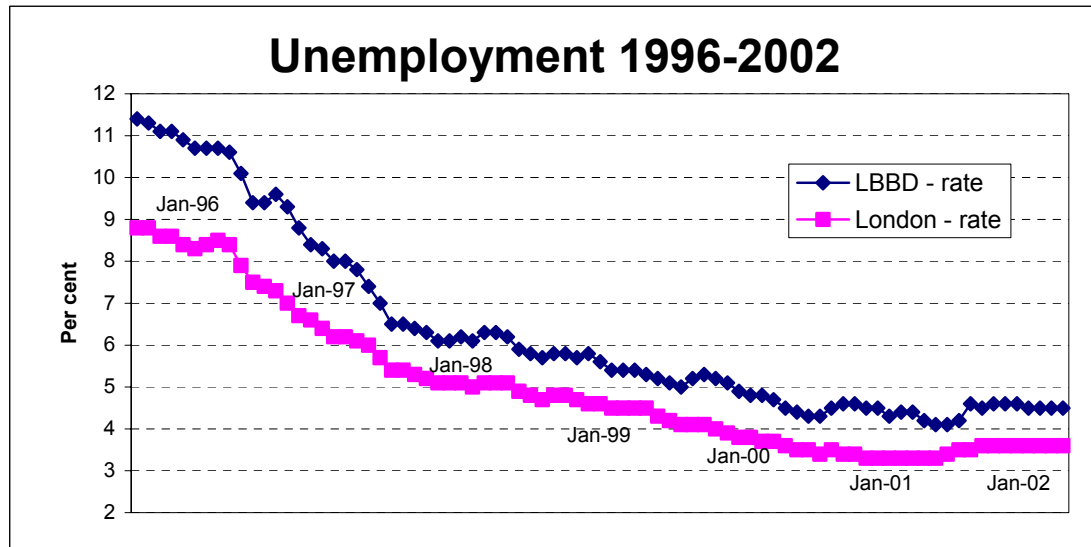
5.5 The key point from the tables above is that, while Barking and Dagenham is an important location for manufacturing industry and that sector is an important provider of employment opportunities, it is by no means the most important sector for local residents. Hence, while it is worthy of support there should also be explicit consideration of other industries and sectors, some of which not only employ more local labour but are in case also lower paying.

5.6 It is clear that, compared to London generally, there is a greater dependence of the borough on the 'tradeable' sector of the economy, which is more sensitive to changes in exchange rates and world economic conditions. Downturns in the economy, combined with the low skills of the adult workforce are, other things being equal, likely to have a disproportionate effect on the borough's economy. An indication of this is given in Figure 3 below which shows that the gap between the borough's rate of unemployment and that of London was almost three times as wide (2.6% compared to 0.9%) at the beginning of the period (January 1996) compared to that at the end (September 2002).

²² This includes agriculture and other community and social/personal occupations. Figures for Barking and Dagenham have been suppressed due to the small sample size and should be treated as indicative only.

²³ Figures do not sum to totals due to rounding.

Figure 4



5.7 The sections above highlight the importance of good labour market intelligence. **For the Council to engage proactively on this agenda there is a need to undertake a mapping of skills, employment and business characteristics and trends on an ongoing basis.**

6. Current initiatives

6.1 The structure of the local workforce and local businesses has been addressed above. This section assesses current initiatives impacting upon workforce development that are relevant to the issues set out in this strategy. It is clear that there are a range of organisations that exist to serve SMEs, particularly in the Thames Gateway area of which Barking and Dagenham is a part. The objective here is to assess what initiatives over and above these and those available nationally are impacting directly upon workforce development.²⁴

6.2 The key projects impacting on workforce development outside of those which can be purchased at full cost from Colleges or other training providers are explained in more detail at Appendix A. It is clear that in total there is not a great deal of local activity, given the scale of need in terms of getting people to the key NVQ Levels 2 and 3. The Gateway to Industry project is the most significant, as it is an established project that is actively and successfully bidding for funding from European and other sources to support its work, which is focused on

²⁴ SMEs are the focus of concern and should be taken to include voluntary and community sector employers. As such this excludes Council initiatives upskilling its own workforce, such as the Union Learners Rep scheme.

manufacturing, and is also working towards accredited training at the key NVQ levels.

6.3 It is notable that work focusing on manufacturing through the Heart of Thames Gateway programme is the most significant part of the activity taking place. While there is also activity upskilling those in childcare and care homes, outside of this whole sectors receive no dedicated support apart from that provided through general business support agencies.

6.4 Appendix B outlines a range of other workforce development initiatives or bodies who have an interest in this area. The most notable here are the opening of the Centre for Engineering and Manufacturing Excellence (CEME) which will considerably bolster the range and levels of support available to employees in manufacturing industry, and the development of a local Learndirect 'premier business centre' that will offer an enhanced level of Learndirect support for businesses across the board. The latter could and should be considered as a component in future projects, offering as it does flexible delivery options.

6.5 The key points to take forward from the listed initiatives are, firstly, their generally limited nature and scope in terms of tackling the key issues of expanding NVQ Level 2 provision. Perhaps just as importantly these projects have not developed in any systematic way in terms of an overall assessment of the workforce development requirements of local residents and businesses. This is not to say, of course, that they do not tackle very real needs in the sectors on which they are focused.

6.6 It should also be re-iterated here that the definition of workforce development and the initiatives outlined have been restrictive. There is a range of activity underway that will impact on the skills of residents, if only indirectly, but which needs to be integrated wherever possible with existing and future workforce development initiatives. These would include projects that are partly supported through the Neighbourhood Renewal Fund, such as ESOL and basic skills projects.

7. Workforce development issues for SMEs

7.1 Much is already known about the requirements of SMEs both nationally and in terms of London East, particularly in terms of the constraints that they face in developing their workforces. As the Learning and Skills Development Agency (LSDA) note, "the increasing importance of small companies to the UK's economy means that efforts to develop the workforce with small firms are also required".²⁵ Issues of workforce development are most acute with respect to the

²⁵ Learning & Skills Development Agency (2002), *Working Towards Skills*, p13.

smallest firms, yet in a recent survey an estimated 55% of jobs growth was in firms employing 1-9 employees, with a further 17% in those employing 10-49.²⁶

7.2 At a general level a significant proportion of firms fail to provide any training. The London Development Partnership found that “in 1999, only 59 per cent of employers provided training to their staff. Participation varied by sector, with hospitality and construction reporting the lowest levels. Three-quarters of employers had either no training plan or no training budget”.²⁷ A more recent survey found that only 24% of employers in the London East LSC area said they had a training budget, the lowest figure in London, while 63% in the same area said that staff had not participated in training in the last year.²⁸

7.3 The Federation of Small Businesses (FSB) identified education and training as one of five key constraints on business growth. A recent report by the FSB²⁹ found that nearly half (44%) of the smaller businesses (with a turnover below £100,000) had no training during the previous 12 months. It also found that in London 37% of respondents reported that there had been no training over the last year.³⁰

Barriers to training

7.4 The FSB survey already mentioned found the main reasons for not participating in training were:

- time constraints
- training not required
- cost
- non-availability of relevant training
- accessibility
- possibility of losing staff once trained.

7.5 The London Skills Survey revealed similar findings with the main barriers being firms questioning the need for training, the costs of the training itself and that of staff time also mentioned. The LSDA report confirmed these findings on barriers to training but also found a generally positive attitude towards workforce development activities from both firms and workers.³¹

7.6 It is possible that in many instances those companies reporting that training is not needed are losing a competitive edge, and that staff would in fact

²⁶ London Skills Forecasting Unit (2002), *The Competitiveness and Skills of the London Economy: The results of the Employers' Survey 2000*, p38.

²⁷ London Development Partnership (2000), *A skills strategy for all London's people*, p2.

²⁸ London Skills Forecasting Unit (2002), *ibid*.

²⁹ Federation of Small Businesses (2002), *Lifting the Barriers to Growth in UK Small Businesses*.

³⁰ By sector in the UK the highest figures for no training were recorded by retail/repair/wholesale (47%); agriculture (45%); manufacturing (41%) and transport (41%); construction (37%), hotels/restaurants/pubs (36%) and other services (34%).

³¹ Learning & Skills Development Agency (2002), *ibid*.

benefit from some intervention. Similarly, at least some of those organisations (almost half) reporting that staff train enough already will in fact not be investing enough in training activities. Indeed there is recognition that there is a significant amount of work to be done by LSCs and others in terms of promoting the value of workforce development.

7.7 The London Skills Survey also outlined a range of findings in terms of overcoming barriers. In terms of staff time there is, as one would expect, a need for as much flexibility as possible in terms of scheduling, the length of sessions, the location of training and the use of on-line/distance learning.

7.8 The key point is that the barriers to training, in general terms, are widely known. An important next step for Barking and Dagenham would be to identify the local context and precise mix of factors affecting SMEs, through hands-on outreach work with firms, which would allow tailored solutions to workforce development needs to be devised.

7.9 It is evident that training is an area of market failure, for various reasons, and that “even in times when staff recruitment difficulties are occurring, the majority of employers in London (57 per cent) do not support training at their workplaces. This lack of actual activity may not be surprising since less than a third of employers have a training plan (29 per cent) or a budget for training expenditure (32 per cent)”.³² Many of those undertaking training do not pursue formal qualifications.³³ The scope for interventions supported by the Council, LSC and other interested partners is therefore evident.

8. The London context

8.1 The overall framework for activity and national targets are of course set by central government. The commitment to tackling skills shortages, particularly the need to cut by 40% the proportion of the workforce lacking a Level 2 qualification have already been outlined. The strategies and plans impacting on the skills agenda are set out at national level but interpreted locally in London by the London Development Agency (LDA) and London LSCs.³⁴ These also sit within the context of the Mayor’s Economic Development Strategy and London Plan and key documents such as the Regional Development Plan (RDP) and Single Programming Document (SPD).³⁵

³² London Skills Forecasting Unit (2002), *ibid*, p95.

³³ The Employers’ Survey 2000 found that of those employers providing training only 38% said that their staff gained or were pursuing formal qualifications.

³⁴ London Skills Commission (2002), *London’s Framework for Regional Employment and Skills Action*. This is known as the FRESA.

³⁵ The RDP looks at the priorities for the use of European Social Fund (ESF) monies under Objective 3. The SPD outlines the priorities for European Regional Development Fund and ESF Objective 2 funding.

8.2 The London Framework, or FRESA, focuses on the effective supply and demand for skills, training and workforce development generally. It concerns itself with the conditions for establishing what is termed a 'healthy labour market'. The report sets out five strategic objectives which are to:

- ensure access to employment, training and personal development for those seeking work and access to training and personal development for individuals in work.
- enable the excluded to access learning and sustainable employment.
- enable London's employers and businesses of all sizes to recruit and retain the skilled workers they need in order to compete and deliver sustainable economic growth.
- encourage education and training providers to provide learning and services which are market sensitive, match the needs of London's workforce and take due consideration of employer demand.
- engage all stakeholders in a co-ordinated approach to labour market information, related advice, guidance and subsequent investment.

8.3 The report analyses needs by sector³⁶ and priority target group³⁷ and contains the same spatial priority areas as the London Plan, with Barking and Dagenham included among them. This offers a clear opportunity for action in terms of workforce development activities.

8.4 At its core, and re-emphasising issues already raised in this report, the Framework notes that "developing skills in the workforce (actual and potential) is key to achieving the FRESA vision. Increasing the demand for skills from both individuals and employers is critical. Communicating the value of workforce development in order to generate this demand is critical".³⁸

8.5 It should be of particular interest to Barking and Dagenham that one of the relevant actions required to implement the recommendations is the targeting of LSC and other public sector resources at those in lower level occupations. The next two sections look at the relevant programmes of London East LSC and the London Development Agency respectively.

³⁶ This encompasses a wide range industries and includes biotechnology, construction, cultural and creative industries, finance and business services, green economy, ICT, manufacturing, public services (including education and health and social care), retail, tourism, transport and logistics and voluntary and community sectors.

³⁷ These are in accord with the London Regional Development Plan and include lone parents, young people, men over 50, ethnic minorities, disabled people, ex-offenders, refugees/asylum seekers and homeless people.

³⁸ London Skills Commission (2002), *ibid*, p31.

9. London East Learning & Skills Council

9.1 While there a range of funding streams that can potentially be accessed to support workforce development initiatives there have in the recent past been two key funders. These are the Learning and Skills Council London East and the opportunity for European funding through the Government Office for London. With the advent of co-financing,³⁹ these two key streams have been brought together.

9.2 A focus on this source of funding is necessary not least because of the paucity of initiatives impacting on Barking and Dagenham at the present time and the importance of LSC London East as the key funder of workforce development programmes.

9.3 LSC London East is the organisation with the chief responsibility for funding workforce development projects and programmes. It has five strategic aims, one of which is “to ensure the provision of high quality and relevant learning in London East through the development of appropriate learning opportunities which both meet the needs of local employers and their workforces and enables local people to compete successfully for local jobs”.⁴⁰

9.4 LSC London East covers ten boroughs, including the City of London, and has substantial funding over the period 2002-2004 available through its European Social Fund co-financed programme and Local Initiative and Development Fund (LID). The current European structural funds run until 2006 so it is likely that money will be available through future programmes.

9.5 The recent funding prospectus circulated by the LSC in the most recent bidding round contained 19 priority areas for workforce development. A cursory examination reveals that there are a whole range of projects for which the Council and its partners could bid in order to secure workforce development projects. Additionally, several of these priorities are targeted at SMEs generally, the implication being that they could be targeted at any of the sectors established within the borough.

9.6 LSC London East are preparing sectoral strategies that include the following industry sectors:

- construction
- cultural and creative industries
- financial and business services
- health and care

³⁹ This brings together European budgets with those of co-financers and provides 100% of project funding. The key London co-financers are the LSCs, LDA, Job Centre Plus, Business Link for London and Association of London Government. The LSCs are the key funders of workforce development activities.

⁴⁰ London East Learning and Skills Council, *Funding Prospectus 2002*, p6.

- hospitality and catering
- manufacturing
- transport and logistics
- public administration
- retail
- voluntary and community.

If the funding that will support these strategies is to be fully exploited **the Council should look to work with partners to develop initiatives that support the key industry sectors** identified by LSC London East.

9.7 Given the anticipated scale of developments in South Dagenham, Barking Reach and the wider Thames Gateway an initial priority should be to support the construction sector. Work is already under way to support manufacturing in the borough through various Heart of Thames Gateway SRB projects. **Support is also being support to fully develop Barking Lifelong Learning Centre. The potential sub-regional importance of the Centre as a resource to recruit and upskill public sector workers needs to be recognised and commitments of support secured from all local partners.**

9.8 The key recommendation here is that, in partnership with local business support agencies the Council should look to co-ordinate bidding for funds that support workforce development. There is potential across the range of sectors, and in particular to ensure that those in SMEs can obtain flexibly delivered provision at NVQ Level 2. A key action would be to identify delivery partners. There is also a need to seek to pro-actively shape the Employer Training Pilots scheme that will be launched by LSC London East later in 2003 and that will fund NVQ training up to level 2. This scheme will also compensate firms financially for staff time.

10. London Development Agency

10.1 The London Development Agency is also a co-financing organisation for Objective 3 of the European Social Fund, including two measures that upskill employees.⁴¹ Its funding programme also runs until 2004 and while none of the successful bidders came from Barking and Dagenham the borough may benefit from some of the approved sub-regional projects.

10.2 The LDA have more recently launched their Local Development Actions (LDA²) programme, which is also available to support workforce skills development, social enterprises and a range of other relevant actions. This is expected to assume greater significance over time as the closure of inherited regeneration projects makes more funding available to the LDA. The programme

⁴¹ Measure 4.1 – update and upgrade employees vocational skills; Measure 4.2 – identifying and meeting skills shortages.

is expected to have rounds running every six months or so, and the second round has recently closed.

10.3 In addition to these programmes, and perhaps more significantly, the LDA has initiated a London Riverside Action Group looking specifically at developments in Barking and Dagenham and Havering. This in turn has a skills and employment sub-group on which the Council are represented, along with Havering, Job Centre Plus, LSC London East and others. The group is looking to ensure that developments in London Riverside and the wider Thames Gateway benefit residents across the whole of both boroughs. It is currently working towards the development of a Skills and Employment Programme Development Framework, with the ultimate aim of commissioning projects in the area and for which the LDA has a dedicated budget.

10.4 The group has set out four key objectives that are in accord with the FRESA and the thrust of this strategy document. The objectives are to:

- enable Riverside's current and future employers to recruit and retain suitably qualified and skilled workers to ensure the area's future economic stability
- ensure the current and future population are equipped with the skills to compete for employment now and in the future
- enable those excluded from the opportunities to be created in the Riverside to access learning and employment opportunities
- encourage skills, training and education providers to improve their delivery ensuring provision meets demand from individuals and business.

10.5 The framework also contains a range of cross-cutting initiatives and project themes to which the Council has already contributed. It is clear that this group will provide a co-ordinating focus for activity in both boroughs, and can look to shape the future funding programmes of LSC London East and others. **The Council should look to the potential for cross-borough collaboration with Havering through the London Riverside Action Group.** However, this does not detract from the need for a considered, resourced strategy for Barking and Dagenham, which would allow pro-active shaping of the London Riverside agenda.

11. Conclusion

11.1 Policies for workforce development sit within a national context. The PIU report on workforce development already highlighted above set out that the "... Government's long term aim should be to ensure that *all* adults have the opportunity to achieve a level 2 qualification"⁴² and that the aim should be raising demand for workforce development from employers and employees and "helping

⁴² Performance & Innovation Unit (2001), *ibid*, Executive Summary, p1.

employers, particularly small employers, to develop business strategies that drive up demand for WfD”.⁴³

11.2 The overarching framework being set out by the government has been fairly clearly defined: “Basic skills of literacy and numeracy must continue to be a top priority. But they cannot be seen in isolation from wider development of skills up to level 2 and beyond, especially in the context of a new Government target to reduce by at least 40 per cent the number of adults in the workforce who lack NVQ2 or equivalent qualification by 2010. Beyond this, specific intermediate skills at level 3 are of crucial importance to economic success and Government must ensure that, where necessary, there is sufficient flexibility in the system for these skills needs to be met.”⁴⁴

11.3 A key rationale for this is that both the individual and society benefit from increased skill levels: higher levels of skills result in higher pay, a key objective as set out in the borough’s own regeneration strategy. It is apparent that “there is a clear link between training provision and business performance”,⁴⁵ while work by the Federation of Small Businesses established that “there is an important and direct relationship between training and firm performance. Not only does training increase with firm size (as measured by turnover), but there also appears to be a relationship between training and growth performance in turnover.”⁴⁶

11.4 The information in this strategy, contextualised with respect to the specific situation in Barking and Dagenham, can form the basis of funding bids. The full range of partner organisations that are actively collecting information from businesses need to sign up to the co-ordinated approach outlined here. Further information would also locate projects within the work of the emerging sector skills councils, which are being established to take over the work of the former national training organisations (NTOs). These are carrying out assessments of the workforce requirements of respective key sectors of the economy.

11.5 **It is necessary to regularly obtain and consider information on the local workforce and local businesses.** With this it should be possible to produce regular assessments of key sectors of the borough’s economy and to generate information that would allow the production of a co-ordinated approach to workforce development. In particular, it would recognise that manufacturing has been a focus of much of the work to date, which the advent of CEME will confirm. One report noted that “established manufacturing in east London is ... currently an important local asset, but as in other inner urban economies its

⁴³ *Ibid*, p2.

⁴⁴ Strategy Unit (2002), *In Demand: Adult Skills in the 21st Century – part 2*, p9.

⁴⁵ London East Training & Enterprise Council/Thames Gateway London Partnership (2000), *Look East: A learning and skills assessment for the Thames Gateway 2000*, p27.

⁴⁶ Federation of Small Businesses (2002), *ibid*, p11.

future viability cannot be assumed”.⁴⁷ For Barking and Dagenham there is a need for a reasonably diversified economy to ensure that downturns do not disproportionately affect the local workforce.

11.6 The Council is well placed to contribute to partnership work on this agenda through the London Riverside Action Group and other, wider fora. However, it is clear that this is resource intensive and there will be a need to secure additional funding to support the development of this agenda.

11.7 A key recommendation from the Beacon Council Research on Fostering Business Growth which has already been mentioned above should focus the Council’s requirements in terms of workforce development and wider business support. This is that “from the point of view of fostering business growth, local authorities engaging in skills and employment initiatives should be able to demonstrate the rationale for intervention, to define clearly the added value of the role they perform and the nature and purpose of specific interventions. Again authorities should be able to explain clearly how their interventions fit within agreed strategic priorities, the justification for intervention, and value arguments.” This strategy looks to start tackling this.

11.8 It is important that workforce development activities are seen as integral to tackling social exclusion through raising income levels. **As such they need to begin in the school system where existing links⁴⁸ need to be developed and deepened to ensure that the aspirations of students ensure that they seek and can obtain well paid employment.** The existing good work in this area needs to be built upon.

11.9 However, on its own this is not enough as the vast majority of the 2010 workforce has left any form of full-time education. **It is therefore necessary to fully explore the range of ways in which the Council can work in partnership to promote and make available flexibly workforce development activities in SMEs in key sectors.** Work should also be undertaken to explore the potential to expand provision for those residents looking to upskill or re-skill in their own time. Such skills training needs to link in to future developments in the area, as do those initiatives which have the potential to upskill unemployed residents, which has been outside the scope of this report.

11.10 This strategy has focused on workforce development initiatives as they relate to SMEs as that is where training is most needed, although efforts on the part of larger employers should also be encouraged. This applies not least to the major public sector employers, the Council and health services. The Council is already participating in the union learning representative scheme and is therefore well placed to promote this as an example more widely.

⁴⁷ London East Training & Enterprise Council/Thames Gateway London Partnership (2000), *ibid*, p28.

⁴⁸ See Appendix B for a brief outline.

APPENDIX A

Projects impacting on workforce development in Barking & Dagenham

Lead	Project	Sector	Notes & LBBD role
Heart of Thames Gateway (London Riverside Limited)	JobNet	Various	Project focus is job brokerage activities but includes an element of training for those in employment. It will look to develop industry training courses, using specialist training providers where necessary. Project covers Thurrock and Havering, so it is important that the local authority is consistently represented. Has £141,818 available for skills gap training that will be partly funded by employer contributions. Project will run until March 2005. <i>LBBD role:</i> Project steering group membership
North East London Workforce Development Confederation	Care Homes Training Collaborative	Health and social care	Funded by London East LSC. The project looks to address quality and standards of care in care homes. An estimated 67 beneficiaries in the borough will achieve NVQ Level 2 with a further 17 working towards this qualification. Project will run until March 2004. <i>LBBD role:</i> Member of East Thames Lifelong Learning Partnership Steering Group

London Borough of Barking & Dagenham	Training & Networking for SMEs	SMEs in all sectors	Funded from Objective 3 of the European Social Fund. Project did not run according to plan for a variety of reasons and costs were well below the initial bid. No qualifications and training element has been limited. Project now finished. <i>LBBB role:</i> Lead applicant responsible for project ensuring project delivery.
Heart of Thames Gateway	Gateway to Industry	Manufacturing – SMEs	<p>1. Main focus – the workforce development elements of this SRB funded scheme include seminars, training needs analysis, training development plans, bespoke courses and NVQs. Has up to £800,000 over 4 years until March 2006 and can fund 45% of total costs of workforce development within its grant funding programme. Project also covers Havering and Thurrock. <i>LBBB role:</i> Local authority is represented on the HoTG partnership and officers liaise closely with GTI staff.</p> <p>2. Executive Excellence in Industry – LSC funded project providing high level professional development qualifications for managers (Havering are equal beneficiaries), with up to 30 beneficiaries. Total project cost is £195,720 and the project ends on 1 June 2004 <i>LBBB role:</i> The authority is technically the applicant but it will be managed by GTI who will go out to tender for a project deliverer – CEME Ltd is a possibility.</p>

Heart of Thames Gateway	Embedded Basic Skills Programme	Various	<p>This project will receive £250,000 from the LDA to deliver basic skills programmes in informal and supported environments, and is targeted at low waged as well as unemployed residents of Barking and Dagenham and Havering. It is unclear at this stage how and to what extent this will be achieved.</p> <p><i>LBBB role:</i> Partner on Heart of Thames Gateway board.</p>
London Borough of Barking & Dagenham	Empowering the Voluntary Sector	Voluntary and community sectors	<p>This project runs until December 2004 but is already behind schedule due to the failure to recruit project staff. Total value is £386,248, with 45% coming from ESF and the bulk of the remainder staff match from the CVS. Aims to research skills needs in the sector and put together a programme to tackle these, as well as to establish a resource centre and pilot an employee volunteer programme.</p> <p><i>LBBB role:</i> The local authority is the lead applicant.</p>

APPENDIX B

Other bodies/initiatives impacting on workforce development

Lead	Sector	Notes & LBDD role
Centre for Engineering & Manufacturing Excellence	Manufacturing	CEME Ltd is a not-for-profit partnership aiming to provide a range of learning activities that build engineering, manufacturing and business capability in the Thames Gateway area. Courses will not be free but it will provide a centre of local expertise that can act as a delivery body for externally funded project bids.
Barking & Dagenham Chamber of Commerce	All sectors eligible for membership	The Chamber of Commerce is the key umbrella body for businesses within Barking & Dagenham, and looks to provide a range of benefits to members who fund the organisation. These include networking and training events and the dissemination of information.
Learning Villages	Aimed at local residents	Funded through Heart of the Thames Gateway SRB scheme with centres in Goresbrook, Thames and Valence wards. Aimed at all residents rather than employees although there would be nothing necessarily to preclude links.
Business Link	All businesses eligible	Provides a range of information and advice on workforce development and training issues but has no dedicated projects actually providing services. Managed by the Small Business Service.
London Borough of Barking & Dagenham	Department of Education, Arts & Libraries	Schools within the borough provide a range of vocational GCSEs, including manufacturing, construction and design and technology. The Education Business Partnership (EBP) links schools and business through a range of practical activities and projects. Trident Trust runs a work experience programme for the borough's pupils. DEAL also has responsibility for the Adult College and Barking and Dagenham Training Services. Early Years Development and Childcare Partnership co-ordinates a training plan and activity in the pre-school setting.

London Borough of Barking & Dagenham	Department of Housing and Health	Health & Consumer Services undertake a range of work with local businesses focusing on health and safety, food hygiene and other regulatory requirements which include training for workers. The Housing Department also run a Positive Action Training Highway (PaTH) for ethnic minority trainees working in the department.
East Thames Lifelong Learning Partnership	Various	Covers Barking & Dagenham, Havering and Redbridge and brings together a range of education and training providers, local authority departments, community groups and others. It looks to co-ordinate learning activities and has a dedicated workforce development sub-group.
East Thames Learning Hub	Various	Overseeing the Learndirect initiative in the borough including 'Learndirect for business' activities and the establishment of a 'premier business centre' to support the workforce development of SMEs.
Thames Gateway London Partnership	Skills Matrix	TGLP has recently taken over strategic management of two research projects (funded by the LSC) looking into future skills and training requirements by borough and sector.
Heart of Thames Gateway Partnership	Focus on manufacturing	SRB scheme funding a range of developments including CEME. Other areas directly relevant to workforce development are funding for GTI and the Learning Village Network which are designed to ensure that local residents access manufacturing opportunities.
Barking Lifelong Learning Centre	Public sector	The aim of the centre will be to provide a borough based facility for the provision of learning, from basic skills through to further and higher education. It will focus on public services such as health, social care, education and public sector administration.
Barking College	Various	Barking College is a key partner in both the Barking Lifelong Learning Centre and the Centre for Engineering and Manufacturing Excellence. It offers a range of courses to both employed and unemployed residents of the borough that impact upon workforce development. It is a Centre of Vocational Excellence in construction.
University of East London	Various	The key higher education institution offering a range of resources to learners and businesses in the Thames Gateway.

Draft London Borough of Barking & Dagenham & Support for the unemployed

Aims

This report sets out the key issues for the local authority in terms of supporting unemployed residents in accessing jobs. The key aims are to:

- enable those excluded from local and regional opportunities to access learning and employment
- raise the incomes of local people
- enable local employers to recruit the people they need.

Recommendations

1. The Council should explicitly recognise that supporting unemployed and low skilled residents is a regeneration priority through the contribution it can make towards raising incomes and thereby tackling social exclusion.
2. The Council should as a matter of standard practice incorporate appropriate employment/training conditions in all major contracts, having reference to best practice elsewhere.
3. As a matter of standard practice all procurement activities should demonstrate how they have considered the potential for developing local businesses to supply goods and services to the Council. The process should also be used to promote local recruitment initiatives.
4. The Council should pro-actively work to ensure that wherever possible local jobs are promoted as opportunities to local people, for example through projects such as JOBNET and the Welfare to Work for Disabled People. This should also consider the potential for pre-employment training activities.
5. All organisations looking to expand or locate in the borough should be informed of the Council's commitment to local recruitment.
6. There is a need to support work with partners to ensure the development of recruitment and training infrastructure in the public and voluntary sectors.
7. All projects impacting upon employment/training issues should automatically be referred to officers overseeing this area of work for comment so that the Council can develop a co-ordinated approach.
8. The Council should consider training and employment initiatives as a competing priority for the use of section 106 planning gain monies.
9. Existing support through the provision of basic skills, IT and ESOL needs to be kept under review in terms of accessibility and needs to be linked in to all training and employment initiatives.
10. The Council should look to develop initiatives that support key industry sectors (beginning with construction) and priority groups (beginning with disabled people).

1. Introduction

1.1 This draft strategy sets out key issues for the local authority in terms of supporting unemployed residents in accessing jobs. In particular it provides:

- a rationale for local authority involvement
- an analysis of the unemployed and economically active of working age
- an outline of the range of existing initiatives impacting upon unemployed residents in the borough and
- recommendations for future action.

1.2 This document should be viewed in conjunction with the accompanying workforce development strategy, which addresses issues surrounding the support that the local authority might look to provide for those already in employment. Together they address key issues for the local authority in how and why it should be involved in labour market interventions.

1.3 It should be acknowledged at the outset that the bulk of support provided to the unemployed is delivered through Job Centre Plus. There are a range of New Deal initiatives, some voluntary, that look to tackle the barriers to employment faced by specific groups. The purpose of this paper is to acknowledge that, while Job Centre Plus should rightly be seen as the main source of support to unemployed residents, the community leadership role of the local authority, its purchasing power and regulatory role provide it with opportunities to significantly add value to New Deal initiatives. If this is to be possible then an initial part of the Council's work on employability will need to establish the success of New Deal initiatives locally.¹

1.4 Additionally, a key factor in supporting people into work which is not explicitly addressed relates to the availability of local, affordable childcare places. The role of the Council in this is crucial and this area warrants further detailed analysis on its own.

2. Reasons for local authority involvement

2.1 The Local Government Act 2000 has placed a duty on local authorities to promote the economic, social and environmental wellbeing of their areas. The key overarching document concerning economic development and regeneration for the borough is the regeneration strategy. All work undertaken by regeneration staff needs to make some contribution towards delivering the aims and objectives set out in this document.

¹ The Audit Commission, in *Economic Regeneration Performance Indicators: Detailed Definitions* (March 2003), recommends the local collection of figures on the proportion of those registering for New Deal who are in employment or education six and 12 months later.

2.2 The key issues in this area are set out in the strategy under education and skills² where the aims and relevant actions include:

- removing the barriers currently preventing groups within the community from taking up learning opportunities.
- providing the highest quality training in locations that are easily accessible to all residents.
- promote access to the labour market by residents who are excluded from it.
- enable local residents to access job opportunities which are available or will arise in the future at all levels, not just in low positions.
- encourage and develop the voluntary sector capacity to deliver learning and training projects.
- encourage local employers to provide high quality work-based training which allows residents to progress their careers throughout their working lives.

2.3 The Neighbourhood Renewal Strategy looks to add value in this area³ and has as key priorities:⁴

- to support engagement of those who need to be encouraged to return to learning and hard to reach groups to enhance their employment prospects.
- to improve the skills base within the borough by improving take up of basic skills training and encourage further training and higher education.
- to raise basic skills levels to enable local people to realise their potential in the labour market to increase their incomes and choice of jobs.
- to improve the supply of local labour that is trained to support existing and new businesses.

2.4 At a general level it is clear that the government sees work as an important instrument in tackling social exclusion. For this reason alone workforce development initiatives are worthy of local authority support and in accordance with the overarching aims of the regeneration strategy, not least through helping to raise the incomes of local residents. Section 6 sets out some key ways in which the local authority can have an impact in this area, through its position as a major procurer of goods and services and regulatory role in the planning system, as well as through its role as a major employer in its own right.

2.5 Each of these areas provide opportunities for the local authority to have an impact on local unemployment and, crucially, the skills of residents. Whilst unemployment is relatively low when compared with inner London boroughs the promotion of local employment initiatives can provide a key tool to tackle social exclusion in the borough.

² London Borough of Barking and Dagenham (2001), *An Urban Renaissance in East London*, pp12-13.

³ The section below outlines some NRF-funded projects that are relevant.

⁴ London Borough of Barking and Dagenham (2002), *Local Neighbourhood Renewal Strategy 2001-2004*.

2.6 The Council is well placed to co-ordinate activities in partnership with other agencies, building on the work of Job Centre Plus. It is also worth emphasising that there are a range of funding streams that support such activity, most notably those run by the London Development Agency (LDA) and Learning and Skills Council London East (LSCLE).

2.7 The promotion of local employment for local residents also has a number of other benefits, not least of which is that this minimises the pressures on the transport system and thereby contributes towards sustainable development. Reduced travel times can also improve the quality of life for employees. Recruiting locally also ensures that the workforce better reflects the local area and hence is more responsive in terms of service delivery.

2.8 For these reasons the Council should explicitly recognise that supporting unemployed and low skilled residents is a regeneration priority through the contribution it can make towards raising incomes and thereby tackling social exclusion.

3. Local unemployment

3.1 The accompanying workforce development strategy, which looked at support for those already in employment, contained a range of information about the low skills base of local residents. It also included historic information on unemployment in the borough, showing that over the period 1996-2002 the level of unemployment has been consistently above that in London as a whole.

3.2 While unemployment in Barking and Dagenham has not historically been as high as in Inner London, nevertheless there are pockets in the borough where the figures are comparable. Table 1 below shows the number and rates of ward level unemployment in May 2003, indicating that there were 3,408 claimants, a rate of 5.2% in that month, a figure which is just above that for Greater London (5.1%). At ward level the highest rates were seen in Gascoigne (10.3%), Abbey (8.3%) and Thames (7.9%).

3.3 The fact that there are wards where unemployment is high is emphasised when looking at male unemployment, which reached 12.5% in Gascoigne. Rates were also high in Thames (9.8%), Abbey (9.8%), Cambell (7.1%), Village (6.9%), Heath (6.9%) and Fanshawe (6.2%). The highest rates for men were in the youngest age groups, these being 16-19 (11.4%) and 20-24 (7.2%). Over a third of claimants (36.8%) had been unemployed for over six months and of these a total of 530 (15.6%) had been unemployed for over a year.

3.4 It is clear that for some groups and in some wards unemployment is a major problem even when, relatively speaking, this is not the case for the

borough as a whole. This is also the case for groups where data is not always readily available at the local level but who are known to suffer higher than average unemployment rates. This would include people with disabilities, black and ethnic minority communities, lone parents, homeless people and ex-offenders, among others. There is a need for a local assessment of the needs of these groups, with the latest Census providing much useful data in the near future.

Table 1: Claimant count unemployment by ward, May 2003⁵

Ward	N	%
Abbey	374	8.3
Alibon	142	5.6
Cambell	245	5.8
Chadwell Heath	143	3.3
Eastbrook	133	2.9
Eastbury	110	4.2
Fanshawe	195	5.3
Gascoigne	372	10.3
Goresbrook	134	4.3
Heath	226	5.4
Longbridge	124	3.0
Manor	107	4.3
Marks Gate	41	3.7
Parsloes	150	5.2
River	157	4.7
Thames	194	7.9
Triptons	142	3.5
Valence	149	4.0
Village	270	6.0
LBB&D	3,408	5.2
<i>Greater London</i>		<i>5.1</i>

3.5 It should also be noted that the figures above relate to the claimant count. This is an administrative count of the number unemployed and receiving benefits rather than a true measure of the number of people without work but seeking employment. The wider ILO⁶ measure, which is also preferred by central government, showed that unemployment in Barking and Dagenham⁷ was 6.4% over March 2001 to February 2002, compared to a London rate of 6.6%.

⁵ GLA/ONS claimant count figures. It should be noted that these are calculated on the basis of 1991 boundaries and do not include Becontree.

⁶ International Labour Organization. This measure is based on those looking and able to take up work within a specified period of time and is unrelated to benefit receipt.

⁷ Over this period the claimant count rate ranged between 4.1% and 4.6%.

3.6 This difference in the administrative count and the ILO rate of unemployment is also emphasised when looking at recipients of Incapacity Benefit (IB)⁸ who are of working age and many of whom will look to return to employment. In August 1999, when there were 3,494 unemployment claimants there were 7,625 claimants of incapacity benefit. Research confirms that individuals moving on to IB see “many advantages to working, including economic reasons and to avoid boredom, depression or feeling isolated ... [but] faced a number of inter-relating barriers imposed by their health and other factors, such as skills and experience, lack of confidence and motivation”.⁹

3.7 It is also crucial to appreciate that unemployment does not represent a stock measure. Throughout the year there is a continuous flow into and out of unemployment. Given the low level of skills in the resident workforce it is apparent that there is an opportunity for the local authority to make an impact in terms of supporting residents into employment that contains a component of upskilling. The London Skills Survey¹⁰ confirmed that respondents with the lowest levels of qualifications have the longest unemployment spells, and it is also the case that they suffer more frequent bouts of unemployment. This has particular relevance to Barking and Dagenham, given the relatively low skills base of residents.

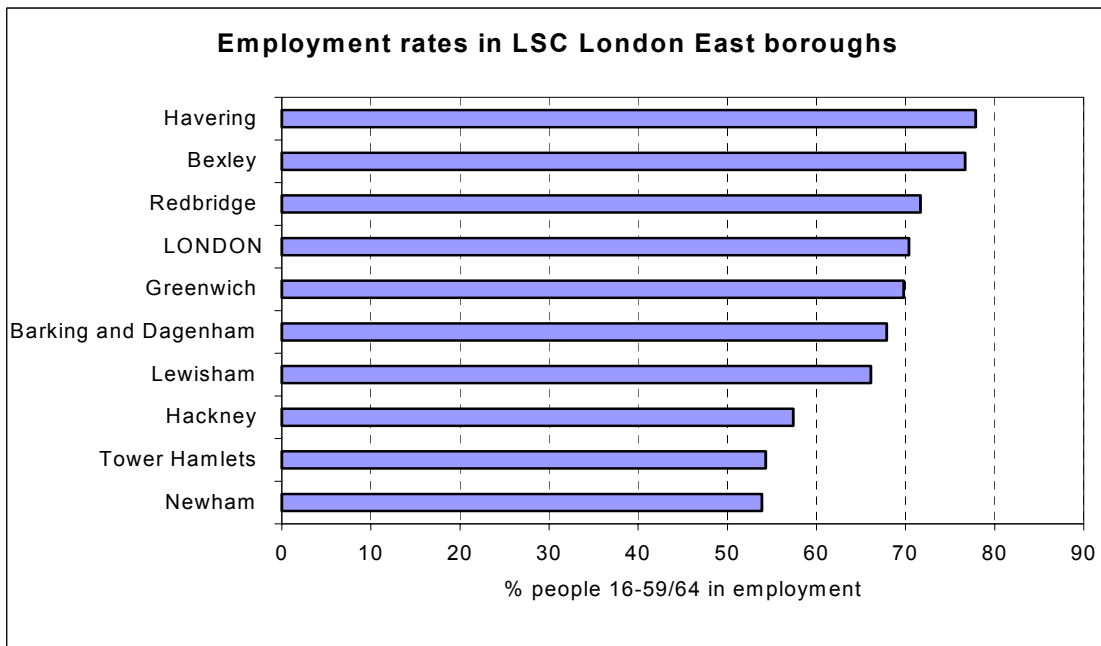
3.8 A useful comparative measure that accounts for all forms of economic inactivity, including the numbers on IB, is the proportion of the population aged 16-59/64 in employment. The chart below shows figures on this measure for the LSC London East area boroughs and for London as a whole. This reveals that 67.9% of people in this age group are in employment in Barking and Dagenham, leaving the borough middle-placed in London East. However, this rate is 2.5% below the London rate of 70.4% and of the Outer London boroughs only Brent had a lower proportion of people in employment.

⁸ This is paid to those of working age with sufficient National Insurance contributions who have exhausted Statutory Sick Pay and are incapable of work because of sickness or disability.

⁹ Department for Work and Pensions (2001), *Moving between sickness and work*, p2 (DWP Research Report No. 151).

¹⁰ London Skills Forecasting Unit (2002), *London Skills Survey 2001*.

Chart 1



Research findings

3.9 In developing responses to local skills and employment issues recent research findings provide some important information that will need to be considered. The London Skills Survey¹¹ found that almost half of unemployed people (47%) believed that the main reason for unemployment was the lack of either suitable or available job opportunities, while a further 13% considered that they lacked the relevant skills, qualifications or experience. Additionally the survey found a strong correlation between the previous occupation of the unemployed and the areas in which they are seeking work. Action in this area by the local authority could therefore help to expand the effective supply of local jobs along with training and upskilling components.

3.10 Some issues relevant to the demand for labour are revealed by the London Employers Survey. This found that the majority of jobs growth (55%)¹² was to be found in firms employing less than 10 employees, indicating the need to successfully engage with this sector of the business community. The survey also found that word of mouth was the most important recruitment channel to employers, with twice as many employing this mechanism than the Job Centre

¹¹ London Skills Forecasting Unit (2002), *London Skills Survey 2001*, p27.

¹² London Skills Forecasting Unit (2002), *The Competitiveness and Skills of the London Economy: The results of the Employers' Survey 2000*, p38.

(35% against 18%).¹³ Again these factors have implications for the types of projects that should be supported.

4. Local services & initiatives

4.1 There are currently a range of sources of support outside of Job Centre Plus available to local unemployed people in the borough in relation to finding employment or upskilling them for work. It is clear that literacy, numeracy and ESOL skills are critical in finding and retaining employment. The local authority supports these in a range of ways, most notably through the Adult Basic Skills Initiative, Barking and Dagenham Training Services and the Adult College of Barking and Dagenham. There are also projects in these areas that have received funding from the Neighbourhood Renewal Fund (NRF) and the LDA. Due to its crucial importance **basic skills provision (including IT and ESOL) needs to be kept under review in terms of accessibility and linked in to all training and employment initiatives.** External funding can play a key role in further developing existing good practice within the borough.

4.2 In addition the Learndirect initiative in the East Thames area¹⁴ delivers a substantial number of basic skills courses in a variety of settings. A range of advice and guidance services is also available through Neighbourhood Learning Centres: UK Online centres, funded through the Department for Education and Skills and managed by DEAL and the Learning Village network, which is SRB funded and the responsibility of Barking College.

4.3 The important point to recognise from these is that it is vital that initiatives supported in this area can link into schemes that have employment objectives in terms of getting local people into local jobs. It is also clear that the provision of basic skills training should form a component of any training initiative as a matter of good practice.

4.4 The Appendix to this report outlines some of the key initiatives and organisations delivering services supporting unemployed people. They include a range of activities and many are still in the process establishing their presence in the borough. This strategy and the accompanying Workforce Development Strategy indicate that, while there is much going on focusing on the skills and employment agendas, the activities are far from comprehensive. The potential for greater impact is apparent when this is viewed in conjunction with the various funding streams that can support these activities.

4.5 In addition, the links between the projects and activities are in many ways not well developed or co-ordinated, if only for the reason that many are still being

¹³ London Skills Forecasting Unit (2002), *ibid*, p45.

¹⁴ This is known as the East Thames Hub and covers Barking and Dagenham, Havering and Redbridge.

established. There is much work that is undertaken within the voluntary and community sectors that is currently not well mapped, although the sector itself is currently taking a lead in tackling this problem. The potential to develop work in this area and ultimately to link unemployed residents in to accredited training opportunities or employment with an upskilling component clearly exists. A prerequisite to this is the mapping of opportunities on an ongoing basis.

5. Some responses in other London boroughs

5.1 This sections briefly outlines some of the sources of support given to unemployed residents in four other London boroughs. They have a wide spread of unemployment rates and are therefore useful comparators. Bexley has an ILO unemployment rate (2.6%)¹⁵ well below that in Barking and Dagenham, Waltham Forest (6.9%) and Greenwich (7.4%) have fairly comparable rates while that in Brent (9.4%) is clearly above the corresponding figure in Barking and Dagenham.

5.2 *Bexley* utilises SRB funding to support a range of specialist training activities for manufacturing businesses. This includes grants towards training and the commissioning and delivery of short training courses in areas such as fork lift driving, first aid and stores management. Much of this supports individuals already in employment but through this activity there is direct work with employers in the borough. Despite a very low level of unemployment the borough uses these and other links to support a local labour scheme that helps unemployed residents access employment opportunities. Bexley is a Beacon Council in the area of support for businesses of which this work forms a part.

5.3 *Waltham Forest* has a dedicated Employment and Training Group. The work of this group supports a Vocational Training Initiative that delivers a range of pre-vocational taster courses and training at NVQ Levels 2 and 3 with an emphasis on care, childcare and IT and business administration. This receives local authority funding that is matched with SRB, ESF and other external funding and provides benefits, travel costs plus a small allowance for trainees recruited from among the long-term unemployed.

5.4 The local authority also supports the Leyton and Walthamstow Job Banks which provide a range of support services to unemployed residents in the borough's most deprived wards, including linking with employers moving into the borough or already based there to aid in their recruitment activities. The job brokerage role played by the job banks is very similar to that shortly to be offered by JOBNET in Barking and Dagenham and has operated successfully over a number of years.

¹⁵ Rates relate to the period March 2001 to February 2002. The figure for Bexley is a rough estimate.

5.5 *Greenwich* supports a local labour scheme designed to maximise job opportunities for local people and to secure business opportunities for local companies. This is funded by the local authority and a range of other external sources including SRB and ESF. The scheme offers job opportunities and skills matching, paid work experience, help with CV preparation, training for specific employment opportunities and a range of other services helping local people into local jobs.

5.6 *Brent* has a Social Inclusion Unit whose SRB-funded work focuses on assisting residents in the Harlesden area to overcome barriers to employment. The Unit undertakes a range of functions: it commissions a range of training, provides work placements with local employers along with a training bursary of £150 per week, gives help with childcare costs, interview techniques and the production of CVs. It also provides grants to voluntary sector organisations that provide similar services to support unemployed residents.

5.7 The common theme from the above boroughs is that there are dedicated teams or units working on the area of employment and skills and work appears well co-ordinated. This strategy and the accompanying one focusing on upskilling those already in employment represent in effect the first steps in developing a coherent approach in Barking and Dagenham. **It is clear that to develop a co-ordinated approach all projects impacting upon employment/training issues should automatically be referred to specified council officers for comment.**

6. Areas for future action

6.1 The introduction to this report outlined the key areas where the local authority has the opportunity to have an impact on local skills and employment, mentioning its role as a procurer of services, its regulatory role within the planning system and the fact that it is a major employer in its own right. These are addressed briefly in turn.

Achieving community benefits through contracts

6.2 Recent research conducted on behalf of the Joseph Rowntree Foundation (JRF) has concluded that “contrary to common perceptions, the inclusion of community benefits in procurement is not prohibited by either the Government’s policy or the EC rules”.¹⁶ Subject to certain caveats, therefore, **the Council should include employment/training conditions in contracts as a matter of standard practice.** Where there are best value considerations, the report makes clear, “community benefit matters (including labour force matters) may become a part of best value procurement where they are supported in the

¹⁶ Macfarlane, R. and Cook, M. (2002), *Achieving community benefits through contracts: law, policy and practice*, p1 (Joseph Rowntree Foundation Findings December 2002).

Community Strategy, Best Value Procurement Plans or other significant policy statements”.¹⁷

6.3 It is apparent that a commitment to the above would need the active involvement of officers dealing with procurement and legal affairs and the inclusion of employment and training considerations in the plans mentioned. However, given the necessary commitment the next stage is to move on to practical considerations and best practice elsewhere, for example at what stage of the tendering process these requirements are placed. There are existing examples¹⁸ of how planning obligations in construction that include a contribution towards construction training and the requirement for contractors to take reasonable steps to make training placements available can be implemented. This includes detailed information on, for example, the number of training weeks that can be expected from contracts dependent on the scale of the development.

6.4 While the examples have been focussed on construction, there is no reason why activities should be restricted to that area of employment. **The Council should consider training and employment initiatives as a competing priority for the use of section 106 planning gain monies** to support local activities. It should not be assumed that work in this area will meet resistance. Another JRF report found that “developers interviewed felt that such agreements were good public relations and also helped address concerns about skill shortages”.¹⁹

6.5 If the options listed above are considered, then at the same time it is also essential to recognise and take action on the supply side. This requires the promotion of employment opportunities, pre-employment training and job matching, among other things. As a JRF report outlined, “providing appropriate recruitment and training programmes and a rapid job-matching service are important for achieving success”.²⁰ It is clear that **there is a need to work with partners to ensure the development of recruitment and training infrastructure in the public and voluntary sectors** to give the aims set out in this strategy practical expression.

6.6 Even at a basic level there is much that can be done to ensure that local businesses and employees benefit from the purchasing power of the local authority. For example, as part of a European-funded project procurement officers from the local authority have taken local businesses through all aspects of the procurement process. This kind of activity needs to be supported and

¹⁷ Macfarlane, R. and Cook, M. (2002), *ibid*, p3.

¹⁸ West London Construction Training Planning Forum (2002), *Best Practice Guidelines for Construction Training Opportunities on Commercial, Regeneration and Housing Association Development Schemes*.

¹⁹ Macfarlane, R. (2000), *Using planning agreements to reduce social exclusion*, p1 (Joseph Rowntree Foundation Findings March 2000)

²⁰ Macfarlane, R. (2000), *Local labour in construction: tackling social exclusion and skill shortages*, p1 (Joseph Rowntree Foundation Findings November 2000).

developed on an ongoing basis and **all procurement activities should demonstrate how they have considered the potential for developing local businesses to supply goods and services to the Council.**

6.7 In addition it is reasonable that at a minimum **all businesses looking to locate within the borough who have some contact with planning or regeneration staff or the networks in which they are involved should be informed of the local authority's support for local recruitment initiatives** and the assistance that can be provided by projects or organisations within the borough.

Local authority employment

6.8 The local authority is, of course, a significant employer within the borough and, through its recruitment practices, can have a direct impact on employment. The Council have recently agreed that vacancy data be forwarded to JOBNET and that there should if possible be a corporate presence at that project's launch and other events. It is also expected that in due course similar joint work will be undertaken with the co-ordinator of the welfare to work for disabled people project. However, **there needs to be a clear commitment to ensure that local jobs are promoted as opportunities for local people wherever practicable, including through the provision of pre-employment training.** Both of the projects above are good starting points. Monitoring data over time will establish whether this is having a positive impact in terms of local employment.

7. Conclusion

7.1 It would fair to conclude that across the board there is a recognition that local regeneration and mainstream funding should benefit local people in terms of allowing them to develop their skills and to secure local employment. To take a recent local example, the Dagenham Dock Vision Implementation Strategy has among its aims "encouraging local employment, involving local people, schools, colleges and universities in education and training".²¹ The document also makes clear that there is a possible net employment gain in this area of around 3,000 jobs.

7.2 However, it is not clear how this aim is to have practical expression other than through local people incidentally applying for and obtaining jobs. It is clear that this must be directly addressed, since as recent research work has shown there can be "a relatively high incidence of hard-to-fill and skill-shortage vacancies co-existing alongside relatively high unemployment levels in some

²¹ London Borough of Barking and Dagenham/London Development Agency (2002), *Dagenham Dock Vision Implementation Strategy: Executive Summary*, p3.

metropolitan areas,²² with this already said to apply to the LSCLE area. **The Council therefore needs to commit itself to actively engaging on this agenda through its contracting and regulatory roles, through its position as a major employer and through its crucial role in leading local partnership activities.**

7.3 There are a range of funding sources for projects to run in the borough, not least those funded by Learning and Skills Council London East and the London Development Agency. The latter has recently aided the establishment of a London Riverside Action Group that is assessing potential developments in Barking and Dagenham and Havering. This in turn has a skills and employment sub-group on which the Council are represented, along with Havering, Job Centre Plus, LSC London East and others.

7.4 The group is looking to ensure that developments in London Riverside and the wider Thames Gateway benefit residents across the whole of both boroughs, both employed and unemployed. It is currently working towards the development of a Skills and Employment Programme Development Framework, with the ultimate aim of commissioning projects in the area and for which the LDA has a dedicated budget. The aims set out in this are in accord with the aims in this document. **However, even if this were not the case the Council could have significant impact through the activities outlined in this strategy which are in accord with the commitment to tackling social exclusion.**

7.5 The issue of skills for both the employed and unemployed has moved further up the national agenda and a national skills strategy to be published shortly is expected to rationalise some £2 billion worth of training initiatives. There is also an emerging network of Sector Skills Councils which are developing skills assessments of their respective industries and which should inform the development of future projects in the borough.

7.6 The Council should acknowledge that, in order to make a real contribution towards tackling social exclusion, successful co-ordination and practical implementation of the issues outlined will require additional financial and human resources.

7.7 In addition to the various recommendations set out in this report **the Council should also look to work with partners to develop initiatives that support the key industry sectors** identified by LSC London East²³:

- construction (this should be a priority given the anticipated physical regeneration in Barking Reach and South Dagenham)

²² Institute for Employment Research, *Exploring Local Areas, Skills and Unemployment: Exploratory Data Analysis at Local Area Level*, p3 (Department for Education and Skills Research Brief RBX 06-02).

²³ There are already local activities that have begun this, for example, Barking Lifelong Learning Centre and the Gateway to Health and Social Care.

- cultural and creative industries
- financial and business services
- health and care
- hospitality and catering
- manufacturing
- transport and logistics
- public administration
- retail
- voluntary and community.

7.8 The Council should also seek to resource cross-cutting research into the local learning and employment needs of key priority groups disadvantaged in the jobs market. Among these are:

- people with disabilities (this should be the priority given existing work and the numbers of residents potentially affected)
- lone parents
- black and minority ethnic groups
- men over 50
- young people
- ex-offenders
- refugees and asylum seekers
- homeless people
- drug and alcohol users

This would again allow the identification and development of initiatives and allow the Council to proactively engage with the agendas of key funders such as LSC London East and the LDA.

Support for the unemployed in Barking and Dagenham

Project/organisation	Description of activities
<p><i>Barking & Dagenham Training Services (B&DTS)</i></p>	<p>This is part of the Department of Education, Arts and Libraries and offers a variety of opportunities to young people aged 16-25, including Modern Apprenticeships, NVQs and lifeskills courses funded by LSC London East. Among the vocational courses are construction, painting and decorating, care and early years care and education. B&DTS offers help and support to local businesses that want to train and employ young people and training for unemployed young people to help them secure employment. Some trainees on Modern Apprenticeship programmes are given placements through the Housing and Health Department. All learners have access to basic skills and ESOL support as appropriate to their needs and programme. B&DTS also works in partnerships with local care and early years employers to provide NVQ training and assessment to their employees that are aged 25+ and outside of the LSC funding remit.</p> <p>While the focus of recent national strategies has been on Level 2 and 3 qualifications B&DTS also provides crucial support to young people below these levels. The foundation level and life skills courses that are run need to continue to be recognised as valuable by the local authority and external funders. These courses are available to potentially disaffected young people who may not achieve Level 2 qualifications, giving them an attachment to the labour market, among other things.</p>
<p><i>Adult College of Barking and Dagenham</i></p>	<p>The Adult College, supported by the local authority, runs a range of courses that have relevance to jobs and employment although the latter is not the College's focus. These include basic skills courses, some available free to women returners, IT courses and vocational courses in counselling and pre-school practice, among others.</p>

<i>Renew Friends</i>	<p>The local authority has supported a successful bid for Objective 2²⁴ European Social Fund (ESF) monies, matched by LDA funding, that will provide opportunities for unemployed residents to obtain an NVQ Level 2 in Electrical and Electronic Servicing. This will involve them in the recycling of a range of 'white goods' which can then be offered for resale across London and further afield.</p>
<i>JOBNET</i>	<p>The JOBNET project is funded by the Heart of Thames Gateway and will shortly be launching in the borough. It will look to provide a job brokerage service to people either looking for a job or a change of work, including the provision of pre-employment training. It will have a team of professional advisers who will help people to make contact with local employers and training providers, produce a CV, prepare for an interview and improve their skills. It will have an outreach element and attempt to develop links with employers to ensure that they register jobs and look to recruit locally.</p>
<i>ESOL Plus</i>	<p>The local authority has recently recruited an ESOL Development Officer, funded through NRF and monies from the LDA. The key task for this individual is initially to map the range of provision available in the borough, and to commission training to fill in any gaps. The project will also look to ensure that individuals benefiting from training can secure employment.</p>
<i>Gateway to Health and Social Care</i>	<p>NRF is funding the establishment of a project in the borough that will look to enable local people to access jobs in the health and social care sector. A co-ordinator will develop the project further and promote career options in this sector to school pupils in the borough, as well as the local community. Although there is at present no direct training provision the activities of the project will be co-ordinated with the work of the others outlined here. It is hoped that in due course external funding will allow a much higher level of activity, including work promoting the project within the sector itself.</p>

²⁴ Objective 2 status is given to areas facing structural decline. In Barking and Dagenham the pre-boundary change wards of Goresbrook, River and Thames are covered.

<p>Social Services</p>	<p>As well as supporting the Osborne Partnership the Social Services Department has participated in the WORKSTEP programme obtaining a contract with the then Department of Employment. This subsidises six visually impaired people to work in Sheltered Workshops out of the borough. The Department has also provided a number of sheltered employment placements in various Barking and Dagenham departments offering subsidised employment opportunities to disabled people, although there is only one placement on the programme currently. A welfare to work co-ordinator, funded through NRF, will provide a focus for initiatives in this area.</p>
<p>Information Advice Guidance</p>	<p>The East Thames Information Advice Guidance (IAG) service, funded through the LSC, offers free information and advice on learning and work opportunities through a network of local venues in the borough. This includes one-to-one work with an adviser that can include help in designing a CV, filling in an application form and preparing for an interview. A recent evaluation of East Thames IAG noted that “by re-stimulating discouraged workers, realigning the demand and supply of labour and increasing the efficiency of job search, guidance has been able to reduce unemployment”.²⁵ While not directly providing training or a route into employment it is apparent that the IAG service needs to be closely linked into to all activity that does accomplish these ends.</p>
<p>Barking Lifelong Learning Centre</p>	<p>The centre, when finished, will provide a borough based facility for the provision of learning, focussed on public services (health, social care, education and public sector administration). Among the related aims are to provide a one stop facility for enhancing employability and to provide the core base from which to feed learners to employers and other educational and support organisations. The Centre will act as a base for some the projects outlined above.</p>
<p>Connexions</p>	<p>The London East Connexions Partnership has a local management group overseeing services to young people in the borough, delivered through a range of personal advisers. One of its key priorities is to reduce the number of 16-18 year olds not engaged in education, training or employment. The Council’s Youth Support and Development Service is a key partner.</p>

²⁵ East Thames IAG (2002), *September 2002 Evaluation of the East Thames IAG*, p5.

Voluntary sector

There are a range of services provided by voluntary organisations in the borough that assist unemployed residents to gain skills or training that can be valuable in accessing employment opportunities. Providers include organisations such as the Disablement Association of Barking and Dagenham (DABD) and Lifeline Community Projects, which provide training in a range of areas as well as acting as community venues for Learndirect. The Osborne Partnership has an employment network that looks to place people with learning disabilities in employment and training opportunities, while the Volunteer Bureau provides opportunities that can lead to employment. Harmony House has also long been a provider of courses, particularly to refugees and asylum seekers, among others.

Voluntary organisations have the advantage of being 'closest' to the most disadvantaged groups and several of the smallest organisations in the borough were recently successful in obtaining ESF funds from the Association of London Government under their *Fast Forward Grants* programme. Another ESF project, led by the local authority²⁶ will look to build capacity in these and other voluntary sector groups so that they can more effectively contribute towards tackling unemployment and social exclusion. The Council has also secured funding from the LDA to establish a network of voluntary sector training providers in the borough.

NRF funding has been made available to DABD to recruit a Welfare to Work Co-ordinator whose role will be to draw together relevant information and partners interested in ensuring that people with disabilities are able to obtain and keep well paid employment. A steering group for this project includes a range of local partners, including the local authority.

²⁶ Empowering the Voluntary Sector. The project manager is line managed by the director of Barking and Dagenham Council for Voluntary Service.

THE EXECUTIVE

23 SEPTEMBER 2003

REPORT OF THE DIRECTOR OF HOUSING & HEALTH

PRIVATE SECTOR HOUSING GRANTS STRATEGY	FOR DECISION
<p><i>This report concerns the difficulties in implementing the current Private Sector Housing Strategy with regards to assisting vulnerable owner occupiers to repair their homes and in bringing empty properties back into use</i></p> <p><u>Summary</u></p> <p>The Executive approved the Private Sector Housing Strategy in April 2003 with a proviso for review in 6 months. The Council has allocated £600,000 for financial support to improve housing or to bring empty properties back into use. However, the take up of grants under the new system is nil. This means that the Council is facing a substantial underspend in its Capital Programme. This report seeks to reduce the underspend by making changes to the Private Sector Housing Strategy in advance of a bigger review.</p> <p><u>Recommendations</u></p> <p>The Private Sector Housing Strategy be amended by replacing the existing policy for financial assistance with the following:</p> <ol style="list-style-type: none"> 1. Repair Grants and Safety Net Grants - increase maximum amount and alter payback requirements as described in paragraph 3.1 2. Empty Property Grants - amend as described in paragraph 3.2 3. Grants for Home Improvement Zones - as described in paragraph 3.3. This is a new form of financial assistance. 4. Financial assistance to always be based on owners' responsibility for their own homes. <p><u>Reasons</u></p> <p>To reduce the risk of seriously under spending the housing capital programme. To increase the amount of private sector housing which meets the decent homes standard. To bring empty properties back into use. To encourage owners to make the best use of their own resources.</p>	
<p>Contact: Martin Davies</p>	<p>Housing Strategy</p> <p>Tel: 020 8227 5079 Fax: 020 8227 5799 Minicom: 020 8227 5755 E-mail: martin.davies@lbbd.gov.uk</p>

1. Background

- 1.1 The Council has a duty to ensure that the private sector housing stock is maintained in a decent condition. The Government has stated that local authorities should make special efforts to reduce the number of vulnerable people who live in private sector housing which does not meet the decent homes standard. This requirement applies to both owners and tenants. Vulnerability in this case is defined according to people in receipt of a range of benefits.
- 1.2 A new grants regime was introduced this year in accordance with the Private Sector Housing Strategy which was written in the context of the Regulatory Reform Order (RRO). The basis of the Council's policy is that owners are responsible for their own properties and should make use of the equity in their homes.
- 1.3 The Council has allocated £600,000 from the housing capital programme to provide financial assistance to owners to bring their homes up to the decent standard and to bring empty properties into use.
- 1.4 So far the take-up of grants under the new system this financial year is nil with no likelihood of take-up without substantial changes.

2. Current Spending

- 2.1 The projected spend this financial year is £188,000 and relates entirely to the previous regime. There is no evidence that this will increase without a change in policy.

3. Proposal

- 3.1 The current policy is contained in the Private Sector Housing Strategy. The relevant part is appended to this report. It is proposed that the following amendments be made.
- 3.2 Repair Grants and Safety Net Grants
 - 3.2.1 Maximum sum increased to £10,000 with a two tier payback requirement.
 - 3.2.2 First £5,000 Payback with interest if ownership changes in the five years following final payment of grant. Usual exemptions to apply. After five years none of this amount is repayable.
 - 3.2.3 £5,001 - £10,000 Payback with interest when the house changes ownership, whenever that may be.
- 3.3. Empty Property Grants
 - 3.3.1 Minimum grant £1,000. No maximum for the remainder of this financial year. Amount payable to be based on a combination of gap funding and quantity of social or affordable housing provided, whether permanent or temporary. Payback with interest if grant conditions breached.

3.4 Grants for Home Improvement Zones

For vulnerable and non-vulnerable owners where there is a benefit to wider community especially by improvements to appearance of front elevation, garden, or boundary fence. Maximum amount payable is 75% of £10,000. Payback on a sliding scale with interest if ownership changes in the five years following final payment of grant. Usual exemptions to apply. After five years none of this amount is repayable.

3.5 Financial assistance to always be based on owners' responsibility for their own homes so that they make use of the equity in their homes. Efforts will continue to enable interest payments to be able to be "rolled up" rather than paid monthly.

4. Justification

4.1 There is a serious risk of underspending this element of the Council's capital programme.

4.2 A grants programme is a very effective means of engaging homeowners and raising the profile of the decent homes policy.

4.3 The first Home Improvement Zone will be launched in September and an attractive grants package will help engage residents, especially those who are vulnerable.

4.4 The Home Improvement Zone will include a lot of publicity and advisory material as well as one-to-one contact between Council Officers and residents. This means that the message about the responsibilities of owners and the validity of equity release can be reinforced.

4.5 More than 100 private sector properties have been identified as having been empty for more than one year. Partnership arrangements with RSLs are currently being explored with a view to bringing them back into use for temporary accommodation and/or affordable housing. The use of capital finance will be a good incentive as well as enabling lower rents.

5. Consultations and Implications

5.1 The following officers have been consulted on this report:-

Ken Jones - Head of Housing Strategy
Colin Rigby - Head of Finance, Health & Housing

5.2 These revised proposals are unlikely to take effect until the latter part of the financial year, therefore an underspend in the region of £250,000 is still anticipated in 2003/04. However, these changes combined with those to be contained in a much wider review to be presented later this year will mean the full allocation being committed from 2004/05 onwards.

Background papers used in the preparation of this report:

Private Sector Housing Strategy

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