

SUPPLEMENTARY 2



THE EXECUTIVE

Tuesday, 18 November 2008

Agenda Item 14. Barking and Dagenham Council Plan (Pages 1 - 116)

Attached is the draft Council Plan.

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[2008-2010]

(VERSION 1.7b)

Policy and Partnerships, Resources

2008

THIS DOCUMENT IS DRAFT

How to use the Council Plan

- ① Why do we need a Council Plan?
- ② How will it work?
- ③ What are my responsibilities?



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1 Why do we need a Council Plan?

The Council Plan intends to provide clarity for the Council on where the focus of its business will be over the next 3 years. This focus ensures that the Council is making the right plans and decisions at the top for the services we provide now and those we design in the future. The Council must demonstrate that it spends the money it receives wisely on making the best decisions for services it provides to the communities in the borough.

Foreword

The purpose of the Corporate Plan is to clearly set out the Council's vision, values and priorities. It has been written for everyone who works for, and with, the Council, including Members, officers, Central Government, partner organisations, and other key stakeholders.

Message from the Leader of the Council



Cllr. C. J. Fairbrass MBE

Barking and Dagenham is a great place to live. As a Council, it is our job to make sure that it stays that way, that we continue to listen to our residents, and work to deliver services that our residents need. Barking and Dagenham Council has come a long way. We have delivered massive improvements but we have more challenges in front of us.

Some of those challenges are not unique to Barking and Dagenham. Our residents are concerned about anti-social behaviour. We must lead the way in tackling that. "Summer Sorted" and "Kids Swim Free" are initiatives that give our young people more positive things to do. We are also leading the way in tackling more serious crimes by launching an anti-knife crime petition to the Government, to give us more power to take on shops that sell knives to children. Last year Eastbrook Ward had the lowest level of burglaries in London. However we must go further. The Council works with schools and the community to raise aspirations in our young people. We will continue to work closely with the police to tackle crime.

Some challenges are unique to Barking and Dagenham. We are the most rapidly changing borough in the country. Some people are worried about how fast the area is changing. We take those worries seriously. We must deal with all our residents fairly and equally, with respect for all. We must also make sure that when we start to build new homes, we are also building communities - good public services are at the heart of that.

Community spirit is difficult to measure; it is easily damaged in this day and age. The Council has an important role to play in building and maintaining community spirit. The development of Neighbourhood Management was a big step for the Council in allowing us to have a role in building stronger communities. From this strong base we can now go forward. By working together, on a basis that is honest, fair and transparent, we can give all our residents confidence that we are working for them. This won't be easy to achieve but residents are already seeing a big difference. Last year we were awarded The Most Improved Council of the Year accolade. This shows what we can achieve.

Our Residents deserve the best and we will work together to make sure that they get it.

Message from our Chief Executive

[Text to be inserted]

Rob Whiteman
Chief Executive



Rob Whiteman

2 How will it work?

The Council as a whole has signed up to the same vision as the Barking and Dagenham Partnership and that is:

Working together for a better borough



What does this mean?

Our vision means that our ultimate aim is to:

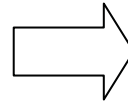
- Improve services, and therefore opportunities for communities in the borough;
- Improve our internal processes and communications so that we plan better services;
- Improve how we engage with people in the borough so that people 'out there' see that we are listening and acting on what they say;
- Share, promote and celebrate our successes, both internally with colleagues and externally with the community ;
- Base what we do on evidence: research and learn from what others are doing;
- Ensure what we do makes the most out of the resources that we have and are not wasteful;
- Improve how we work with external partners to plan and provide better services.

Links with the Community Plan

The Council Plan has been designed to relate to the new Community Plan (see figure 1) for the Barking and Dagenham Partnership, (BDP) a statutory body made up of external partners from organisations across the borough with a shared purpose which is to improve services provided to people.

Our Community Plan
2008-2018

Owned by the BDP



Barking and Dagenham
Council Plan
2008-2010

Owned by the Council

Figure 1 – The relationship between the Community Plan and the Council Plan [to be inserted]

The Barking and Dagenham Partnership (BDP)

The Barking and Dagenham Community Plan sets out how the partnership's vision will be achieved. The plan was created through talking to over 3,000 people in the borough over the past year. The purpose of the Community Plan is to

- Have a vision for the future of the borough, which sets the picture for the partnership's 'place shaping' activities;
- Outline priorities for action over the next three years and beyond as set out in our Local Area Agreement and other delivery strategies;
- Demonstrate our commitment to working together for the benefit of residents;
- Enable better co-ordination of our actions to ensure they are fully effective and that as a partnership we use resources efficiently to tackle issues that cut across all aspects of an individual's life.

Barking and Dagenham Council work hard to deliver the Barking and Dagenham Community Plan, through joint working with our partners.

Areas where we work in partnership include health, mental health, tackling safety with the police, and the work done by the Children's Trust. The Council/partnership also produce other policy and strategy documents to support the Community Plan, these include:

- Anti-Social Behaviour Strategy
- Children & Young Peoples Plan
- Choosing Health White Paper and Strategy
- Community Cohesion Strategy
- Crime, Disorder & Drugs Strategy Local Area Agreement
- Economic Development Strategy
- Environmental Policy Joint Strategic Needs Assessment (JSNA)
- Housing Strategy
- Local Area Agreement (LAA)
- Local Development Framework (LDF)
- National Drugs Strategy – Protecting Families & Communities
- Neighbourhood Management Strategy
- PCT Operating Plan
- Preventing Re-Offending – Prolific & Other Priority Offending Strategy
- Youth Justice Plan

3 What are my responsibilities?

We all have a responsibility to ensure that we plan and deliver our services in line with our vision and as part of doing this, the Council has set out **behaviours** that we must demonstrate in our every day work, from planning projects, managing staff, and working in front line services with the public, to representing the council externally and communicating internally.

These behaviours are our **values** and the council expects them at all levels and to be demonstrated in team work as well as individually.



Our values

- Putting our customers first
- Achieving excellence
- Taking responsibility
- Working together
- Respecting each other

To support our values, our work must connect with:

- Equalities, diversity and inclusion
- Communications and consultation
- Neighbourhood management
- Human resources and personal development





Equalities

Diversity

Inclusion

The Council aims to deliver the same high quality, accessible and inclusive services to everyone, while taking account of people’s differing needs.

This aim is reflected in the Council’s corporate values, and particularly:

- Putting the customer first;
- Fairness and respecting each other.

The Council’s approach to equalities and diversity is to focus on embedding equalities and diversity issues into the mainstream work programmes of our services. Consequently, the Council’s main improvement actions identified in this plan are all designed to deliver improvements in equality in the borough, while being planned in order to support diversity and promote inclusion. Specific actions have been identified in the detailed planning for each to achieve this.

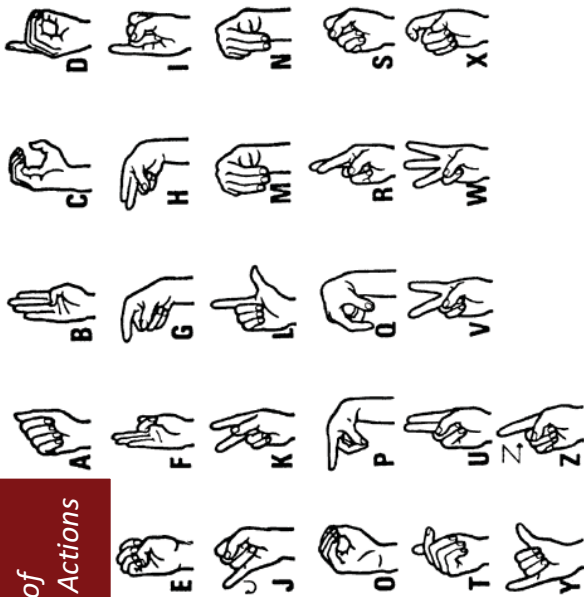
The Council’s corporate Equalities, Diversity and Inclusion Group works to ensure that equalities and diversity are fully embedded in the Council’s key policies. The group ensures that the existing and future legislative framework is reflected in the Council’s work programmes, and that equality is being delivered throughout the Council at strategic and operational levels, and is delivering clear and tangible outcomes for all communities.

The Council continues to follow the framework of the Equality Standard for Local Government (ESLG) as a tool for strategic improvement.

The Council is working to reduce inequalities and promote diversity by ensuring that it achieves a representative workforce; offers relevant services to the diverse community it serves, and develops effective working relationships with its key partners.



Our communication



Excellent communication is critical for the success of every local authority. Communication supports:

- Listening and talking with all residents;
- The targeting and delivery of services to customers;
- The promotion of our work with partners and residents to make the borough a better place to live and work.

Effective communication in all three of these areas also helps to create a positive perception amongst residents of the borough, about the work of the local authority and its partners.

The Council uses a campaign-based approach for communication. These include:

1. Campaigns to encourage behaviour change. These are 12-18 month campaigns, and cover issues such as encouraging residents to recycle more; lead a healthier lifestyle; or take up new learning and training opportunities.
2. Encouraging a change in perception. These are 6-12 month campaigns which provide residents with information, in order to change their perceptions of certain issues. For example, residents' perception of crime is often higher than actual figures.
3. To raise awareness and knowledge of a Council service, or activity, the marketing team will create a marketing campaign to promote a particular service or event.

The Council use a combination of marketing, press, and the internet to promote issues to target audiences. Our key channels are the monthly residents magazine 'The Citizen', ward newsletters, the website and the local media.



Over the coming year, the council's key communication priorities are:

Demonstrating we are listening to all residents: we need to show that we are listening to all our residents so that we fully understand their needs and concerns. We will make better use of 'Tell Us', our customer feedback programme, and demonstrate how we are meeting their needs, and where we can't, explain why.

Communicating with hard to reach audiences: in this context, 'hard to reach' does not refer only to marginalised communities, who may not have access to our main communication channels. It also refers to people who may have ready access to our communications material, but who choose not to believe the information it contains. For this group, face to face communications with Members, and colleagues both in the organisation and partner organisations, will play a significant role. Working with the Neighbourhood Management initiative is one example of engaging and communicating with residents in their own communities. We monitor to check that our messages are reaching all communities and take action accordingly.

Increasing understanding of the borough: Barking and Dagenham is one of the most rapidly changing boroughs in London. Changes on this scale, and at this pace, can understandably cause concerns amongst people who are experiencing these changes. We need to ensure that all residents have a clear and accurate understanding of the changes happening in the borough, and can see the many positive improvements that are taking place. We will do this through the most powerful way we can: through face to face communications involving Members, front line staff, and community leaders.

Partnership working: Given our ambitious agenda and the scale of the issues we face, working closely together with other organisations in the strategic partnership is essential. We will work closely with our partners to ensure we communicate effectively.

The role of staff: The need to keep our staff informed is important, since a large number of staff who work in the Council are also residents of the borough and have strong links with their local community. It is important that staff can talk positively and confidently about the changes underway in the borough, and how the Council is working to meet the needs of all residents. Our internal audiences are therefore just as important as our external ones, and we will take action to ensure that all staff groups are communicated with appropriately.



Making Links with the Community through Neighbourhood Management

Our Neighbourhood Management approach brings services from across the Council and its partners, to work together to address issues that matter to local people. Through this approach we are working to narrow the gap between the most disadvantaged communities and the rest of the borough. The community is at the heart of the approach, influencing the way we deliver services, telling us what they want to see changed and working with us to bring about these changes.

Through Neighbourhood Management, residents have the opportunity to work with others in their neighbourhoods to deliver local improvements. These opportunities cover a range of activities: from those who wish to participate in civic life, for example sitting on a formal panel which helps to define priorities for local action, to those who simply want to come together with neighbours to take part in activities or celebrate successes in their community. This approach is helping us to build a confident and cohesive community.

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Through listening to what people are telling us, we are building a sound knowledge of what issues matter most to our residents and, most importantly, this is helping us drive service improvement across the borough. This is not about ‘quick wins’, it is a long term approach which sets out to deliver continual improvement.

Neighbourhood Management is a part of the overall strategy for improving local services – most importantly, it gives us the means by which we can ensure that we are really making a difference that matters to the residents of Barking and Dagenham.

Human Resources

The Council works hard to ensure that it has the right people, in the right place, at the right time to:

- Deliver excellent community focused, value for money services;
- Enable it to continue making improvements;
- Deliver on Community and Council priorities.

Human Resources (HR) are responsible for making sure that the Council has effective employment processes in place, but they are also responsible for the Council's Organisational Development and Workforce Development strategies. HR plays a crucial role in embedding the Council's approach to delivering its services and empowering Members, managers and staff through the provision of quality training, management information, and employment processes. The Council promotes a culture of engagement, performance, and innovation through the development of:

- Leadership capacity and staff potential through Member and staff development programmes;
- Modern employment policies and best practice; working with partners, and benchmarking HR against other authorities;
- Oracle HR Self Service and Learning Management systems, to provide more accurate, timely, and consistent information;
- Equalities and diversity in employment, monitoring closely, key indicators and taking action to address any areas of concern;
- New, flexible modern ways of working linked to improving service delivery.



In 2005, the Council was awarded Investors in People (IIP) status. The Council demonstrated that it conformed to the IIP Standard, which means that it:

- Develops effective strategies to improve the performance of the organisation through its people;
- Takes effective action to improve the performance of the organisation through its people;
- Evaluated the impact of its investment in people on the performance of the organisation.

The Council is presently undergoing IIP re-assessment which will take place in October 2008.

As a transforming organisation, Barking & Dagenham has implemented various strategies which have led to improved performance of the organisation through its people. This year, at the Local Government Awards, Barking & Dagenham was awarded the Most Improved Council Award 2008.

Another exciting initiative at the Council is the IL2 (inspiring leaders, improving lives) programme. This ambitious management development programme was launched by the Chief Executive in October 2007. The IL2 programme will see over 400 managers in Barking & Dagenham, including representatives from five of our key partners, embark on a series of activities over two years, which will include a development centre, individual learning plans, workshops, action learning sets, coaching, work projects, and secondment opportunities.

The programme will embed core management skills, and will help with succession planning and the development of strategic management and leadership capability. This means that as well as contributing to personal development, IL2 will help prepare our next generation of leaders.

How the Council makes decisions

Barking and Dagenham operates an Executive/ Overview and Scrutiny model of governance. Details of the Council's meeting structure are set out in the Council's Constitution.



What does this mean?

A summary of the role and function of the main meetings is as follows:

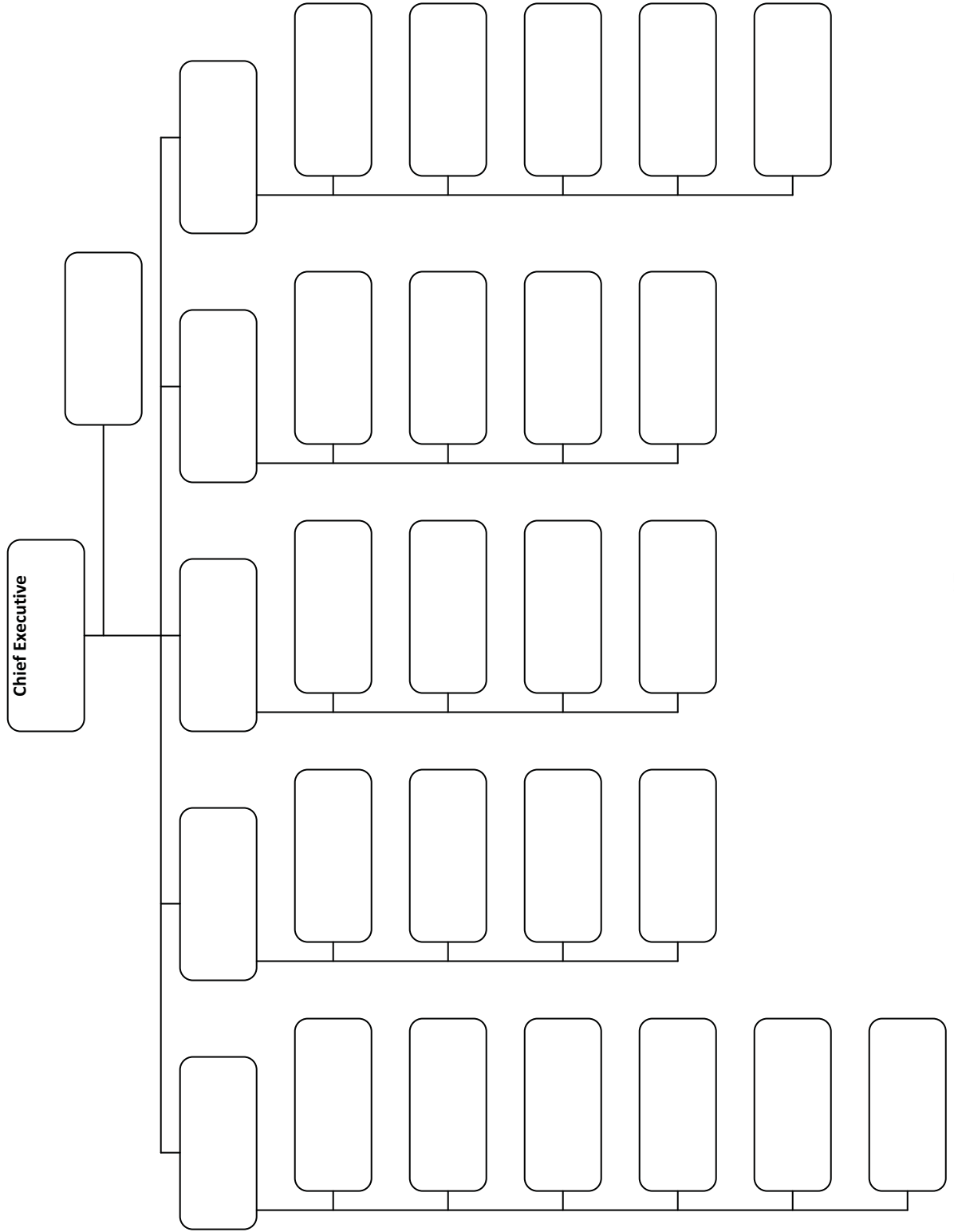
The Assembly (the full Council) is the central political focus of the Council and the co-ordinating body for all elements of the political structure. It determines the corporate direction, policy framework and financial limits for the Council within which all operations and policies are carried out.

The Executive is made up of 10 Councillors from the ruling Political Group and is chaired by the Leader of the Council. It is the primary decision making body of the Council and has responsibility for developing policy and budget proposals and making key decisions about strategies, services and finances, based on the overall policy and budgetary framework agreed by the Assembly

Overview and Scrutiny is a key role for all councillors who are not Members of the Executive. The function is managed by **the Scrutiny Management Board** which is made up of eight Councillors of different political groups. It has a responsibility for holding the Executive to account by reviewing and challenging issues and policies and the way services are delivered. It does this through:

- 'Call-In', which allows all non executive Councillors to challenge all executive decisions before they are acted upon.
- Scrutiny Panels, which are set up to look at specific areas of work. A separate Health Scrutiny Panel has been established to exercise the Council's statutory powers to scrutinise local health services. A similar statutory Crime and Disorder Panel will be established later this year.

Council officer structure

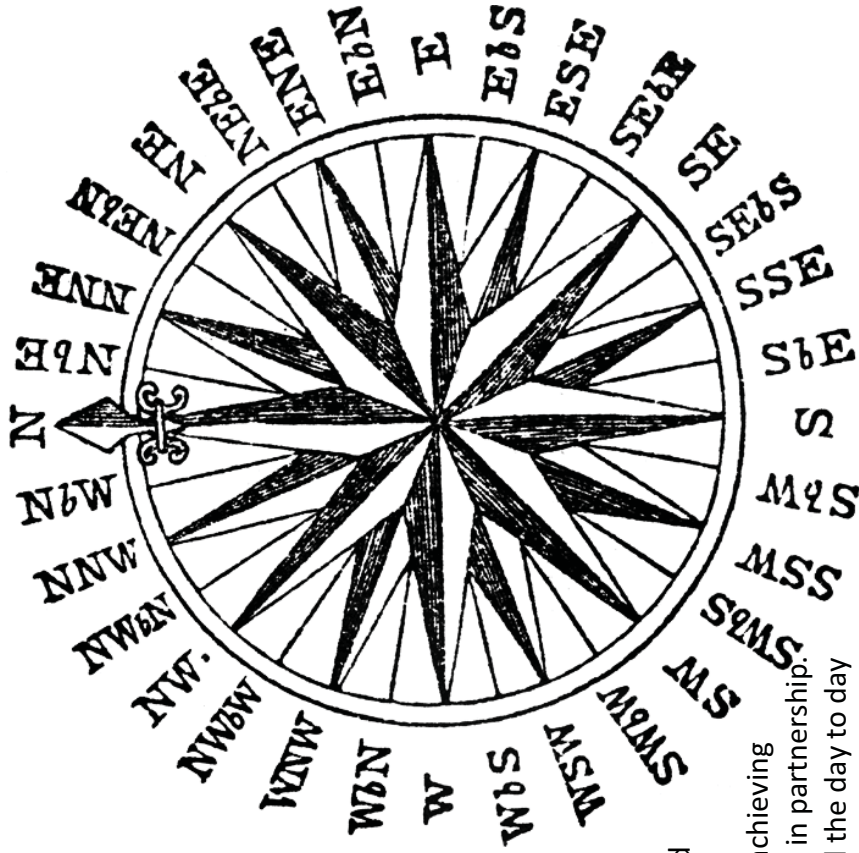


1 Setting direction for the Council

The council faces the challenge of establishing its priorities from a number of sources that include:

- Direction from Elected Members;
- Messages from our communities;
- National policy, for example, tackling obesity;
- Actions resulting from audit and inspections;
- Internal policy and improvement agendas;
- English and European Law;
- Meeting our commitment as a partner of the Barking and Dagenham Partnership.

The priorities for Barking and Dagenham Council have been organised into 'themes' that are the same for the Community Plan. By using the same vision and 6 themes as Community Plan, we are committed to achieving excellence for the Council, but that can only happen through working in partnership. Figure 2 illustrates the relationship between the Community Plan and the day to day business of the council.



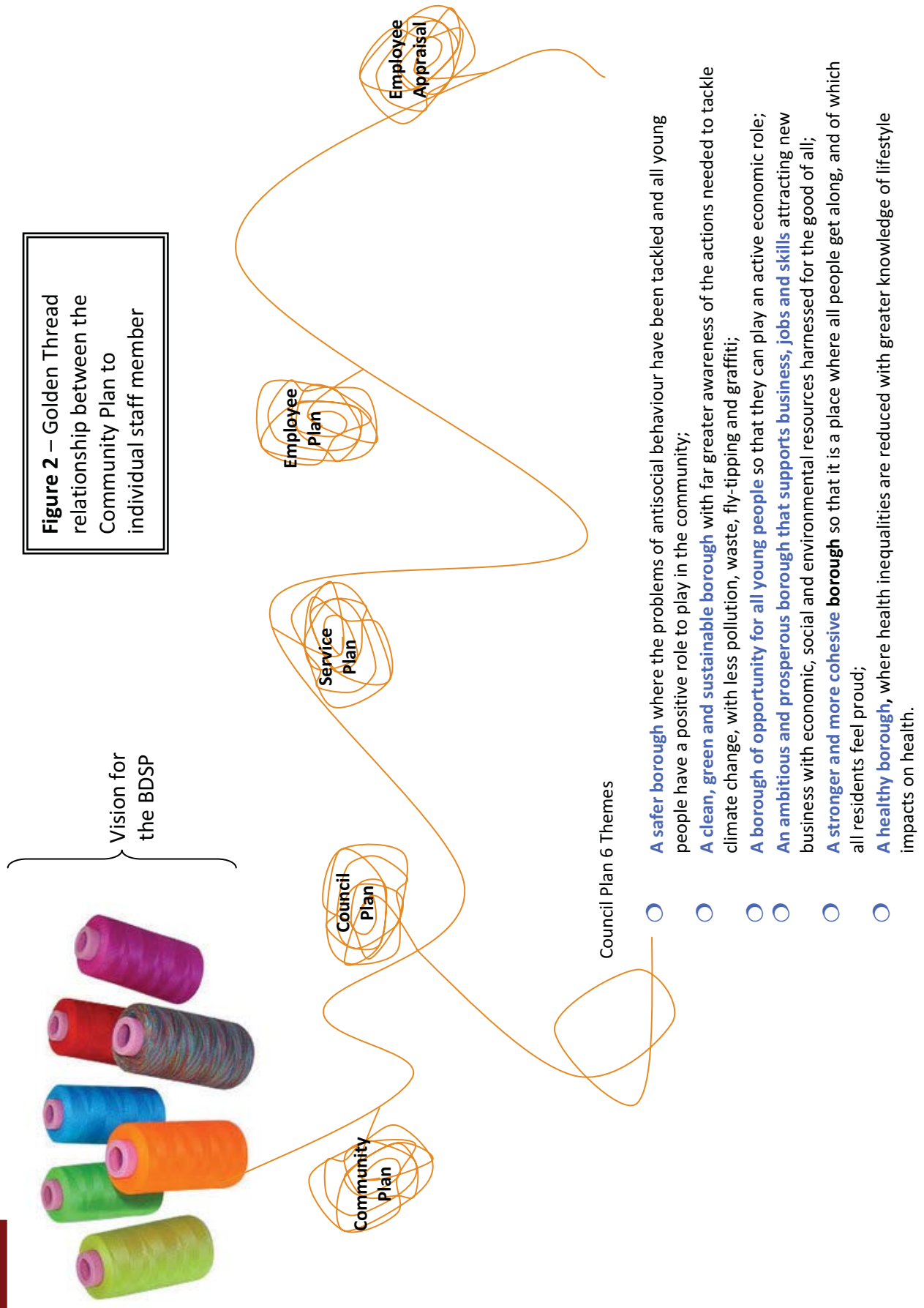


Figure 2 – Golden Thread
relationship between the
Community Plan to
individual staff member

Vision for
the BDSP

Council Plan 6 Themes

- A safer borough where the problems of antisocial behaviour have been tackled and all young people have a positive role to play in the community;
- A clean, green and sustainable borough with far greater awareness of the actions needed to tackle climate change, with less pollution, waste, fly-tipping and graffiti;
- A borough of opportunity for all young people so that they can play an active economic role;
- An ambitious and prosperous borough that supports business, jobs and skills attracting new business with economic, social and environmental resources harnessed for the good of all;
- A stronger and more cohesive borough so that it is a place where all people get along, and of which all residents feel proud;
- A healthy borough, where health inequalities are reduced with greater knowledge of lifestyle impacts on health.

2 Our successes to date

The Council has achieved much over the past year. The Director of each of the Services has identified their most significant achievements in the last 12 months.

Resources

Portfolio holders: Councillor C Fairbrass MBE
Councillor G Bramley
Councillor S Carrol

Director: Bill Murphy

- Single Status agreement – one of the few authorities to achieve this;
- 40% saving on desk-top replacement by being one of the first authorities to use e-auction;
- Launched an anti-fraud programme to find illegal tenants – this freed up nine homes in the first two months of the programme;
- Reduced agency spend by 28% (£3.3m), consultancy spend by 44% (£1.9m), and sickness absence by 5%;
- Agreed a new Local Area Agreement for the Borough, which sets ambitious targets for improvement in priority areas such as jobs, health and crime.

Regeneration

Portfolio holders: Councillor M McCarthy
Councillor M McKenzie
Councillor L Smith
Councillor G J Bramley
Councillor R C Little

Director: Jennifer Dearing

- 175 new businesses have been formed with the help of LEGI funding and 609 jobs have been created by new companies locating to Barking & Dagenham;
- £3.2m of Heritage Lottery Funding was obtained to develop Barking Park and works are now underway;
- The Service won a prestigious Beacon Award for our work to reduce the carbon footprint through the implementation of regeneration-led sustainable energy proposals in new developments;
- The Linton's were demolished, and work has commenced to develop over 260 sustainable and affordable homes;
- A popular new sculpture/structure called The Secret Garden" was delivered. Barking Town Square has now been completed as part of our continuing ambition to regenerate the borough through quality development and the formation of public places of which we can be proud.

Customer Services

Portfolio holder: Councillor Shaun Carroll

Director: David Woods

- The One Stop Shop at the Barking Learning Centre was opened, thereby providing an excellent single point of contact for a wide range of council services;
- A £7m modernisation programme to bring our housing services to the highest possible standard was launched;
- The capacity of our award winning staff learning centre, which develops the skills of our workforce to provide excellent services, was doubled;
- The cleanliness of streets and public places was further improved.

Adult and Community Services

Portfolio holders: Councillor Herbert Collins
Councillor Val Rush
Councillor Bob Little

Director: Anne Bristow

- All aspects of adult social care were improved, which achieved external recognition by being awarded 3 stars by CSCI;
- Achieved significant funding from the Heritage Lottery to totally refurbish Valence House Museum;
- Reduced crime levels in the borough by effectively leading our successful crime reduction partnership;
- Opened the Barking Learning Centre, and achieved significant increases in the number of people visiting our libraries.

Children's Services

Portfolio holder: Councillor Jeanne Alexander

Director: Roger Luxton

- The rise in those achieving five or more GCSEs at A*-C is in line with the national average, and in excess of our statistical neighbours. This represents the third consecutive year of improvement.
- Schools have been removed from special measures within the 18 month timescales. 59% of schools are rated good or outstanding, which is up from last year.
- The Council delivered its Government target of 14 Children's Centres within the set timescales. The Council was also awarded the Daycare Trust 'Partners in Excellence Award' for its innovative work in bringing a range of antenatal, maternity, and general health provision to children's centres.
- There has been a reduction in waiting times for Child and Adolescent Mental Health Services (CAMHS) tier 3 services. Progress towards the implementation of the CAMHS framework has been assessed as above the national average.
- The Looked After Children Health and Education Service (LACHES) received a number of awards: they were runners-up for APSE (Association for Public Service Excellence) Best Social Care Service Team 2007. LACHES were winners of the Children & Young People Now – Best Corporate Parent 2007, and The Lord Mayor of London's Dragon Award for Education 2007.
- There has been a reduction in the number of looked after children. The Family Group conference project was commended in the MJ Local Government Achievement awards (Best Achievement in Children's Services Category), and won the Best Service Team (Social Care) in the Association of Public Service Excellence (APSE) awards.
- University admission for looked after children has increased, exceeding LPSA stretch target in year 2 of a 3 year programme. Currently, 25 young people have completed a year or more at university, which is 10% above the national average, and already the LPSA target set for 2008/9 has been met and exceeded by 200%.
- The 2008 Ofsted inspection graded the fostering service as outstanding.
- The last year has seen a significantly improved performance in the Foundation Stage which exceeded the National Strategy target by 6%.

③ Our priorities for 2008 to 2009

Each year, the Council updates its improvement actions. These actions are those which the Council consider to be the most important for the upcoming year. This year's improvement actions are listed below. They are divided into those actions which:

- Are covered by the LAA;
- The Council have identified as important, but which are not covered by the LAA;
- Improve the ways in which the Council delivers its services.

The actions are then arranged under the 6 Community Strategy headings (with 'Corporate-specific actions' included as a seventh heading). It should be noted that some actions will be delivered by the Council working in partnership, while some will be delivered solely by the Council. This means that while a Council department has been identified as the 'lead area', the actual work on achieving the action may be undertaken by one or more Council departments, and possibly with one or more of our partners.

Each of the improvement actions has been identified through feedback from external inspection/review, through consultation with people in the borough, or through our own analysis of what needs to improve.

4 The way we should work to deliver

The Council Plan expects everyone to deliver in their own way. Members of staff individually and in their teams should understand the priorities for the Council and values that it has set that should influence how we go about our business. In addition to ways of working outlined in Part 1, the Council has adopted formal processes to help us deliver and these are detailed throughout this section.

Programme Boards

The Council has adopted a Programme Management approach, to deliver its ambitious change and improvement agenda. This will help us achieve significant benefits across the organisation. In practice, this means following a consistent approach to programmes using Office of Government Commerce (OGC) “Managing Successful Programmes” principles. This provides clear governance, roles and responsibilities and a framework for organisations to follow. This is in-line with the pan-London approach. Currently there are four programme boards, they are:

- Living and Working;
- Strong, Safe, Active and Healthy Communities;
- Enjoy and Achieve;
- One Barking and Dagenham (a major transformational programme).

These are at the Programme Identification and Definition stage. They will involve significant resource investment and have large portfolios of projects, with inter-dependencies. The outcomes and benefits will contribute to the Council’s commitment of working together for a better borough.

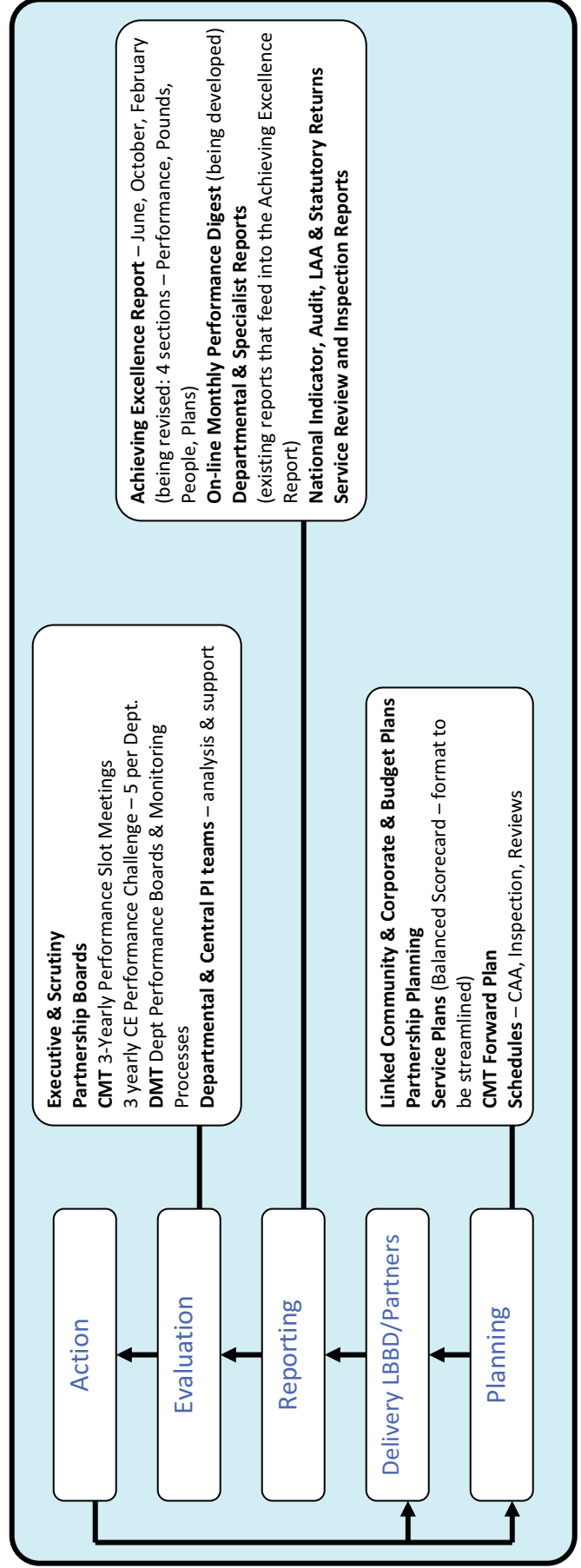
1 How our success will be measured

How We Manage Our Performance

The purpose of Performance Management (PM) is to assess how well we are delivering our services (either ourselves or through our partners, whether we are meeting the targets that we set ourselves and what we need to change or adjust in order to improve these services. PM captures information that enables us to account for what we are doing and to make an assessment about its effectiveness.

The central Performance and Innovation team (PI) works in conjunction with PPP teams in the Departments. The role of the central and departmental teams is to support the PM process, collate, audit and analyse the performance information and assist in the challenge and evaluation process.

The overall performance framework is linked to the corporate, financial and forward planning processes. The framework is made up of a number of key planning, reporting and evaluation elements:



This Performance and planning process is complemented by the Programme Boards and an LBBD Service Review programme. The Framework is currently being revised to streamline and improve its processes and reports. It will also be updated to reflect the move to the new National Indicator set and LAA/Partnership arrangements..

2 Financial support towards the Council Plan

Financial Summary

Overview

The Council is committed to achieving a sustainable financial position which supports the delivery of the Council Plan in a way which offers value for money. This is delivered through the development of the Council's Medium Term Financial Strategy (MTFS) which provides the framework for using the Council finances to deliver the Community priorities over a three year period.

The MTFS is developed by using the Council's service planning process which is based upon the use of the balanced scorecard performance management framework. This tool enables the Council to take a high-level view of performance and aids in translating high-level local and national priorities into deliverable actions and positive outcomes for local people. Each service division within the Council produces an annual service plan (known as a balanced scorecard) which sets out how they will deliver their contributions to the Community and Council priorities.

In addition the Council also produces a range of published strategies and plans, many of which have financial implications beyond the three year period anticipated by the MTFS.

The MTFS provides the resource plan to underpin the delivery of the balanced scorecards, the local strategies and plans and the Council's overall Council Plan.

What does
this mean?

To find out what words mean
go to the Glossary on page 47

Revenue Budgets

In 2008/09 the Council's approved the following budgets for delivering its services:

<u>General Fund Services</u>	<u>Gross Budget</u> £'000	<u>Recharges</u> £'000	<u>Income</u> £'000	<u>Net Budget</u> £'000
Adult & Community Services	95,978	(16,853)	(16,569)	62,556
Children's Services	114,487	(6,768)	(60,770)	46,949
Customer Services	173,543	(22,728)	(124,365)	26,450
Regeneration	42,432	(9,834)	(20,674)	11,924
Resources	32,398	(33,814)	(7,597)	(9,013)
Schools	-	-	-	135,080
Sub Total	458,838	(89,997)	(229,975)	273,946
Contingency				1,200
Levies				7,182
Net Budget				282,328
	Funded by:			
	Formula Grant			95,418
	Council Tax			51,830
	Dedicated Schools Grant			135,080
				282,328

What does this mean?

What does this mean?

What does this mean?

Housing Revenue Account	£'000
Net Budget	90,350
Funded by:	
Rents etc.	90,350

What does this mean?
To find out what words mean go to the Glossary on page 47

Revenue Funding

General Fund services are funded from a combination of resources including:


- Central Government Funding (known as the formula grant)
- Income & Specific Grants
- Dedicated Schools Grant
- Council Tax

Formula Grant

The majority of Council funding comes from Central Government through a

Specific Grants

In addition the Council also received the following specific grants to support service delivery in 2009/10:



	<u>£'000</u>
Ring-fenced Specific Grants	31,919
Area Based Grant	12,805
Total	44,724

complex grant distribution process. The distribution of the grant to each Council is based on a four block model namely:

- Relative Needs block
- Resource block
- Basic Amount block
- Damping block

These blocks take into account a variety of factors such as population levels, deprivation factors etc., as well as accounting for the amount of Council tax to be raised by each local authority. As a result of the Government's

Comprehensive Spending Review 2007, formula grant allocations for the period 2008/09 to 2010/11 have been confirmed. In total the Council received formula

grant in 2008/09 of £95.4m.

Income

The Council generates income from external users which includes the reimbursement of transfer payments such as housing benefit and direct payments for social care.

Dedicated Schools Grant

School budgets are funded directly from a ring-fenced government grant known as the Dedicated Schools Grant (DSG). The DSG must be appropriated entirely to the Council’s schools budget. In 2009/10 the DSG amounted to £135m.

Council Tax

After accounting for all types of grant and other sources of income, the balance of funding that the Council requires to fund its services is raised through Council tax. The Council Tax levels for 2008/09 are:

Precepting Body	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
LBBB	677.60	790.53	903.47	1,016.40	1,242.27	1,468.13	1,694.00	2,032.80
GLA	206.55	240.97	275.40	309.82	378.67	447.52	516.37	619.64
Total	884.15	1,031.50	1,178.87	1,326.22	1,620.94	1,915.65	2,210.37	2,652.44

In total Council tax raises income of £51.8m to support delivering local services which represents 35.5% of funding required to support the net budget requirement.

In comparison to other Council’s Barking & Dagenham’s Council tax levels compare favourably:

- Barking & Dagenham currently has the 3rd lowest Council tax when compared to the 20 Outer London Borough’s;
- The average Outer London Borough Council Tax at Band D is £1,402 compared to Barking & Dagenham Band D Council tax of £1,326;
- The average national Council Tax at Band D is £1,373 compared to Barking & Dagenham Band D Council tax of £1,326

Housing Revenue Account

The Council is required by law to maintain a separate Housing Revenue Account which accumulates and reports all transactions relating to, or associated with, local authority-owned housing. The Housing Revenue Account is funded directly from income from rent payers and some government subsidy.

Capital Budgets

The Council has an approved Capital programme covering the period 2008/09 to 2011/12. This programme is delivered through the Council's Capital Strategy which sets out how capital investment supports and enhances service delivery and how the use of these resources contribute to the achievement of corporate goals.

The key priorities in relation to investment are:

- Investment in our schools;
- Investment in key regeneration and arts Projects;
- Investment in streamlining our office accommodation;
- Investment in our housing stock;
- Investment in highway maintenance;
- Investment in IT Infrastructure to create efficiencies in the way we work.



The Capital programme is funded from a variety of sources including borrowing, external funding and capital receipts.
The 2008/09 to 2011/12 Capital programme is summarised below:

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

Medium Term Financial Forecast

The Council's medium term financial forecast for the period 2008/09 and 2010/11 is summarised below and includes provision for all those resources required to deliver the Council's current corporate and service plans.

What does this mean?


What does this mean?

	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
BUDGET REQUIREMENT B/F	263,387	282,328	303,765
Pressures/Changes			
Unavoidable Pressures	7,532	1,235	1,050
Projected Commitments			
- Education spending to DSG	6,248	6,077	7,153
- Inflation (All council services excluding schools)	3,246	3,250	3,250
- Impact of 2008/09 budget decisions	7,435	500	500
Areas of Potential Concern			
Corporate	685	3,250	3,500
Other	0	5,625	5,250
Future issues	1,000	1,500	1,750
Total of Pressures/Changes	26,146	21,437	22,453
Less Impact of Savings & Efficiencies agreed for 2008/09	7,205	0	0
Revised Budget Requirement	282,328	303,765	326,218
Funding			
Formula Grant	95,418	99,202	102,785
Dedicated Schools Grant	135,080	141,157	148,310
Council Tax Collection	51,830	54,375	56,8333
Total Funding	282,328	294,734	307,928
Funding Gap to be met by savings & Efficiencies	0	9,031	18,290

1 The Council's priority action plan

1. Community Priority: A safer borough

Actions	Timescale		Type of indicators			Measure of success	Resources	Portfolio holder and Lead Officer
	Start	End	LAA	Non- LAA	Service improvement			
1.1 Major improvements to roads and footways: first year of a £20m investment plan	Mid Jul 2008	2010 / 2011	✓			NI 5	Listed under the Environment and Enforcement BSC objective 4 "Transform the Street Scene". Increase resident satisfaction with the roads and pavement conditions. Target of a 10% increase in resident satisfaction in the areas affected	Director of Customer Services
1.2 Reduce anti-social behaviour further, and ensure that local people are aware of what is achieved	Apr 2008	On-going	✓			NI 5 NI 21 NI 24	NI 17. Perceptions of anti-social behaviour NI 21. Dealing with local concerns about anti-social behaviour and crime by the local council and police NI 27. Understanding of local concerns about anti-social behaviour and crime by the local council and police	Director of Adult and Community Services
							Anti-social Behaviour Cost Centre = £142k Spend to date £79,500	

<p>1.3 Start further improvements to Barking Town Centre with the construction of the East London Transit route. The creation of a new market square at London Road is vital to the implementation of East London Transit, which is a key Strategic Transport Project for Transport for London</p>				<p>Delivery of the temporary Market Square layout for January 2009</p>	<p>Director of Regeneration</p>
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2. Community Priority: A clean, green and sustainable borough

Actions	Timescale		Type of indicators				Measure of success	Resources	Portfolio holder and Lead Officer
	Start	End	LAA	Non-LAA	Service improvement	LAA indicators			
<p>2.1 Establish the first Local Housing Company in the U.K. to deliver quality affordable housing for local people at a faster pace than can be achieved in the regular market place. 24,000 new homes will be built over the next 18 years</p>	Sept 2007		✓			NI 154 NI 155	<p>There are currently 2,253 social rented homes within the LHC area. The planned LHC redevelopment model will increase this number to 2,299 in addition to 1,290 shared ownership homes and 366 intermediate homes</p>	<p>Consultant fees funded from Housing Futures Budget. LHC professional fees are estimated at £250,000, which will be recovered from English Partnerships & LHC when it is incorporated</p>	<p>Director of Regeneration</p>
<p>2.2 Higher recycling rates and less rubbish on our streets: wheelie bin pilot, green waste, and glass collections</p>	<p>Glass – 16 June 2008 1st Wheelie bin pilot 28 June 2008 2nd Wheelie bin pilot July 2008</p>		✓			NI 192	<p>Listed under the Environment & Enforcement BSC Objective 2 “Greatest waste reduction and highest recycling and composting rate in London”. A target (NI 192) of 23.5% has been agreed for the LAA</p>	<p>Total = 650k split between Invest to Save 108k, Capital 320k and revenue budget (existing resources)</p>	<p>Director of Customer Services</p>

3. Community Priority: A borough of opportunity for all young people

Actions	Timescale		Type of indicators			Measure of success	Resources	Portfolio holder and Lead Officer
	Start	End	LAA	Non- LAA	Service improvement			
3.1 Open the Barking Foyer Enterprise Centre to provide integrated advice and health services for young people. The Foyer will provide accommodation and support in training and employment for disadvantaged young people in the borough	Apr 2006	Dec 2008	✓			The space will offer sufficient capacity to run two concurrent 14 unit training schemes, requiring industry standard computers, multimedia software and recording equipment. This project will support the LAA target of 9.8% NEET in November 2010	Supporting People allocation £720k p.a. Mixed funding: £2.4m land receipt LBBB, remaining funding from Housing Corporation	Director of Regeneration (in partnership with East Potential)
						LAA indicators NI 117 NI 163 NI 151 NI 152 NI 153		
3.2 Extensive programme of Youth provision across the borough			✓			Open an additional five youth clubs on school sites by the end of the financial year	ABG PAYP Mayor's Fund	Director of Children's Services
3.3 Reduce childhood obesity			✓			To exceed the National Healthy Schools status of 55% by 08/09. To increase the proportion of pupils participating in at least two hours of physical education and out of hour's school sport in a typical week to 85% by 08/09	ABG healthy schools grant Schools budget	Director of Children's Services
						NI 19 NI 57 NI 110 NI 111		
						NI 56 NI 57		

4. Community Priority: An ambitious and prosperous borough that supports business, jobs and skills

Actions	Timescale		LAA	Type of indicators			Measure of success	Resources	Portfolio holder and Lead Officer
	Start	End		LAA	Non- LAA	Service improvement			
<p>4.1 Shift at least £2m of resources to support Council priorities of skills, worklessness and things for young people to do</p>			✓				<p>As part of the budget process 2008/09 there were savings of £7.2m in departmental budgets and increased spend in these budgets of £19.9m, overall a reduction in some £27.1m of the Council's budget. In addition, there was a full allocation of the Council's area based grant of £14.8m. As part of the shift in these resources, more than £2m has been redirected to support skills, worklessness and things for young people to do.</p>	Director of Resources	
<p>4.2 Open three Job Shops across the borough, and attract record numbers of residents into training and employment</p>			✓				<p>The shops will contribute to the existing LAA target of helping 675 residents into sustainable employment by March 2009. Thereafter, they will provide a contribution to the LAA target for reducing the number of residents on working age benefits</p>	Director of Regeneration	


<p>4.3 Creation of two LEGI business space and enterprise centres, providing short leased serviced accommodation designed to support business start ups</p>			✓				<p>NI 151 NI 171 NI 172</p>	<p>Two facilities built: one in Barking, and one in Dagenham. Delivery of 60,000 square feet of managed work space</p>		<p>Director of Regeneration</p>
<p>4.4 Tender for new Connexions service that will focus on reduction of NEETs</p>	<p>Sept 2008</p>	<p>Mar 2009</p>	✓				<p>NI 117</p>	<p>Reduce the number of NEETs. From baseline figure 07/08=9.70%, to 9.0% in 08/09, and 8.50% in 10/11</p>	<p>Connexions ABG</p>	<p>Director of Children's Services</p>
<p>4.5 Continue the development of an employment service for people with learning disabilities and develop greater independence for those capable of entering the world of work</p>	<p>Apr 2008</p>	<p>On-going</p>	✓				<p>NI 151 NI 152 NI 153 NI 173</p>	<ul style="list-style-type: none"> • 25 people with learning disabilities are placed in employment annually by our employment service • Increased independence of individuals • Acquisition of new skills • Increase in disposable income • Expansion of an individual's social network and lower dependence on conventional day services • Increased range and breadth of job placements offered 	<p>Appropriate LD budgets (Osborne Partnership, Pure Innovations) = £446k Spend to date - £203k</p>	<p>Director of Adult and Community Services</p>

5. Community Priority: A stronger and more cohesive borough

Actions	Timescale		Type of indicators			Measure of success	Resources	Portfolio holder and Lead Officer
	Start	End	LAA	Non- LAA	Service improvement			
5.1 Put Neighbourhood Management at the heart of how the Council delivers One Barking and Dagenham to ensure that the issues that matter to local people are addressed through service delivery	Apr 2008		✓			<ul style="list-style-type: none"> NI 2. % of people who feel that they belong to their neighbourhood. NI 3. Civic participation in the local area. NI 4. % of people who feel that they can influence decisions in their locality 	NM Budget = £1,285,584 Spend to date £587,000	Director of Adult and Community Service
5.2 Start construction of Dagenham Library and One Stop Shop			✓			To provide a new library and One Stop Shop in Dagenham		Director of Regeneration
5.3 Work with partners and the community to develop a range of activities and events to bring people from different backgrounds together	Apr 2008	On-going	✓			Increase the percentage of people who believe that people from different backgrounds get on well together in their local area	Community Cohesion Special Budget £50k Spend to date £11k	Director of Adult and Community Services
5.4 Increase the number of people who participate in local decision-making and in making the community a better place	Apr 2008	On-going	✓			Increase the percentage of people who feel they can influence decisions in their local area	NM Budget = £1,285,584 Spend to date £587,000	Director of Adult and Community Services

6. Community Priority: A healthy borough

Actions	Timescale		Type of indicators			Measure of success	Resources	Portfolio holder and Lead Officer
	Start	End	LAA	Non- LAA	Service improvement			
<p>6.1 Commence building works to develop the new Becontree Heath Leisure Centre, to replace existing facilities at Wood Lane and Dagenham Swimming pool. The Centre will provide an extensive range of facilities including a 10-lane 25m swimming pool</p>			✓			<p>Facility will be built and operating by 2011.</p>		Director of Regeneration
<p>6.2 Continue the transformation of Adult Social Care by extending our successful Individual Budget project which will give local people more choice and control about how they get care</p>	Apr 2006	Mar 2009 - ongoing	✓			<p>- 250 people access social care via an IB by April 2009 - By April 2011 all social care is delivered in a personal way - Increasing rating by service users of how independent they feel</p>	<p>Social care Reform Grant (Personalisation) = £327K Spend to date- Circa £100K</p>	Director of Adult and Community Services
<p>6.3 Continue work with the PCT to reduce teenage pregnancy numbers</p>			✓			<p>One health advisor based in every secondary school for drop-in advice on sexual and reproductive health by the end of the financial year</p>	<p>PCT funding; TP grant part of the ABG</p>	Director of Children's Services

<p>6.4 Roll out-of-localities programme to prevent children needing to access complex needs</p>					<p>NI 99 NI 100 NI 101 NI 111 NI 51</p>	<p>Continue to reduce the number of looked after children (target 71.2 children per 10,000 for 08/009). Six localities will be established and fully operational by the end of the financial year</p>	<p>ABG Children's Fund Children's Centre revenue grant</p>	<p>Director of Children's Services</p>
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7. Service Improvement Priorities

Actions	Timescale		Type of indicators				Measure of success	Resources	Portfolio holder and Lead Officer
	Start	End	LAA	Non- LAA	Service improvement	LAA indicators			
7.1 Create new legal service that reduces spend on external legal advice	Sept 2007	2009/2010			✓			Director of Resources	
7.2 Launch the One Barking & Dagenham Strategy to improve community engagement, customer care and ability to deliver major change projects			✓			NI 4	Financed from efficiency savings made regarding the way various claims are handled in the back office (within existing resources)	Director of Resources	
7.3 Deliver an improved HR and OD service	01 Oct 2008	31 Mar 2009			✓			Director of Resources	
7.4 Benefits on demand: Housing and Council Tax benefits processed while you wait	Mar/ Apr 2008	Ongoing		✓			This is a new priority, and targets are in the process of being agreed	Director of Customer Services	

<p>7.5 Homelessness Service on demand: homelessness applications processed while you wait</p>					✓	<p>This is a new priority, and targets are in the process of being agreed</p>	<p>Equality & Diversity Service Budget = £357,140 Spend to date £118k</p>	<p>Director of Customer Services</p>
<p>7.6 Embed best practice in equalities and diversity across the Council</p>					✓	<p>Accreditation at level 5 of the Equality Standard of Local Government</p>		<p>Director of Adult and Community Services</p>
<p>7.7 Embed best practice in action planning for race equality</p>	<p>Sept 2008</p>	<p>Mar 2009</p>			✓	<p>Adoption of a new Race Equality Scheme for the Council</p>		<p>Director of Adult and Community Services</p>

2 LAA Indicators

NI 1	% of people who believe people from different backgrounds get on well together in their local area
NI 4	% of people who feel they can influence decisions in their locality
NI 5	Overall/general satisfaction with local area
NI 15	Serious Violent Crime rate
NI 16	Serious acquisitive crime rate
NI 19	Rate of proven re-offending by young offenders (LOCAL)
NI 21	Dealing with concerns about anti-social behaviour and crime by the local council and police
NI 23	Perceptions that people in the area treat one another with respect and dignity
NI 24	Satisfaction with the way the police and local council dealt with antisocial behaviour
NI 30	Re-offending rate of prolific and priority offenders
NI 32	Repeat incidents of domestic violence
NI 40	Drug users in effective treatment
NI 49	Number of primary fires and related fatalities and non-fatal casualties, excluding precautionary checks (LOCAL)
NI 51	Effectiveness of child and adolescent mental health (CAMHS) services
NI 52	Take up of school lunches (LOCAL)
NI 54	Services for disabled children (LOCAL)
NI 56	Obesity among primary school age children in Year 6 (LOCAL)
NI 57	Children & young people's participation in high quality PE and sport (LOCAL)
NI 80	Achievement of a Level 3 qualification by the age of 19
NI 81	Inequality gap in the achievement of a Level 3 qualification by the age of 19 (LOCAL)
NI 82	Inequality gap in the achievement of a Level 2 qualification by the age of 19 (LOCAL)
NI 102	Achievement gap between pupils eligible for free school meals and their peers achieving the expected level at Key Stage 2 and 4
NI 110	Young people's participation in positive activities

NI 111	First time entrants to the Youth Justice System aged 10 - 17
NI 112	Under 18 conception rate
NI 117	16 to 18 year olds who are not in education, employment or training
NI 121	Mortality rate from all circulatory diseases at ages under 75 – per 100,000
NI 123	16+ current smoking rate prevalence – per 100,000
NI 151	Overall employment rate (LOCAL)
NI 152	Working age people on out of work benefits
NI 153	Working age people on out of work benefits in the worst performing neighbourhoods
NI 154	Net additional homes provided
NI 155	Number of affordable homes delivered (gross)
NI 163	Working age population qualified to at least Level 2 or higher
NI 171	New business registration rate
NI 172	VAT registered businesses in the area showing growth
NI 173	People falling out of work and on to incapacity benefits
NI 185	CO2 reduction from Local Authority operations
NI 192	Percentage of household waste sent for reuse, recycling and composting

DCSF Statutory indicators

NI 72	Achievement of at least 78 points across the Early Years Foundation Stage with at least 6 in each of the scales in Personal Social and Emotional Development and Communication, Language and Literacy
NI 73	Achievement at level 4 or above in both English and maths at Key Stage 2 (threshold)
NI 74	Achievement at level 5 or above in both English and Maths at Key Stage 3 (threshold)
NI 75	Achievement of 5 or more A*-C grades at GCSE or equivalent including English and Maths (threshold)
NI 83	Achievement at level 5 or above in Science at Key Stage 3
NI 87	Secondary school persistent absence rate

NI 92	Narrowing the gap between the lowest achieving 20% in the Early Years Foundation Stage Profile and the rest
NI 93	Progression by 2 levels in English between key Stage 1 and Key Stage 2
NI 94	Progression by 2 levels in Maths between Key Stage 1 and Key Stage 2
NI 95	Progression by 2 levels in English between Key Stage 2 and Key Stage 3
NI 96	Progression by 2 levels in Maths between Key Stage 2 and Key Stage 3
NI 97	Progression by 2 levels in English between Key Stage 3 and Key Stage 4
NI 98	Progression by 2 levels in Maths between Key Stage 3 and Key Stage 4
NI 99	Children in care reaching level 4 in English at Key Stage 2
NI 100	Children in care reaching level 4 in Maths at Key Stage 2
NI 101	Children in care achieving 5 A*-C GCSEs or equivalent) at Key Stage 4 (including English and Maths)

Working Neighbourhoods Reward scheme - Basket of Indicators

NI 117	16 to 18 year olds who are not in education, employment or training
NI 152	Working age people on out of work benefits
NI 153	Working age people on out of work benefits in the worst performing neighbourhoods
NI 173	People falling out of work and on to incapacity benefits

3 Glossary

Levies

These represent the sums required to be paid by the Council to certain non governmental organisations to finance their operations. In the case of Barking and Dagenham, these are the East London Waste Authority, the Lee Valley Regional Park Authority, the London Pension Agency and the Environment Agency.

Housing Revenue Account

All Council's are required to maintain a separate account which sets out the income and expenditure arising from the provision of council housing.

Net Budget

This represents the Council's total expenditure less any specific income it receives from running services. The balance (known as the net budget) is then funded by a combination of direct Government grant and Council Tax.

Projected commitments

These represent the value of goods or services which the Council plans to undertake in the future.

Recharges

These represent the financial value of providing those indirect services which support the delivery of front line services. They will include services such as professional services, general administrative support, Transport, Building cleaning and Grounds maintenance.

Ring-fenced specific grants

These represent any Government grant which is given to the Council for a specified purpose.

Medium Term Financial Strategy

2006/07 to 2008/09

Medium Term Financial Strategy
2006/07 to 2008/09

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MEDIUM TERM FINANCIAL STRATEGY
2006/07 TO 2008/09

1. Introduction

- 1.1. This document sets out a framework for using the Council Finances to deliver the Community Priorities over the next three years. It is now possible to set out future years' expenditure plans because the funding announcements are for more than one year and it is possible to predict the broad parameters of Council expenditure for three years with a joint degree of accuracy.
- 1.2. The London Borough of Barking and Dagenham has, through the years of being debt free, the advantage, which enables us to plan and predict our capital programme with a greater degree of confidence than other Councils. This should be reflected, in turn, through the revenue budgets.
- 1.3. Our Medium Term Financial Strategy (MTFS) is driven by the Council's desire to maximise its impact in addressing the needs of local people, delivering against the Community Priorities, and working with the local community wherever possible. There will be points of contention and disagreement about the actions that are needed, but these will be addressed through consultation and information sharing. Where contention arises, we will use the Community Priorities as a guide to finding the best solution for our Community, within the overall financial framework.
- 1.4. The Medium Term Financial Strategy covers the three years 2006/07 to 2008/09, 2006/07 is based on the budget and plans agreed in 2005 and further developed in February 2006. It will be a rolling strategy that is updated annually and informed by the capital plan. It is envisaged that this strategy will be:
- a) Adopted as part of the 2006/07 budget process
 - b) Updated during each year to assist budget planning for future years
 - c) Reviewed in February each year when the annual budget is set.

Steps b) and c) will then become part of the regular financial planning process.

- 1.5. This strategy aims to look beyond the immediate future in terms of service and financial planning. It takes account of the community priorities linking those priorities with a financial strategy for delivering them. It joins together the revenue and capital planning and provides a framework for using the Council's resources alongside other Public Sector funding.

2. Community Priorities

- 2.1. The Community priorities which the Medium Term Financial Strategy will help to deliver are:
- a) Promoting Equal Opportunities and Celebrating Diversity
 - b) Better education and learning for all
 - c) Developing rights and responsibilities with the Local Community
 - d) Improving health, housing and social care
 - e) Making Barking and Dagenham cleaner, greener and safer
 - f) Raising general pride in the Borough
 - g) Regenerating the Local Economy

3. Council Performance

Strategies, Plans and Performance Management

- 3.1. The Council produces a range of published strategies and plans (a full list of plans is set out in Annex 1). All have financial implications, most beyond the three year period anticipated by a Medium Term Financial Strategy. The Strategy provides a resource plan to underpin the delivery of these local strategies and plans.
- 3.2. Operational Plans are measured with a series of Balanced Service Scorecards that set out the expected criteria for success and targets for achievement. Services have indicated how they will deliver to target over the next three years. Some of the financial implications within these scorecards need to be further explored as part of the future budget-setting process, to further strengthen the link between resource requirements and the areas where performance improvements are required.

Local Public Service Agreement

- 3.3. The Council signed its Local Public Service Agreement on 21st July 2003.

The pump priming performance grant of £914k was received in 2003/04 and this is supplemented by the redirection of Council expenditure of £158k. Annex 2 identifies the allocation of this sum between our 12 targets. The performance reward grant following the outcome in relation to our set targets will be received in two equal instalments in the two financial years following the end of the LPSA period, 31st March 2006.

The Corporate Management Team has agreed that the Performance Reward Grant should be allocated as follows:

- Services that have achieved their targets receive an amount equal to the pump priming grant they received at the outset - Service areas would have to provide a plan on how they will sustain performance once the funding is withdrawn.
- £1.5 million to be used for Highways repairs (Capital) and £50,000 (revenue) to support our target to reduce the number of burglaries.
- The remainder of the Performance Reward Grant will go to those service areas who have demonstrated in the past that they have been able to use additional funding to improve service delivery – probably through a bidding process.

Based on current performance against our targets we will be seeking a payment of Performance Reward Grant of approximately £3.3m.

Local Area Agreement (LAA)

LAAs set out the priorities for a local area agreed between central government and a local area (the local authority and Local Strategic Partnership) and other key partners at the local level.

LAAs simplify some central funding, help join up public services more effectively and allow greater flexibility for local solutions to local circumstances. Through these means, LAAs are helping to devolve decision making, move away from a 'Whitehall knows best' philosophy and reduce bureaucracy.

The LAA is a three year rolling plan. We want to use this framework to drive improvement in the Borough up to the Olympic games in 2012 and beyond to ensure that both physical and social regeneration of the borough is sustained. The LAA has been developed through the Implementation Group of the Local Strategic Partnership and its sub groups. Local authority input has been overseen by the Council's Corporate Management Team and signed off by the Executive.

Extensive consultation has been undertaken and will continue to inform each stage of the process. Key consultees include:

- Sub-Groups of the Local Strategic Partnership
- Local Government Boards
- Local statutory partnerships and network groups
- Internal Management Team meetings of Partner organisations
- Voluntary and Community Sector via the Sector Forum, and Community Empowerment Network workshop events

The structure of the Local Strategic Partnership has been reviewed in the light of the need to deliver the LAA. As a result an inclusive Public Service Board (PSB) will be formed to:

- Include the Voluntary and Community Sector;
- Exercise a leadership and governance role;
- Bring together the key decision makers in a geographic area in a way that is visible, meaningful, and accountable to local people which delivers improved public services;
- Oversee public expenditure in the locality and manage relevant budget streams through joint planning and resource allocation; and
- To act as an agent for transformational change.

The sub-groups of the Partnership are:

Children and Young People
Healthier Communities and Older People
Safer and Stronger Communities
Economic Development and Enterprise

The importance of the community and voluntary sector will be reflected by working within the spirit of the draft statement of Community Involvement. Extensive consultation will be undertaken on the prospectus for commissioning services and the review of the roles and responsibilities for block groups. The commissioning prospectus will be drafted for consultation in January and finalised in line with the submission of the submission of the final draft.

The Public Service Board will oversee the delivery of the LAA through detailed action plans. They will regularly check progress against the indicators and targets and initiate action to be taken in response to indicators and targets not on track. Existing monitoring and reporting mechanisms will be rolled into the LAA.

Unless specifically stated, funds will be managed by an Accountable Body, in this case the Council, and 'passport' where appropriate to other organisations. Expenditure will be monitored under each of the blocks. Protocols for commissioning will be consulted on and put in place to support the agreement.

Reporting Arrangements

- Each Block will be supported by a Sub Group of the LSP and the chair of each sub group will have a place on the PSB. They will report on progress and bring to the PSB issues for resolution. Each sub group will have agreed terms of reference and identified roles and responsibilities on feeding back to their constituent bodies.
- The Partnership wishes to focus the implementation of the LAA on delivering against the national floor targets and key local priorities. To achieve this, a review of monitoring arrangements is underway. We wish

to make existing systems more robust and are assessing the use of IT to make 'real time' information available.

- Residents will receive regular reports on progress through The Citizen magazine and the LSP will hold a twice yearly conference to share successes and consult on issues.
- Government Office for London will receive monitoring reports at the 6 month and end year stages. The direction of travel will be monitored in line with current CPA guidance and be agreed as part of this process.

Comprehensive Performance Assessment (CPA)

- 3.4. The Council was informed in December 2005 that it has retained its "two star" status (previously known as "fair") and that we are "improving adequately" under the new Comprehensive Performance Assessment (CPA) process. Further work is required to improve on this overall rating with the target of "three star" by 2006 and "four star" by 2008 and the Medium Term Financial Strategy can assist in supporting the Council to achieve a higher rating.
- 3.5. The CPA process underwent fundamental review for 2005 and a new procedure was adopted. Within the new procedure there is a much stronger focus on the use of resources as part of the overall assessment.
- 3.6. Overall this element assesses how well the Council manages and uses its financial resources. It focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the Council's priorities and improve services. The use of resources block will carry more weight in determining the overall CPA category for the Authority. The MTFS will be an essential part of addressing these requirements.
- 3.7. The Council's next Corporate Assessment is scheduled for between March and July 2007.
- 3.8. Alongside the CPA process there is the usual Government inspection process particularly around Education (Ofsted), Social Services (CSCI), Housing and Benefits (Benefits Fraud Inspectorate). The outcomes from these inspections need to be incorporated into delivery plans which need a clear link to the Medium Term Financial Strategy.

Use of Resources

3.9 As detailed above, the use of resources block of CPA is a key priority for the Council. The Council scored a 2 in this block for 2005. The individual scores in the component parts were as follows:

- Financial Reporting – 3
- Financial Management – 3
- Financial Standing – 2
- Internal Control – 2
- Value for Money – 2

3.10 The Authority is committed to achieving a score of 3 in use of resources for 2006 and a score of 4 by 2008. A substantial amount of work has been undertaken during 2005 and this will continue into 2006. Key actions include the establishment of a “use of resources” Board, which has established key responsibilities for the delivery of use of resources across the Council. It is a high priority challenge to continue to embed these disciplines across the organisation in 2006 and in future years. Two significant considerations within this framework are efficiency and value for money, and these are considered in the following paragraphs.

Efficiency

3.11 As part of the results of the 2004 Spending Review announced by the Deputy Prime Minister in July 2004, it was announced that within local government a target of 2.5% per annum for efficiency gains was introduced. Therefore, by 2007/08 efficiency gains equivalent to 7.5% of the 2004/05 baseline should be achieved. This was to deliver at least £6.45 billion across all local government by 2007/08.

3.12 This is a very challenging target that has been set for local government. For Barking and Dagenham, the 2.5% per annum around £4m on a recurring basis (it totals £12.33m over the 3 years). The efficiency gains can be met in two ways. Firstly, at least 50% of the sum is to be met through “cashable gains”. These represent the potential to release resources for reallocation elsewhere. The remaining efficiency gains can be derived from “non-cashable gains”. These are achieved through such means as improved quality or additional outputs for the same level of resources. All efficiency gains generated will be available to the local authority to reinvest in improved services or used to reduce council tax.

3.13 The Council has made a strong response to the Gershon efficiency agenda. An Efficiency Board was created, led by the Director of Corporate Strategy. This group convenes on a monthly basis with the purpose of reviewing and developing efficiency plans across the organisation. A comprehensive efficiency programme, covering the three years from 2005/06 to 2007/08 was launched in

April 2005. This set out the key strands which would be targeted to realise efficiency gains. They were as follows:

- Paybill – efficiency gains would be targeted in respect of agency staff costs, a reduction in sickness & overtime, improvements in recruitment processes leading to efficiency gains and also piloting mobile working;
- Procurement – projects are in progress at the moment to realise gains in respect of legal fees and security services. A number of further areas, such as printing and energy costs are being considered;
- Property – efficiency gains would be targeted in respect of construction framework contracts and improvements in capital programme management; and
- Productivity and performance – both corporate and service specific efficiencies would be targeted across the Borough, including early accounts closure, debt collection, transport and homelessness provision.

3.14 The Council submitted a “forward look” efficiency statement to the ODPM in April 2005, setting out planned efficiencies of £4.7m. The main elements of this statement are detailed below:

- Efficiency gains resulting from direct payments in Social Services;
- Gains resulting from the introduction of a single agency staff supplier for the Council’s professional and technical staff;
- The development of in-borough Special Educational Needs (SEN) centres, reducing the unit cost of placements that were previously provided out of borough;
- Quicker turnaround and better management of void properties resulting in reduced costs and increased income; and
- Transfer of homeless accommodation from bed and breakfast to private sector landlords, resulting in reduced unit costs.

3.15 In June 2005, Councils made “backward look” efficiency returns to the ODPM, covering 2004/05. A further £4.5m of efficiency gains were realised in this period, covering a range of areas, including:

- The reorganisation of the Department of Regeneration and Environment, achieving efficiency gains in the process;
- A review of the Council’s transport service was carried out, the rationalisation of which achieved significant efficiency gains; and
- Initial efficiency gains realised in respect of SEN and direct payments, which have continued into 2005/06.

3.16 As can be seen from the figures above, the Council is well on the way to achieving its efficiency target. Planned efficiencies in 2004/05 and 2005/06 total approximately £9m, so the Council is three quarters of the way to achieving its overall target, with two years to go.

3.17 Despite this strong progress, significant challenges lie ahead. For example:

- The Council needs to continue to embed the culture of efficiency in the organisation to ensure that it continues to progress against the ODPM's efficiency target;
- It is vital for the provision of local services that the Council continues to focus on cost effectiveness of service provision. This means ensuring that the Council achieves value for money across services and corporate functions;
- The 2006/07 grant settlement from central government saw Councils across England receive little more than 2% increases in funding. Set against a backdrop of a range of new policy initiatives, the need to increase pension contributions and meeting nationally agreed salary increases for staff, it is clear that improvements in efficiency and cost effectiveness will go a long way to ensuring that the Council's budget plans remain robust in the medium term; and
- The Council is keen to develop the sharing of best practice across local government and cross borough working, a key theme in the Gershon Report. The Council has already circulated other London Boroughs, and produced a "best practice guide" on efficiency to assist in the preparation of efficiency statements across the capital covering 2006/07. The Council is currently looking at ways that it could work in partnership with other Boroughs to deliver services more effectively and efficiently.

The Council will be working against these challenges in 2006/07 to ensure that it is at the forefront of the drive to meet the requirements of the efficiency agenda.

Value for Money

3.18 Value for money (VFM) is usually defined as:

- Economy;
- Efficiency; and
- Effectiveness.

The 1999 Local Government Act requires every council to “secure continuous improvement in the way in which [their] functions are exercised, having regard to a combination of economy, efficiency and effectiveness.”

- 3.19 Achieving and demonstrating value for money (VFM) has been a priority for successive governments in recent decades. Councils have had to establish processes and procedures to evaluate and monitor value for money in local services.
- 3.20 To ensure that value for money is delivered across the organisation, clear information must exist on costs and performance of services. Key “priority” areas must be identified, where the Council is committed to high levels of spending to achieve specific aims. These priority areas must be kept under constant review.
- 3.21 The Council is committed to high levels of spending in certain key “priority” areas to deliver substantial improvements to its community. These include:
- In previous years, the Council spent over and above FSS on Education with the aim of improving standards in Education across the Borough. Results have demonstrated that this investment is achieving the intended aim, and the Council is committed to allocating resources to Education (albeit FSS for Education has now been superseded by the Dedicated Schools Grant) in the medium term;
 - The Council is also committed to allocating financial resources to both Children’s Services and Adults Services in the medium term with the aim of improving the standard of social care; and
 - The Council is committed to ensuring it delivers on its cleaner, greener, safer priority.
- 3.22 The Council has a number of initiatives in place to ensure that value for money is achieved across both frontline services, and in support services.
- Strengthening the **strategic understanding** of value for money across the Council:
 - Corporate Management Team to develop their strategic role on value for money;

- Service and Financial Planning Board, Performance Board and Corporate Management Team to initiate reviews over areas of concern; and
 - Develop targets for value for money to be included in service plans, including recovery plans for services of concern;
- Continuing to improve the **reporting** of value for money across the Council:
 - Value for money reporting is now required on all performance indicator returns. Guidance and support will continue in 2006/07 to improve the quality of these returns;
 - Value for money considerations must also be made on all Executive reports. Continuing support will take place throughout 2006/07 in this area;
 - Focus on the reporting of outcomes;
 - Capital appraisals forms amended to include reference to value for money; and
 - Better linking of financial and performance information:
 - Resource monitoring panel now considers performance indicators as well as financial reports; and
 - Briefing notes for resource monitoring now include specific reference to non-financial data.
- Continuously developing the **culture** of value for money across the Council:
 - Service and financial planning board to develop its role on value for money and to provide challenge for Best Value reviews;
 - Scrutiny management board to consider services subject to scrutiny with specific reference to value for money;
 - Performance board to ensure that range of data under consideration is sufficient to challenge value for money effectively;
 - Ensuring value for money training is included in member inductions; and
 - Departmental finance and performance teams to work with heads of service to develop value for money self assessments.
- Developing stronger links between the **budget process** and **value for money**:
 - Consideration of value for money by services as well as finance in preparation of growth, savings and pressures options for 2007/08 budget process.
 - Corporate Management Team to develop their strategic role on value for money in the budget process.

4. Budget Strategy

Council Tax Strategy 2005/06 – 2007/08

4.1. In March 2005 the Council set a Council Tax strategy for 2005/06-2007/08. The key elements were:

- a) Education budget set at FSS, including the full passporting to schools of the increase in the schools FSS with consideration for future schools funding.
- b) Social Services budget set at FSS with a need to review this position for future year's budgets.
- c) Highways budget set at FSS.
- d) Continuing the protection of the services that deliver the Cleaner, Greener, Safer priorities.
 - e) There is no planned use of reserves for ongoing expenditure.
- f) A 5 year capital plan (2004/05 to 2008/09) totalling £233m with £117m of the programme funded from external resources, subject to full capital appraisal on a scheme by scheme basis.
- g) A rigorous asset disposal programme and a capital programme that is dependent on around £43m of sale proceeds from land disposals. Potentially asset disposals may exceed this level and the programme has been set in order to accommodate a higher level of receipts if they are realised. Similarly if the £43m is not achieved the programme will need to be reassessed.
 - h) Remaining debt free for 2005/06 to 2007/08, with the proceeds from interest on balances reducing as accumulated capital receipts are used to fund the capital programme. The position on borrowing will be kept under review.
 - i) A council tax increase of

3.9% in 2005/06 (3.46% LBBB, 5.5% GLA) with further projected increases of:-

2006/07	(5% LBBB, 10% GLA)
2007/08	(5% LBBB, 10% GLA)

- j) As part of the 2005/06 budget setting, the 2004/05 projected underspend position of £1.5m for the Social Services budget, has been used to fund the overall 2005/06 budget. This will require Social Services to identify ongoing savings of £1.5m in order to ensure future years budgets remain balanced.
- k) The Housing Revenue Account to contribute to the Council's Corporate and Democratic Core costs. For 2005/06 this is £225k, 2006/07 £500k and 2007/08 £750k.
- l) Savings of £2.7m for 2005/06, of which £200k relates to highways and the remaining are within the environmental, protective and cultural services block however protecting the service provision for cleaner, greener, safer.

With further reductions projected in the budget of about;

£5.8m for 2006/07

and a further £7.2m for 2007/08 being required.

Savings at this level will need to be made across all Services apart from the mandatory ringfenced Schools budget. Targets are to be set to allow the process for identifying savings to commence 1st April 2005. The Director of Finance will be providing the initial targets for savings across all services.

- m) Pressures of £2.9m for 2005/06.

This mainly relates to statutory requirements, unavoidable pressures, and existing commitments. However, investment is planned in Cleaner, Greener, Safer initiatives. In addition, there is also a phased transfer of the costs of grounds maintenance from the HRA to the general fund.

- n) Further budget pressures of £22m and £16m are projected for 2006/07 and 2007/08 respectively across all Council budgets.

Budget Strategy 2006/07 onwards

4.2. For 2006/07 the key elements of the strategy set in 2005/06 have been built on and the budget has been based on:-

- a) Schools budget set at the new dedicated schools grant level.

- b) All services reviewed (apart from Schools).
- c) Continuing the protection of the services that deliver the Cleaner, Greener, Safer priorities.
- d) Supporting the needs of Customer First.
- e) A 5 year capital plan (2005/06 to 2009/10) totalling £290m with £124m of the programme funded from external resources, subject to full capital appraisal on a scheme by scheme basis.
- f) A rigorous asset disposal programme and a capital programme that is dependent on around £55m of sale proceeds from land disposals. Potentially asset disposals may exceed this level and the programme has been set in order to accommodate a higher level of receipts if they are realised. Similarly if the £55m is not achieved the programme will need to be reassessed.
- g) Remaining debt free until 2007/08, with the proceeds from interest on balances reducing as accumulated capital receipts are used to fund the capital programme. The position on borrowing will be kept under review.
- h) A council tax increase of

5.67% in 2006/07 (3.49% LBBB, 13.35% GLA) with further projected increases of:-

2007/08	(5% LBBB, 10% GLA)
2008/09	(5% LBBB, 10% GLA)
- i) The Housing Revenue Account to contribute to the Council's Corporate and Democratic Core costs to a sum of £750k.
- j) Savings of £5.3m for 2006/07, however protecting the service provision of cleaner, greener, safer.

With further reductions projected in the budget of about;

- £5.4m for 2007/08

- and a further £3.9m for 2008/09 being required.

Savings at this level will need to be made across all Services apart from the Schools budget. Targets are to be set to allow the process for identifying savings to commence 1st April 2006. The Chief Executive will be providing the initial targets for savings across all services.

- k) Efficiency savings of £1m to contribute towards our efficiency targets.
- l) Pressures of £2.8m for 2006/07.

This mainly relates to statutory requirements, unavoidable pressures, and existing commitments. However, investment is planned in Cleaner, Greener, Safer initiatives.

- m) Growth of £1.3m for 2006/07.
- n) Corporate issues showing a net reduction of £1.1m, including the use of £3.8m of reserves for the 2006/07 budget.
- o) Further budget pressures of £18.4m and £16.9m are projected for 2007/08 and 2008/09 respectively across all Council budgets.

4.3 The strategy for 2007/08 and beyond continues the position that has been established for 2004/05, 2005/06 and 2006/07.

4.4 A summary of spending and grant projections for 2006/07 onwards plus council tax increases are contained in Annexes 3 and 4.

5. Local Government Finance Settlement

5.1. Between 2003/04 and 2005/06, the Local Government settlement was based on the Formula Spending Share (FSS). The FSS was based on formulae that include information on the population, social structure and other characteristics of each Authority. Additional top ups were added for numbers of disabled, elderly, and unemployed people, and people from ethnic minorities. Top ups were also added to reflect the extra costs of employing staff in high cost areas such as London and the south east. The FSS covered major service blocks, Education, Social Services, Highways, Environmental, Protections and Cultural Services (EPCS) and Capital Financing.

5.2. However, from 2006/07, the Formula Spending Share and assumed council tax assumptions which form the basis of the existing grant distribution

arrangements will no longer exist and have been replaced by a new **'four block' model** which focuses on the calculation of total grant.

5.3 The four block model grant allocations comprise the following components:

- A relative **needs** amount (e.g. to reflect differences in deprivation or other factors such as density and commuters) using Relative Needs Formulae (RNF)
- A reduction based on relative **resources** (the relative ability of authorities to raise council tax)
- A **central allocation** (basic amount) based on a per capita amount
- An allocation to ensure a minimum increase in grant i.e. the **damping** amount require to fund the floor which is positive for floor authorities and negative for those above the floor. The floor is set at 2% for 2006/07.

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

Figure 1

Provisional Barking and Dagenham Grant Allocation for 2006/07

	£m
Relative Needs Amount for 2006/07	63.327
Relative Resource Amount for 2006/07	(6.416)
Central Allocation for 2006/07	28.503
Floor Damping for 2006/07	(2.334)
Deduct 2004/05 and 2005/06 amending report grant reduction	(0.694)
Total Formula Grant for 2006/07 ¹.	82.386
Adjusted grant for 2005/06	80.403
Like for like grant increase	1.983
	(2.47%)
2006/07 Formula Grant Comprises	
Redistributed business rates	69.699
Revenue support grant ¹	12.687

1. Net of amending report reduction of £0.694m

- 5.4 As can be seen from the figure 1, the like for like increase in formula grant for Barking and Dagenham for 2006/07 is 2.47%.
- 5.5 The grant settlement announced in January 2006 marks a move to a more forward looking method of funding allocation. The ODPM set out the Council's grant levels for the next two years, as part of an eventual move to three year settlements. For Barking and Dagenham, the following two year grant allocations were announced:

Adjusted 2005/06 Formula Grant (£m)	2006/07 Formula Grant (£m) (Net of Amending reports)	Like for Like Change (£m)	Like for Like % Change
80.403	82.386	1.983	2.5%
Adjusted 2006/07 Formula Grant (£m)	2007/08 Formula Grant (£m) (Net of Amending reports)	Like for Like Change	Like for Like % Change
82.830	86.397	3.567	4.3%

- 5.6 Despite the move away from FSS, the comparison can still be drawn between the total formula grant under the new four block model and the old FSS blocks for 2005/06. This is shown in Annex 4.
- 5.7 This was not the only major change that will take effect in 2006/07. From April 2006, schools funding will be received by way of a "**Dedicated Schools Grant**" (DSG). This ensures that funding allocated to schools by central government is received via a direct ring-fenced grant, rather than via the Council Tax and Formula Grant mechanism.
- 5.8 Every LEA in London has been guaranteed an initial basic increase of 5.1% per pupil in 2006/07 and 2007/08. In addition, authorities with rapidly falling rolls will be protected by a cash increase in DSG of 4%. Further top ups have been provided in relation to workforce reform, Key Stage 3 Personalised Learning, Primary Personalised Learning and other factors. The resulting minimum increase in DSG per pupil is 6.4% in 2006/07 and 6.1% in 2007/08.
- 5.9 Barking and Dagenham's confirmed per pupil unit of funding is £4,097 for 2006/07 (a 6.6% per pupil increase vs 2005/06) and £4,379 for 2007/08 (6.9%

per pupil increase vs 06/07). The actual amount of funding will be dependent on school rolls, the figures for which were not finalised at the time this report was produced.

- 5.10 Despite the comprehensive changes to the way the Council's funding is calculated, the relative levels of funding across different localities is still driven by the same factors that applied when under Formula Spending Shares (FSS):
- Population and demography;
 - The overall amount of money made available to local government by central government through the Spending Reviews;
 - Changes in Local Government responsibilities;
 - The underlying data used in the formula; and
 - Floors and ceilings.

These factors are analysed further in Sections 6 to 10.

6. Population and Demography

Population estimates and projections

- 6.1 The Office for National Statistics (ONS) compiles data on both population estimates and population projections. Population estimates look at the population on a yearly basis, while population projections look at previous trends and project population data into the future.
- 6.2 Barking and Dagenham's 2006 and 2007 projections respectively are 169,702 and 170,959 which represent increases of 2.3% and 3.1% compared with the 2003 population estimate figure (165,862) used to calculate the 2005/06 settlement. The borough's 2004 mid year estimate, however, is only 164,572 (5,000 lower than the 2006 projected count which has actually been used).
- 6.3 The growth in the Borough's population between the 2003 estimates and 2006 projections is confined to children aged 0-17 (+1.9%) and younger adults aged 18-64 (+4.4%). The borough's population aged 65+ according to the ONS is actually projected to *fall* by 1,288 or 6% between the 2003 mid year estimates and 2006 projections.
- 6.4 The Council experienced the second largest drop in population figures in London following the Office for National Statistics (ONS's) publication of the 2004 mid year estimates in August 2005. These statistics are contrary to experiences of managers involved in local service delivery, who have seen increased usage and pressure on services across the Borough. The statistics are also contrary to information on council tax properties and housing completions, both of which have risen consistently in recent years.
- 6.5 The main contributing factor to the Council's fall in population in its 2004 mid year estimates, was a net outflow of migration. In this area, the Council is impeded by the ONS's weak methodology for calculating international migration figures. The ONS uses the International Passenger Survey (IPS), a survey of passengers entering the country from a sample of airports and ports, to estimate and distribute figures for international migration. While the IPS may be seen as a reasonable means of estimating total international migration (albeit there are concerns over sample sizes), it is not appropriate for distributing these

figures across London. For example, almost all those surveyed by the IPS suggested that they would settle in central London. In reality, many will soon move on to other Boroughs, such as Newham and Barking and Dagenham, but the survey does not pick this up. As a result, many people who enter the country and settle in Barking and Dagenham are not being picked up by ONS statistics.

- 6.6 The ONS is currently reviewing the methodology for allocating international migration between authorities, and there may be an upwards revision to Barking and Dagenham's population estimates as a result of this work. The accuracy of these statistics is important for a good grant settlement for Barking and Dagenham in future. A key priority for 2006/07 is to ensure that sufficient research is carried out to challenge and lobby against inaccurate statistics.

Population and grant settlement

- 6.7 As part of a move towards "three year settlements", for 2006/07, the ODPM used population projections rather than population estimates. The use of population projections rather than the 2004 mid year estimates has been a major contributory factor behind the Council's higher than average grant increases (before previous year adjustments). Without this change in methodology it is likely that the Council's allocations would have been closer to the floor.
- 6.8 It is not currently clear whether the ODPM will retrospectively revise the 2007/08 settlements to take account of any changes to the population data following work being carried out by ONS on existing data. This could result in a retrospective repayment of grant by the Council to the Government (or additional grant) depending on the impact of the outcome of the ONS migration study and the move to mid 2004 based projections.

Demography

- 6.9 The demographics of Barking and Dagenham demonstrate the diverse needs that exist across the Borough. These are exemplified with the following statistics:
- The Index of Multiple Deprivation 2004 places Barking and Dagenham within the top 25% most deprived Districts in England and when comparing the Average Rank IMD statistic Barking and Dagenham falls within the top 6% most deprived Districts in England;
 - There are 108 Super Output Areas (SOA's) in the Borough (these are a small geographical area that ONS provide demographic statistics on), 42 of these are ranked within the 10% most deprived in England. The IMD 2004 figures show that 10.3 % of this Boroughs population are living with the 10% most deprived areas in England. They also show that 14.3% of the Borough population is income deprived;
 - The Borough has the joint 9th highest Job Seekers Allowance Claimant Rate (5.9%) in London, the 3rd Highest of all Outer London Boroughs. Gascoigne Ward is in the top 3% highest Claimant Rates of all 625 London Boroughs; and

- Barking and Dagenham's 5.9% Claimant Count Rate is much closer to Inner London's 6.0% rather than Outer London's 3.7%.

6.10 Certain demographic factors are considered when Central Government sets the level of "formula grant" for the Council. It is important that the Council lobbys effectively to ensure these demographic issues are appreciated by Ministers deciding on formula changes.

7. Spending Review

7.1. The Government decides how much it can afford to spend, reviews its expenditure priorities and sets targets for the improvements, which are to be delivered from additional spending in its spending reviews (SR).

7.2. These reviews usually take place every two years, covering a three year period. They set out Government assumptions about local authority revenue, spending and determine the total level of grant to local authorities. The final year of a spending review becomes the first year of the next.

7.3. The next Comprehensive Spending Review (CSR), in July 2007, will have to respond to the tightened fiscal position, as well as set objectives for the coming 10 years. The Lyons Review of Local Government Finance (and now the role of local government as well) will report in late 2006, in time for the 2007 CSR. The objectives for asset management and capital funding will also be of interest to local government.

7.4 The Spending Review 2007 is intended to deliver:

- A fundamental review of Government's priorities and expenditure;
- Departmental allocations for 2008/09, 2009/10 and 2010/11;
- Examination of long-term trends that will shape the next decade (demographic change, globalisation, technology & climate change), together with an assessment of how public services need to respond;
- Zero-based review of departments' budgets and an assessment of their effectiveness in delivering the Government's long-term objectives;
- Further development of the efficiency programme, including the Gershon Review and Transformational Government; and
- Renewed focus on capital in the run-up to the SR. Building on the recommendations of the Lyons Review of asset management the SR will place a particularly focus on the condition and management of the underlying asset stock as a basis for future capital allocations.

8. Changes in Local Government Responsibilities (Functional Changes)

- 8.1 Changes occur between the years due to change in responsibilities and the Government will make adjustments for these. This will also include transfers from specific formula grants and ring-fenced grants into general “formula” grant.
- 8.2 2006/07 has seen a number of movements between formula grant and specific or ring-fenced grants. Funding previously received from specific grants for safeguarding children, and residential allowances ended in 2006/07. Funding for access & systems capacity was reduced, preserved rights funding was partially transferred into the formula grant and residential allowances was fully transferred into the formula grant. In addition to this, the Dedicated Schools Grant comes into effect for 2006/07, as detailed in paragraph 5.4
- 8.3 Allocations in the formula grant were also provided across the country for concessionary fares funding for free bus travel for over 60s and the disabled.

9. Changes in the Underlying Data in the Formula

- 9.1 A number of changes were made to the underlying data in the formula as part of the ODPM’s consultation on the local government grant settlement in 2005. These can be summarised by funding “block” as follows:
- New data has fed into the formula for children’s services. Outer east London boroughs (including Barking & Dagenham, Enfield Newham and Redbridge) gain materially under the new children’s formula whereas inner London boroughs experience large reductions in their notional share of national children’s funding;
 - Changes have been implemented to younger adults formula, as a result, Barking and Dagenham’s underlying 2006/07 younger adults funding has been increased by around 14.6%;
 - For both children’s and younger adults, changes to the formulae have, however, been heavily damped, with a floor increase of 2.7% guaranteed for all authorities. Barking and Dagenham’s notional increase in funding has therefore been scaled back to pay for this;
 - Barking and Dagenham’s older persons funding has fallen by 3.6% on a like for like basis mainly as a result in the falling population over 65. There was no floor increase guaranteed for older persons funding;
 - The EPCS formula has also been amended to reflect the additional £350 million of funding added to the settlement for the extension of the statutory free off peak bus travel for all pensioners and the disabled across England which was announced in the 2005 budget. Also within the EPCS formula weightings for population density, pensioners on income support and incapacity benefit/severe disablement allowance claimants have been increased in order to reflect the allocation of the concessionary fares funding;
- 9.2 No geographic changes were made to the area cost adjustment (ACA), although the Minister for Local Government did give a commitment to ‘look

again' at the ACA geography in advance of 2008/09. This represents a key issue for Barking and Dagenham, as the Council's wage pressures are 102% greater than the top up it receives through the ACA (i.e. more than double).

10. Floors and Ceilings

- 10.1 Each year, the Government guarantees a minimum increase in the Revenue Support Grant for each Council. This is known as a "Floor" increase set at 2% in 2005/06. The floor did not apply to Barking and Dagenham in 2005/06 as the grant increase was 2.5%.
- 10.2 The DFES also guarantees that every LEA receives a minimum per pupil increase in schools FSS each year, which was 6.4% in 2006/07. Barking and Dagenham's increase in per pupil funding was actually 6.6%.
- 10.3 The floor damping had a significant impact on the grant settlement for 2006/07. Such a range of formula changes were made that "real" grant increases were scaled back by 86% to ensure that all authorities saw a minimum 2% increase.

11. Capping

- 11.1 Each year when setting the Council tax the Authority needs to have regard to announcements from the Government in this area.
- 11.2 The capping criteria applied in 2005/06 was as follows: (Nick Raynsford speech 23rd March 2005):
- % increase in council tax – "excessive" was deemed to be over 5.5%
 - % increase in budget requirement – "excessive" was deemed to be over 6%

Barking and Dagenham's Council Tax rose by 3.5%, and the budget requirement grew by 5%.

- 11.3 The capping criteria to be applied in 2006/07 has not been announced yet, and will not be until after authorities set their budgets. However, an indication is given in the speech made by Phil Woolas to the House of Commons in 5th December 2005:

"We... expect to see average council tax increases in each of the next two years of less than 5%..."

The minister also wrote to Councils on the 13th December 2005, stating:

"We expect the average council tax increase in England in both 2006/07 and 2007/08 to be less than 5%."

The proposed budget requirement for 2006/07 is £247.424m. The budget requirement, after adjustment for fundamental changes, shows a 4.5% increase on 2005/06, and the Council Tax increase is proposed at 3.49%.

12. Inflation

- 12.1 General price inflation between 2% and 2.5% is expected over the next 2-3 years. The current Consumer Price Index at the end of 2005 was 2.4% however economists are projecting this to fall to around 2% as energy prices are expected to recede from their high in 2006. In arriving at this general price increase a variety of economic drivers were assessed some of which may have increased beyond 2.5% and others which may be subject to negligible inflation or even deflation.
- 12.2 In terms of forecasting inflation for staffing costs, a national 3 year pay agreement was agreed in 2003 being 2004/05 - 2.75%, 2005/06 - 2.95% and 2006/07 - 2.95%. The implementation of this 3 year pay agreement has improved the budget setting process. 2006/07 is the final year of the current pay agreement and negotiations between both the Employer and Employee representatives will commence late in 2006.
- 12.3 The Council's actuary reported the results of its tri-annual valuation in October 2004 which outlined the performance and position of the Council's pension scheme. The valuation reported that the Council needed to increase its annual pension contributions in order that the pension fund would be sufficiently funded to meet its projected liabilities. As a result the Council's pension contributions will need to increase over the next 2 years to the following
- 2006/07 15%
 - 2007/08 16.2%
- The current rate in 2005/06 is 12%.
- 12.4 Other inflationary pressures which may impact on the Council's budget over the medium term could include future Government changes such as increased national insurance contributions, cost pressures relating to specific industry pressures e.g. Construction services, as well additional costs arising on difficult to fill posts and the use of temporary staff. In addition the success of London winning the 2012 Olympics is likely to have an impact on inflationary pressures in London over the forthcoming years, particularly labour resources which are moved to deliver the necessary construction deadlines.
- 12.5 Approximately 80% of the Council's expenditure is on staff costs, so the inflationary pressures here are particularly important. Barking and Dagenham in common with nine other East London boroughs receives a top up of only 9% (around £20m) to its basic formula grant allocations to reflect the higher costs of recruiting staff in the capital – the area cost adjustment – compared to 15% for those in West London and 26% for the twelve inner London authorities. This is a potential lobbying area for the Council as relative wages paid in Barking and Dagenham are around 102% higher than the East London average according to the ONS's New Earnings Survey (the data source for determining relative wage rates) and this ought to be reflected in the area cost adjustment calculation.

The Governments inflation target is 2½% and the spending plans for local government have been based on being close to that target.

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

	2006/07	Later Years
Employee costs	2.95%	2.5% (per annum)
Other inflation	2.50%	2.5% (per annum)
Fees and charges	2.5%	2.5% (per annum)
Pensions costs	3.0%	1.2%

However with the budget proposals for 2006/07, consideration has been given to not fully funding inflation for non-pay areas across all Council Services excluding schools.

13. Vacancy Provision for Employee Costs

- 13.1 Budgets are currently set taking into account various vacancy factors. Heads of Service have discretion as to the level depending on the local circumstances and the impact on delivering services. In general both the Social Services and Education services do not operate with such factors as do services which are demand led.

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

- 13.2 The Council has a policy for reducing its use of agency staff and all temporary appointments are subject to the approval of a corporate agency panel which meets on a weekly basis. The overall use of temporary staff is being monitored extensively throughout the Council.

14. Single Status

- 14.1 The Council is currently involved in detailed work on the implementation of Single Status across the organisation. Essentially for local authorities this is to meet the requirement of the national pay agreement to complete a pay and grading review. Any costs associated with the final recommendations will need to be reflected as appropriate within the relevant year's budget process and the service reconfiguration reserve has been used for the initial costs of reviewing and implementing the single status agreement and for outcome of arrangements around single status.

15. Charging Policy

- 15.1 The Council has agreed a charging policy and this is set out in Annex 5.

15.2 The development of a Corporate Charging Register commenced in 2005 which will be completed in 2006. This will set out:

- A schedule of charges
- The date of revision
- The basis of calculations

15.3 All charges are reviewed annually as part of the budget setting process and appropriate reports are submitted to the Executive. For 2006/07 the budget process was based on general fees and charges increasing to ensure a 2.5% increase in yield in addition to the principles set out in the charging policy.

15.4 The Local Government Act 2003 also permits Councils to charge in further areas. The Council has not yet taken advantage of this power but will keep it under review.

15.5 From 01/04/03, Department of Health "Fairer Charging" statutory guidance applies to non-residential charging policies within care environments. The Fairer charging Guidance requires charges to take account of both the users' ability to pay and level of service required. This in effect makes it a requirement to undertake a means test to decide levels of charge and to move away from previous non-means tested flat rate charges the Council has favoured in Social Care. The statutory means test has meant that over 50% of Social Services clients have been taken out of being required to pay charges.

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

16. Reserves and Contingency

Reserves

16.1 When reviewing the Medium Term Financial plans, Councils need to consider the level of reserves and the reasons for those reserves. There is also a requirement to undertake a review when the annual budget is set in February/ March each year.

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

16.3 For Barking and Dagenham a reasonable level of reserves would amount to approximately £11m based on its annual budget requirement.

However a significant amount of the services that the Council provide have little or no risk in terms of potential financial performance and other internal and external influences and factors. After assessing these areas it is therefore considered that a more appropriate level of general reserves would be £9m.

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

16.4 Annex 6 sets out the Council's position on reserves and a policy for their application. It can be summarised as follows:-

- General Reserve
 - Projected uncommitted reserve at £9.1m for 2006/07;
- Repairs and Renewals Reserve
 - This contains a small number of reserves to fund the repair and renewal of specific assets such as IT;
- Spend to Save and Service Reconfiguration Reserves
 - These reserves were originally established with a balance of £4m each to be used as the Council underwent significant changes in its service provision as it addresses both the community priorities and new ways of working. In 2006/07 the projected uncommitted amount of these reserves will be £2m on Spend to Save and £1.5m on service reconfigurations;
- Capital and Revenue Support Fund
 - This reserve has been set aside to fund planned capital expenditure should anticipated capital receipts fail to arise. In addition the reserve will also support the Council's transition back into borrowing to fund its future capital investment plans. In 2006/07 the uncommitted balance remains at £10m.
- Insurance Fund
 - This fund is held to meet potential and contingent liabilities that the Council self insures. At the end of 2006/07 the fund is estimated to be £4.6m. It is recommended that this is an appropriate level of provision and that it is maintained for any future unforeseeable items;
- Interest Equalisation Reserve
 - This reserve was established to enable future reductions in investment income to be smoothed in the budget setting process;
- Bad Debt Reserve
 - This reserve is established to provide for future liabilities as a result of bad debt that may arise.

A full profile over a three year period is set out in Annex 7.

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

Contingency

16.6 In assessing the budget an adequate level of contingency is required as well as appropriate levels of reserves and balances. Each year when assessing the

level of contingency the following are examples of the factors that will be considered:-

- Projected pay awards (including London Weighting)
- In year budget pressures of volatile budgets (e.g. homelessness)
- Costs of new responsibilities, where estimates have been prepared with limited experience
- Unconfirmed grant funding regimes (e.g. civil defence)
- Unexpected events
- Variable interest rates
- Budget risks

The level of contingency for 2006/07 has been set at £1.2m

17. Flexibility Plans

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

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

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

18. Sensitivity Analysis

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

To this end, a sensitivity analysis has been undertaken of key potential causes of pressures, their likelihood and impact. This is detailed in Annex 8.

19. Education

19.1 The introduction of the “dedicated schools grant” (DSG) has fundamentally changed the way the Council budgets for Education expenditure for 2006/07 and in future years. Previously, the Council received Education funding through FSS, and, in theory, was in a position to spend that funding at its discretion. In

practice, this was not quite the case. The Secretary of State for Education and the Deputy Prime Minister wrote to every authority, expecting them to passport funding (meaning passing on the full increase in funding) in full, 'barring exceptional circumstances'.

- 19.2 For 2006/07, every Council in the country receive a grant from which it funds its schools expenditure. This change removes the discretion over whether authorities spend on Education at previous FSS levels. As it is a long standing practice for the Council to spend at FSS, this change has not had a significant impact. The Council is still funded through formula grant for its non-schools education expenditure.
- 19.3 Certain funding anomalies remain, despite the comprehensive changes made in this area for 2006/07. For example, in common with boroughs such as Newham and Haringey, Barking and Dagenham pays inner London pay rates to teachers but receives no direct compensation for this through the FSS system as it falls within the outer east London area cost adjustment region. Inner London boroughs, by contrast, receive an ACA top up for schools of 27% (almost 3 times as much) despite paying the same wage rates to teachers as Barking and Dagenham.

20. Social Services

- 20.1 Social Services budget planning for the three year period ending 2005/06 is contained with an "Improving Social Services Financial and Commissioning Framework" which was updated and agreed by the Executive on 23/3/04. Work is currently ongoing to update the document for the next three year period ending 2008/09 .

The framework / strategy being set is to continue and accelerate improvement in performance towards obtaining three stars for Social Services.

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

Social Services budgets will be re-aligned from 2006/7 in accord with the Councils new structures , ie a Children's Department and Adult and Community Services Department. This will be dealt with in a structured and supported manner with clear lines of accountability being identified for budget areas.

- 20.2. Budget pressures remain and are predicted for 2006/7 in Social Services particularly in the following areas:
- Children's Placements and Support budgets
 - Adult care packages
 - Learning Disabilities Residential Care
 - Agency usage and recruitment costs for social workers

Measures are being taken to deal with these issues , and maintain expenditure within the proposed set limits for 2006/7 .

21. Housing

- 21.1 The Housing Revenue Account has a medium and long term financial plan which is an integral part of the Housing Business Plan. This has been assessed by ODPM as being “Fit for Purpose”
- 21.2 The Housing Futures programme signed off by GOL in September 2005 includes the capital investment required to achieve the decent homes standard set by ODPM by 2010, and then to retain the stock at that level for the duration of the 30 year Business Plan. It also shows a robust balanced HRA over the 30 year period, which will need to be updated annually.

Both these financial documents will help shape the medium and long term future direction of Housing

- 21.3 Within the Housing General Fund there continues to be pressures around homelessness and the provision of temporary accommodation. The reliance on Bed and Breakfast has now been eradicated and replaced by the use of Private Sector Leased (PSL) properties. Contracts for PSL’s have been procured in accordance with EU directives and should provide better financial control.
- 21.4 Greater emphasis for the provision of new social housing is being placed on Private Sector Housing Developments. Partnering arrangements are being set up to ensure adequate resources are available to ensure the medium and long term objectives are met.

22. Other Services

Highways

- 22.1 Minimal changes were made to the Highways formula as a result of the grant settlement consultation. On a like for like basis, compared to 2005/06, the Council has received an additional £30k (1.1%). For 2007/08, the Council will receive a further 1.1%.

Environmental, Protective and Cultural Services (EPCS)

- 22.2 The service areas in EPCS continue to be subject to the greatest budget pressures over the short to medium term. While Education funding is funded from the DSG, and Social Services budgets are no longer ring-fenced, the comparatively low increase in funding for EPCS compared to the pressures that exist within this block, mean that significant savings need to be found to ensure that pressures are met and a robust budget continues to be set.
- 22.3 The EPCS formula has also been amended to reflect the additional £350 million of funding added to the settlement for the extension of the statutory free off peak bus travel for all pensioners and the disabled across England which was

announced in the 2005 budget. This is effectively a free resource for London boroughs as the freedom pass system already provides this benefit within the capital.

- 22.4 The weightings for visitors, commuters and country of birth within EPCS are broadly unchanged but the weightings for population density, pensioners on income support and incapacity benefit/severe disablement allowance claimants have been increased in order to reflect the allocation of the concessionary fares funding.

Regeneration and Urban Development Corporation (UDC)

- 22.5 Regenerating the local economy as a community priority requires strong links to the financial planning of the Council. The Council has undertaken a best value review of regeneration and the action plan from this sets out the financial implications.
- 22.6 Key to the regeneration strategy is the leveraging in of external funding and it is planned that this investment will generate external funding in the future (capital and revenue) to deliver the regeneration priorities. To date, the Government have committed just over £26million towards regeneration of Barking Town Centre up to 2006, £14 million towards the regeneration of Dagenham Dock and £125 million towards London Riverside.
- 22.7 Within the Sustainable Communities plan published in 2003 the government proposed that an Urban Development Corporation (UDC) should be established in two areas in the Thames Gateway, namely Thurrock (covering a single borough) and East London. This has now been established with the Council represented on the Board.
- 22.8 Notwithstanding this welcome investment in regeneration projects in the Borough the need for major investment in the London Riverside area and Barking Town Centre to secure the delivery of the Communities Plan's objectives will require concerted effort and considerable resources (with estimates as high as £2 billion for infrastructure improvements alone).
- 22.9 Much work has been undertaken to look at the social infrastructure needs of the new communities and the impact on existing ones. Officers are also looking at, with the Barking Riverside Company and English Partnerships, new ways of managing some of the public infrastructure created and also ways of capital funding it in the first place. Discussions are also taking place with the UDC in relation to a similar approach in Barking Town Centre. All of this will impact on the medium term financial strategy, although most likely in future versions as the significant growth will come over 5-10 years.

Customer First

- 22.10 The Customer First initiative comprises of a 3 year plan aiming to deliver the vision of "an excellent contact service with high standards of quality and performance." This three year business plan sets out the technical, process

and environmental improvements necessary to provide easily accessed services in a way and a time that will suit customers. This will be achieved through the continuing development of the contact centre, **Barking and Dagenham Direct**, launched in October 2004, for all the Councils services.

22.11 The current indicative costs of providing the Contact Centre are as follows:-

	<u>Annual Cost</u>	<u>Use of Reserves</u>	<u>Net Cost</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
2005/06	2,429	1,212	1,217
2006/07	3,674	1,000	2,674
2007/08	4,034	0	4,034

22.12 Provision was made to use reserves to fund the set up costs for 2004/05 and part of the ongoing costs in 2005/06. In addition as part of the proposed budget there is a further use of reserves required to support Customer First. Thereafter the cost of Customer First will need to be funded from revenue.

22.13 The above costs set out in paragraph 22.11 are in respect of the contact centre only. The establishment of two one stop shops has been agreed with the annual revenue cost for each of the one stop shops currently estimated to cost £1.3m to be met from Departments existing budgets..

22.14 The extent of this level of service reconfiguration is extensive and the financial viability of the project is dependent on driving out savings from service departments as a result of streamlining back office business processes, otherwise additional budget pressures will result.

This cross cutting initiative is key to the Council's future service provision and is figuring significantly in the council's financial planning, as resources are required to be redirected and saved in order to deliver the initiative.

22.15 In addition, there is an approved capital budget of £5m covering the period 2003/04 to 2006/07 to deliver the Contact centre. A further capital budget of £2.674m was agreed in January 2005 to fund the One Stop Shops.

Procurement

22.16 Following on from the Best Value review of procurement the establishment of a Corporate Procurement team was completed during 2005. The Team will be looking at ways in which the Council can achieve both financial savings and improve efficiency in the Council's procure to pay processes with a focus on meeting the requirements of the Gershon Efficiency Programme, the National Strategy for Procurement and preparing the Council for the impending CPA . In addition we will ensure that our procurement initiatives fit with the broader strategic objectives of the Council.

22.17 The main priorities for procurement are set out below:-

- Developing Procurement Skills

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

During 2006 the Council is undertaking a skills audit of all procurement practitioners and those managers for whom procurement forms a significant part of their role. A framework of training to satisfy the training needs identified will be developed and rolled out across the Council over the subsequent twelve months.

The Council will look to increase the number of corporate contracts as a consequence of standardising and aggregating demands for the supply of regularly used goods and services. This will enable the Council to explore opportunities to use various procurement options including partnering, use of voluntary and community sector, collaboration and consortia.

- Sustainability

The Team will be working to establish mechanisms through which employment opportunities for local people can be exploited and local businesses developed and encouraged to exploit trading opportunities provided by the Council and through its procurement.

From early 2006 all major Council contracts will be advertised on the Council's and other small business websites in addition to traditional media. It is planned that by the end of 2006/7 links will have been established with local business organisations in order to alert their members to Council trading opportunities, provide information on how the Council buys its goods and services and to provide support and advice on how they can win that business. The Council will also be introducing a number of electronic procurement solutions over the next three years (see below). It has been recognised that as a consequence many local, and especially small, businesses may have difficulty trading in this way. Corporate Procurement and Regeneration will work together over the next three years to provide assistance to that business in becoming e-enabled in order to trade with us and indeed most other local authorities.

- Equalities

In line with the Council's Equalities and Diversity Framework we will work towards raising service providers' performance in race equality and in employment and equal opportunities in general by securing contracts that deliver equalities in public procurement for the residents of the Council.

- Electronic Procurement

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

During the 2006/7 financial year the Council will introduce purchasing cards and will start to look at the introduction of electronic marketplace and electronic tendering and contract performance management solutions with the roll-out of these solutions continuing into 2007/8. Also during 2008 the feasibility of introducing electronic invoicing processes enabling both large and small suppliers alike to submit invoices electronically will be explored. It is again expected that this initiative will reduced internal transaction costs of the Council as well as those of our suppliers.

- Procurement Performance

In collaboration with the London Centre of Excellence the Council is developing a series of procurement performance indicators which will enable us to monitor year on year performance and the effectiveness of the procurement function both internally and in comparison with other public body organisations.

23. Future Considerations

23.1 **Economic Outlook** - major changes are expected in local government finance over the medium term (from 2008/09 onwards). Although the Government expects to meet both its Golden Rule and Sustainable Investment Rule, the margin is now very tight. Instead of the real-terms grant increases that local government has received over the past 10 years it is likely that – on average – increases will be closer to the trend growth rate in the economy (2.5%). For some services (e.g. non schools local government services) the growth rate may be below that.

- Treasury projections show the Government is meeting the Golden Rule (only borrowing for investment purposes), with an average annual surplus on the current budget over this economic cycle of 0.1% of GDP – this gives a margin of £16bn in this cycle. The economy is projected to return to trend in 2008/09.
- The sustainable investment rule is that net public sector debt should be less than 40% of GDP. Although net debt has been increasing in recent years, it is expected to be £37.4bn in 2006/07 and £38.2bn in 2010/11.

23.2 **Balance of Funding** - the initial review on the balance of funding in local government reported back in July 2004. One of the recommendations of the report was the establishment if an independent enquiry into this area, led by Sir Michael Lyons, who was due to report back in December 2005. This date has

now been put back to December 2006, as the significant issues associated with funding local public services, are considered in full.

- 23.3 **Revaluations** – the planned Council Tax revaluation in 2005 was postponed. The future of revaluation, and of the funding of local government as a whole is dependent on the outcome of the Lyons Review, now expected to report back in December 2006.
- 23.4 In July 2005, the Local Government Strategy Unit within ODPM began a wide ranging debate on the future of local government, publishing *The future of local government: Developing a 10 year vision*. The document raises a number of issues including local leadership, citizen engagement, and the improvement of public services. The outcomes from this debate are tied in with the work being done by the Lyons Inquiry into local government finance, which is due to report towards the end of 2006. Together they will inform a future strategy for local government which will have implications for future policies and financial regimes within the sector.

24. Prudential Capital Guidelines

- 24.1 The enabling legislation for the current capital regime is set out in the Local Government Act 2003 which came into force on the 1/4/04. Authorities are now given greater freedom to borrow providing they can meet the revenue costs of the borrowing and the running costs of the resultant capital scheme.

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

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

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

- 24.2 The previous capital control system used in the main, the issue of annual Credit approvals by Central Government. These approvals allowed local authorities to either borrow or enter into other long-term credit arrangements up to an approved level. The use of this system effectively allowed the Government to control Council's borrowing and prevent local government from generating unsustainable levels of debt.
- 24.3 Instead of the use of Credit approvals, the new system places reliance on a series of prudential indicators that must be determined by each local authority for the forthcoming year and the following two years. These indicators will assist Council's in determining an appropriate level of borrowing and to provide benchmarks against which they can monitor their borrowing levels.

- 24.4 In simple terms the Council is now able to borrow at whatever levels it feels are necessary so long as any borrowing is affordable, prudent and sustainable.
- 24.5 The new prudential guidelines requires the Council to set out various indicators on its Capital plans, investments and projected Council Tax increases, although being debt free reduces the extent of these. Annex 9 sets this out in more detail.
- 24.6 The new regime also requires the pooling of housing capital receipts. As from the 1st April 2004 the following pooling arrangements will apply:

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

- 24.7 However transitional arrangements have been approved for debt free Councils which will allow 75%, 50% and 25% of our pooled receipts to be retained over the three years 2004/05 to 2006/07 providing they are used for housing purposes. Over the three year period 2005/06 to 2007/08 the new pooling arrangements are estimated to cost the Council about £30 million of usable capital receipts that would have previously been available to the Council. This analysis of transitional support is summarised as follows:

	<u>Retained by Council</u>	<u>Paid into National Pool</u>
	<u>£m</u>	<u>£m</u>
2005/2006	7.3	7.3
2006/2007	3.7	11.2
2007/2008	0	11.5

- 24.8 These new arrangements have been allowed for in the Council's Capital Plan. The Capital Plan takes these changes into account, along with the need to borrow in the future.

25. Debt Free Position and Future Borrowing

- 25.1 As set out in section 24, the capital regulations that were introduced on the 1st April 2004 made the Council's debt free status less attractive. In particular these regulations require Councils to pay a proportion of their housing capital receipts into a national pool.
- 25.2 The transitional arrangements, also referred to in section 24 have enabled the Council to retain a proportion of capital receipts. However, as these arrangements expire in 2006/07, this will have implications on the Council's debt free position.

- 25.3 Based on the current capital programme, the Council will have spent the remainder of its capital receipts by 2008/09. At this point, the Council will need to borrow if it wishes to continue to finance its capital programme. With this in mind, an allowance has been made for borrowing costs in the 2008/09 projected budget position.
- 25.4 A range of technical and practical issues will arise for the Council to consider in returning to borrowing. Some key considerations are set out below:
- The process of borrowing needs to be considered, for example the sources of finance and any restrictions placed on local authorities;
 - The economic conditions have a bearing on decisions involving borrowing;
 - The type of borrowing is an important consideration, whether it is supported, unsupported, general fund or HRA; and
 - Accounting issues arise, such as the charging of a Minimum Revenue Provision (MRP).

26. Capital Investment Strategy

- 26.1 The capital strategy is an over-arching policy document relating to investment in services and describes how the deployment and redistribution of capital resources contributes to the achievement of corporate goals.
- 26.2 The strategy is a corporate document and as such has been developed in conjunction with Members and senior officers across the council. The Authority continues to reinforce its corporate approach to asset management with the embodiment of the previous "Corporate Asset Forum" into the Regeneration Board, the members of which are the Authority's Chief Officers. This demonstrates the commitment of the Council to deliver its capital strategy.
- 26.3 The Authority's strategic objectives, in relation to capital, can be summarised as follows;
- To ensure that capital resources are deployed in the most efficient, economic and effective manner and consistent with local priorities.
 - That the priorities and approach to capital investment is determined with reference to the Council's wider policies and objectives

More specifically,

- The Council will continue to look for regeneration opportunities entering into partnerships and influencing decisions where possible. Build closer and better partnerships with the private sector, public agencies and voluntary sector and the local community across the borough. Ensuring that Barking and Dagenham plays a full role in the future strategic developments of the region at an economic, social and environmental level.
- Encourage more private sector investment, shifting the Authority to an enabling

role. Moving away from ownership of assets where this is not deemed appropriate and transferring the liability and risk to those more able to manage.

- Reduce its holdings on non-operational/ commercial property to those consistent with agreed Council policy
- Successfully deliver a capital programme which is consistent with the Council's key priorities

26.4 Projections in respect of capital investment and disposals throughout the period from 2006/07 to 2009/10 are included in Annex 10 and Annex 11

27. Capital Investment and Borrowing

27.1. The Council is required to review its capital spending plans each year and set a Capital Programme. A key consideration when setting the programme is the projected level of available capital resources.

27.2. A variety of resources are available to local authorities to fund capital investment. The primary one is borrowing. However due to the Council's existing levels of capital receipts and its projected generation of future capital receipts, the Council does not currently utilise this type of resource to fund the Capital Programme.

27.3 A second source of funding is Capital Receipts which arise from the sale of assets such as surplus land and the sale of council dwellings. The amount of capital receipts generated varies from year to year, however, in order to maintain a consistent Capital Programme level it is necessary to plan the use of these receipts.

27.4 Thirdly, capital grants, issued by Government departments and agencies, which are allocated on a competitive bidding basis for specified purposes. Many of these bids require local authorities to make a financial commitment to the running costs of the schemes.

27.5 The range of external sources of capital funding that are potentially available to support the capital programme include those arising from regeneration programmes, Transport grants, Disabled Facilities grants, a number of Education grants e.g. seed challenge, Lottery, European Funds , PFI programmes and other specific Government programmes. These will also need to be kept under review by relevant spending departments throughout the year to ensure their full use and access to further availability of such external funds.

27.6 An important part of planning is for the Council to have a Capital Strategy and Asset Management Plan in place. In addition, there are other Service Capital Plans that are required by Government Departments and they need to link clearly to the overall Capital Strategy and Asset Management Plan. Specific ones are for Housing and Education.

27.7 The Capital Strategy and the Asset Management Plan are integral to the Council's future capital investment planning process. The Capital Strategy links policies and priorities to capital investment and provides a framework for the operational work of asset management. The Asset Management Plan, which

covers all of the Council's assets, provides essential information in determining Capital Investment needs.

- 27.8 It is anticipated that around £134 million of capital receipts will be available to support Capital projects from 2006/07 to 2009/10. Various assumptions have been made regarding the generation of capital receipts particularly around land disposals and 'Right to Buy' receipts. This position will therefore need to be closely monitored over the relevant years.

A Capital programme for 2006/07 to 2009/10 amounting to £181.8 million, funded by capital receipts of £106.3 million and externally funded sources of £75.5million is to be considered by the Assembly in March 2006.

A summary of this programme is detailed in Annex 10. As a result of these schemes this will leave around £27.7m of Capital receipts to fund future schemes.

In addition a provisional further 26 schemes amounting to £30.7m are also to be considered by the Assembly in March 2006. Their inclusion in the programme will be subject to the following:

- a review by the CPMO;
- approval by both the Resource Monitoring Panel and the Executive;
- the production of a detailed business case.

These additional schemes will be funded by a mixture of capital receipts (£15.2 m) and externally funded sources (£15.5m).

A summary of these provisional schemes are detailed in Annex 11.

An initial commitment of 50% of future usable Housing capital receipts is being made available to support the Housing Futures programme in bringing Council homes up to the decent home standards and retaining the majority of the housing stock in-house.

- 27.9 Any future revenue commitments (excluding capital finance costs) that may flow from these capital expenditure schemes will need to be incorporated in Service revenue growth/savings options and budgets that are considered each year when the Council Tax is set. A contingency sum has already been included for this.
- 27.10 There are also some significant programmes being considered and reviewed that may require the Council to consider funding options in the longer term. They include Housing Futures, Accommodation strategy and projects designed to meet the Council's regeneration agenda.
- 27.11 Similarly, there may be instances where there may be a business benefit of borrowing. For example, the construction of a car park could be financed by a loan, while the longer term income received on this asset would make the borrowing economically beneficial.
- 27.12 The Council will move away from being in a debt free position at some point in the next year or so. As this point approaches, or should any situation arise in

the mean time where it would be beneficial for the Council to borrow, the Director of Corporate Resources would report the relevant proposals to members.

- 27.13 The Director of Corporate Resources will report when necessary on the implications of the Council's investment requirements, including the implications of borrowing and when this might be necessary and most advantageous to the Council.

Dated : February 2006

Statutory Plans

The Council is requested to produce a number of Statutory Plans; the Government has proposals to reduce the number of these by 75% over a period of time. At present the following plans are required:

Name	Lead Department
Adult Learning Plan	Education
Early Professional Development Plan	Education
Educational Asset Management Plan	Education
Accessibility Strategy	Education
Public Libraries Standards	Education
Children and Young People's Plan	Children's Services
Social Services Delivery and Improvement Statement	Social Services
National Services Framework Older Persons Plan	Social Services
Annual Performance Assessment Plan	Social Services
Youth Justice Plan	Social Services
Adult Treatment Plan	Social Services
Young Persons Substance Misuse Plan	Social Services
DIP Plan	Social Services
Integrated Waste Strategy (ELWA)	DRE
Emergency Plans	DRE
Local Development Plan	DRE
Local Implementation Plan	DRE
Rights of Way Improvement Plan	DRE
Asset Management Plan	DRE
Local Bio Diversity Action Plan	DRE
HRA Business Plan	Housing and Health
Housing Strategy	Housing and Health
Crime, Disorder and Drugs Strategy	Housing and Health
Food Law Enforcement Service Plan	Housing and Health
Health and Safety Enforcement Plan	Housing and Health
Supporting People Strategy	Housing and Health
Public Health Annual Report	Housing and Health
Homeless Strategy	Housing and Health
Local Neighbourhood Renewal Strategy	DCS
Best Value Performance Plan	DCS
Community Strategy	DCS
Capital Strategy	Finance
IEG Statement	Finance

LOCAL PUBLIC SERVICE AGREEMENT: PUMP PRIMING GRANT

To assist in achieving the targets set out in this Agreement, the Government will make a pump priming grant of £914,346 to Barking & Dagenham Council as a contribution towards expenditure of an “invest to save” or “invest to improve” nature. This grant will be paid no later than the financial year following that in which this agreement was concluded.

The grant is intended to contribute to the costs of the projects detailed below in Table 1, to the extent shown in the final column. It must be spent, during the period of this Local PSA, in accordance with this Schedule, or as otherwise agreed with the Government as likely to assist in achieving the enhanced performance specified in Schedule 1. Conditions protecting the proper use of public funds will apply.

Table 1

Target	Project	Planned total council expenditure (£)	Grant contribution towards expenditure (£)
1, 2	A Personal Tutor (qualified teacher) to work with Looked After Children (LAC)	£111,563 (+£23,591)	£87,972
1, 2, 6, 7a	A Learning Co-ordinator to support the Borough's "Flexi-Learning Programme"	£93,636 (+£23,636)	£70,000
1, 2, 6, 7a	Tuition fees for pupils to attend Barking College as part of the "Flexi-Learning Programme"	£194,727 (+£19,727)	£175,000
6	Appointment of Access and Attendance Officer to primary team.	£88,363 (+£45,000)	£43,363
3	Appointment of a Burglary Reduction Advisor in the Chief Exec's Community Safety Team	£94,981	£94,981
4	<input type="checkbox"/> Walking Bus Co-ordinator	£71,000	£71,000
	<input type="checkbox"/> Consultation with schools	£4,000	£4,000

Target	Project	Planned total of council expenditure (£)	Grant contribution towards this expenditure (£)
8	Trial of innovative and more responsive equipment to improve street cleansing 2 SCARAB machines at £45,000 each	£90,000	£90,000
9	Staffing resources for the abandoned vehicle team	£76,786	£76,786
10	Develop and implement handheld technology (consisting of 6 no. handheld computers with mobile telemetry capability. Training and on-site support during the development and implementation phases.	£26,000	£26,000
11	Appointment of Crime Reduction Worker based in YOT to implement specialist programme for all young people.	£89,500	£89,500
12	Rangers post. Woodland planting programme. Appointment of external consultants to gain green flag accreditation. Publicity and educational materials.	£131,488 (+£45,744)	£85,744
		£1,072,044 (+£157,698)	£914,346

The maximum pump priming grant available to Barking & Dagenham will be £914,346 (£750,000+ £1 per head of population [164,346]).

Where the pump-priming grant does not fully cover the cost of achieving the stretch, the Executive has agreed (12.11.02) that departments will need to fund the difference from existing department budgets or by re-directing funding or achieving growth bids. This difference amounts to £157,698.

SUMMARY OF BUDGET PROJECTIONS UP TO 2008/09

	2006/07 £'000	2007/08 £'000	2008/09 £'000
BUDGET REQUIREMENT B/F	232,252	247,425	265,280
Pressures/Changes			
Unavoidable	0	745	745
Likely Commitments			
Education spending to DSG	7,756	5,945	6,245
Inflation (All council services excluding schools)	4,993	4,300	4,300
Concessionary Fares	0	150	150
Impact of 2006/07 budget decisions - pressures & growth	3,828	-330	-270
Areas of Potential Concern			
Corporate	2,633	4,185	2,575
Other	0	2,375	2,125
Future issues	0	1,000	1,000
Adjustments			
FSS fundamental changes	2,913	0	0
Other accounting/Executive decisions	-615	0	0
Total of Pressures/Changes	21,508	18,370	16,870
Less: Impact of Savings and Efficiency savings agreed for 2006/07	6,336	515	0
Revised Budget Requirement	247,424	265,280	282,150
Funding			
Formula Grant	82,388	86,215	90,180
Dedicated Schools Grant	118,882	124,825	131,070
Council Tax Collection	47,111	49,135	51,655
Collection Fund Deficit	-957	-250	0
Total Funding	247,424	259,925	272,905

Total Funding	247,424	259,925	272,905
Council Tax Position			
Council Tax Base (1)	50,648	50,395	50,395
LBBB Council Tax (2)	930.15	975	1,025
GLA Precept (3)	288.61	320	350
Total	1218.76	1,295	1,375
Overall change	5.67%	6.2%	6.2%
Funding Gap to be met by savings/elimination of growth/ /delivering Customer First savings/use of reserves/ further increase in Council Tax			
	0	5,355	9,245
(N.B. This is after allowing a 5% increase in LBBB Council Tax)			
Notes			
1. Assumes reduction in the Council Tax base of half a percent (0.05%) for 2007/08			
2. Assumes a 5% increase in Council Tax			
3. Assumes a 10% increase for both 2006/07 and 2007/08.			

2006/07 and 2007/08 Settlement Converted to FSS

SERVICE BLOCKS	2005/06 Amended £m	2006/07 £m	Increase 06/07 vs 05/06 £m	Increase 06/07 vs 05/06 %	2006/07 £m	2007/08 Adjusted £m	Increase 07/08 vs 06/07 £m	Increase 07/08 vs 06/07 %
Schools	108.263	0	0	0	0	0	0	0
Less Transfer to Dedicated Schools Grant	(109.249)							
	(0.986)							
Children's FSS	41.378	44.577	3.199	7.7%	44.577	47.372	2.795	6.3%
Adults Services FSS	43.603	43.291	(0.312)	-0.7%	43.311	45.008	1.697	3.9%
Highways Maintenance FSS	4.876	4.905	0.029	0.6%	4.905	4.962	0.057	1.2%
EPCS FSS	43.883	44.456	0.573	1.3%	44.456	46.753	2.297	5.2%
Capital Financing FSS	3.080	5.719	2.639	85.7%	5.449	6.314	0.865	15.1%
TOTAL FSS	135.834	142.948	7.114	5.2%	142.969	150.409	7.439	5.2%
Assumed Tax Collection	(55.587)	(57.535)	(1.948)	-3.4%	(57.535)	(60.992)	(3.457)	6.0%
Raw Grant	80.247	85.413	5.166	6.3%	85.164	89.416	3.981	6.3%
Floor adjustments	0.156	(2.331)	N/A	N/A	(2.082)	(3.201)	N/A	N/A
Grant after floors	80.403	83.082	2.679	3.3%	83.082	86.215	3.133	3.8%
Amending reports	0	(0.694)	N/A	N/A	N/A	N/A	N/A	N/A
EFFECTIVE GRANT	80.403	82.388	1.985	2.5%	83.082	86.215	3.133	3.8%

Charging Policy for Council Services

1. Introduction

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

2. Context for Charging

2.1. Charging in a mixed economy

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

2.2. Mandatory Charging

- 2.2.1. There are a number of areas of activity where the Council charges are set by central government by statute. The Council cannot vary these charges but it should seek to make progress towards full recovery by taking all reasonable steps to reduce the expenditure incurred in providing the service.
- 2.2.2. It is accepted that in some cases it may not be possible to deliver an acceptable service within the income available. In these cases, Members approval for the deficit must be sought together with an indication of the steps taken to minimise costs incurred.
- 2.2.3. In other areas charges will be determined by existing contractual commitments or by partnership arrangements in which the Council is one of a number of participants in policy formulation. Again the council should apply the principles outlined in this policy when contracts are renewed and promote them when partners consider charging policies.

2.3. Discretionary Charging

- 2.3.1. In this context the Council is the sole or primary provider of services and has discretion on whether to levy fees and charges and the extent to which costs are recovered.
- 2.3.2. Again the starting point should be that services will normally be expected to cover their costs and, where feasible to make a surplus, having regard to both the level of charges and the cost of the service.
- 2.3.3. Again wherever practicable charges should vary with the level of service provided.
- 2.3.4. The council may elect to subsidise some or all of the users of a specific service.

The next section sets out the policy on subsidisation.

3. Subsidy

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

3.2. General Subsidy

- 3.2.1. General Subsidies occur when a service is delivered at below cost to all users (e.g. off peak access to facilities).
- 3.2.2. When considering such a subsidy, Members must satisfy themselves:

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

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

3.3. **Specific Subsidies**

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

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

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

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

3.3.5. It is important therefore that such subsidies are focussed and have a reasonable chance of making a significant contribution to the Council priority or policy under consideration.

3.3.6. The proposed subsidy regime must be simple to administer. Complex bureaucracies for assessment and recovery will add significantly to the cost of service provision for all users while adding little value. The need to keep things simple and cost effective will affect the detail and sensitivity of any income assessment and the extent to which charges are directly linked to precise levels of service provision.

Charging Policy Commission

Fundamental Principles

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

And

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

Or

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

Member Checklist for Reviewing Charges

1. What if any charges are currently levied? When were they last reviewed?

How were these charges arrived at? Do they vary with the level of service provided?
2. What proportion of the cost of the service provided do they recover? What is the value of any surplus or subsidy within existing arrangements?
3. Is there a significant “cost of collection”?
4. Who are the customers of the service? How would they be affected by charging?
5. What Council priorities, policies or objectives are supported by this service?
6. Should the Council be providing this service? Is the service also provided by the private or voluntary sectors? At what price?
7. What would be the impact of charging on the basis of full cost recovery?
 - In financial terms – for example would there be an increase or decrease in revenue?
 - In terms of the impact on Council policies and priorities? – for example would there be a significant decrease in the take up of the service?

What is the evidence for these projections of the impact of the policy?
8. Is there a case for subsidising or discounting the charges? What Council priority or policy would this support? What evidence do we have to indicate that subsidies or discounts would make a significant impact?
9. What alternative approaches have been considered? Do these service users have access to other sources of funding or subsidy? Have these sources been fully utilised?
10. How could such a discount or subsidy be structured or focused to achieve the best results?
11. Can the discount or subsidy be applied in a cost effective manner that is easy to communicate to customers? What would be the costs of collection if a discount or subsidy was implemented?
12. Can the income raised through the charging regime make a significant impact on the quality of service provision?
13. When will this charge next be reviewed? How will the impact of changes in the charging regime be monitored and reported.

Reserves

1. General Reserve

- 1.1. The free balance for 2006/07 is estimated to be £9.1m. This takes into account the current approved usage of the reserve in future years.
- 1.2. It is projected to retain the reserve at around 5% of the Council's General Fund expenditure where it is considered that potential financial risks may exist. This amounts to a targeted reserve of around £9m.

2. Repairs and Renewal Reserve

- 2.1. This reserve is set up to fund the repair and renewal of specific assets and is broken down into a number of individual reserves.
- 2.2. The number of repairs and renewal reserves has substantially reduced over the last few years due to changes in service delivery e.g. leasing of vehicles and plant, closure of UPVC workshop.

3. Spend to Save and Service Reconfiguration Reserves

- 3.1. The Council is currently undergoing significant changes in its service provision as it addresses the community priorities. Over the next few years, the introduction of Customer First, addressing e-government targets and realising efficiency gains will significantly change the way the Council conducts its business.
- 3.2. Alongside this, the Council will also be required to make savings in order to continue to produce a balanced budget.
- 3.3. In 2005/06 a £4m reserve was ear-marked for potential spend to save activities, each of which would require a fully costed business case approved by TMT and the Executive.
- 3.4. In addition £4m was also set-aside into a Service reconfiguration reserve. Approvals have already been given in respect of £2.8m for Customer First and £380,000 for the office accommodation review. The remainder of the reserve will be held for potential other one-off costs associated with service reconfigurations such as Single Status, delivery of e-Government targets etc.
- 3.5. The use of these two reserves will be reviewed annually as part of the budget setting process.

4. Capital and Revenue Support Fund

- 4.1. This fund has been set aside to fund planned capital expenditure should the anticipated capital receipts fail to arise, as well as the Council's transition back into borrowing to fund its future capital investment plans.

The current level of net capital receipts which are estimated to be generated between 2006/07 and 2008/09 (after allowing for transitional arrangements), are as follows:

Year	RTB/Mortgages £m	Land Disposals £m
2006/07	9	20
2007/08	4	14
2008/09	4	13
Total	17	47

- 4.2. Receipts from RTB/Mortgages are regularly received and are subjected to monthly monitoring to ensure the planned level is received or action taken quickly to rectify the position. Similarly those of land disposals are also monitored but delivery of these receipts is much more risky and is dependant upon a number of external factors. Whilst the Council has been extremely successful in generating land disposal receipts in recent years, reliance on these type of receipts cannot be guaranteed and hence they need to be treated with caution.
- 4.3 The current planned disposal programme includes several high value disposals which if failed, were delayed or were for a lower value could impact significantly on the Capital Programme. The Council's current Capital programme is seen to be affordable on the basis that this expenditure can be funded from both capital receipts already received and anticipated future receipts.
- 4.4 Owing to the new pooling arrangements for capital receipts, the future amount of capital receipts retained by the Council will not be sufficient in itself to fund its future capital investment plans. The Council is already planning for when it has to return to borrowing to finance future capital schemes.
- 4.5. On the basis of the comments contained in paragraph's 4.3 and 4.4, it is recommended that this reserve is maintained at the £10m level. This reserve can then be used to substitute for any future short fall of capital receipts generated, as well as being used to smooth the Council's transition back into borrowing to fund future capital investment plans.

5. Insurance Fund

- 5.1. The Insurance Fund is held to meet potential and contingent liabilities for insurance that the council self insures. In recent years the Council's contributions and payments from this fund have been broadly neutral. However

it is recommended that a £4.6m level of provision is maintained for any future unforeseeable items e.g. contaminated land.

- 5.2. However, the Council recognises the need to ensure it has a strong approach to its risk management arrangements and the level of technical expertise of a corporate finance nature.

6. Interest Equalisation Reserve

- 6.1 The Council's General Fund budget has been prepared for 2006/07 utilising £3.5m of interest on balances. This sum is £0.8m lower than that budgeted for in 2005/06 and it is projected that this income will continue to reduce in future years as reserves and balances are used.
- Whilst the overall economic climate in recent years has maintained both relatively low levels and stable interest rates, the generation of interest receipts to the Council will be subject to any volatility in the markets. Economic forecasts over the next 12 months predict interest rates to fall which will place further pressure on the revenue budget
- The establishment in 2003/04 of an interest equalisation reserve will enable future reductions in investment income to be smoothed in the budget setting process.

7. Bad Debt

- 7.1 This reserve has been established to provide for future liabilities as a result of bad debt that may arise.

8. Barking College

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

9. Local Management of Schools

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

10. Collection Fund

- 10.1. The Collection fund is a separate account for the Council Tax, NNDR and residential community charge transactions. The transactions must be kept separate from the rest of the Council's income and expenditure.
- 10.2. The Council had an additional shortfall in its Collection Fund in 2004/05 of £458k. This deficit was as a result of:

- a further increase in the award of single person discounts to single people on full benefit in 2004/05 and
- an increase in the estimated bad debt provision in 2004/05.

As a result of this deficit, £459k was set-aside in 2005/06 in an ear-marked reserve to be used in 2006/07 to fund this shortfall.

- 10.3 For 2005/06 the Council has estimated a shortfall of £499k in its Collection Fund mainly as a result of further increases in the award of single person discounts. This deficit has been factored into the 2006/07 budget.

11. Housing Reserves

11.1. HRA Working Balance

The position on this reserve reflects the decisions made by the Executive on 14th February 2006 when the HRA estimates were considered along with the rent increase.

11.2 Major Repairs Reserve (MRR)

The MRR at the 1/4/05 was £1.5m, which is to be used in 2005/06 for funding the HRA's Major Capital Works programme. The estimated balance thereafter is projected to be minimal since contributions into the MRR will be mirrored by the planned capital expenditure on MRR projects. Any balance is a timing issue.

11.3. Leaseholder Repair Fund

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

HRA reserves are ring fenced to the HRA.

Profile of Reserves

	Bal 1/4/05 £m	Bal 1/4/06 £m	Bal 1/4/07 £m	Bal 1/4/08 £m	Bal 1/4/09 £m
General	19.9	12.8	10.1	9.5	9.1
<u>Earmarked</u>					
Repairs and Renewals	2.3	1.8	1.6	1.4	1.2
Spend to Save	4.0	3.6	2.0	1.3	0.5
Service Reconfigurations	2.9	1.3	1.5	1.0	0.5
Capital and Revenue Support Fund	10.0	10.0	10.0	10.0	10.0
Insurance Fund	8.1	8.5	5.6	5.1	4.6
Interest Equalisation	0.3	0.3	0.3	0.3	0.3
Bad Debt	0.0	0.5	0.5	0.5	0.5

Profile of Reserves
Ring fenced areas

	Bal 1/4/05 £m	Bal 1/4/06 £m	Bal 1/4/07 £m	Bal 1/4/08 £m	Bal 1/4/09 £m
Barking College	0.3	0.2	0.1	0.1	0.1
School Balances (net)	2.4	3.0	3.0	2.7	2.4
<u>HRA</u>					
- Working Balance	3.2	3.0	3.5	3.0	2.6
- MRR	1.5	0	0	0	0
- Leaseholder Repair Fund	3.1	3.1	3.1	3.1	3.1

Sensitivity Analysis

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

Revenue

The table below considers the impact of a number of high risk factors

issue	Variance from budget assumption	Cost £'000	Likelihood
Pay award	0.5%	960	Unlikely
Other inflation factors	0.25%	900	Possible
Variance in interest rates	0.5%	600	Possible
Increase in homecare costs	1%	100	Probable
Increase in other social care costs	1%	600	Probable

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

Council tax band	Impact on Council tax of additional spend at:- (before discounts)	
	£0.5m	£1m
A	£6.58p	£13.16p
B	£7.67p	£15.35p
C	£8.77p	£17.54p
D	£9.87p	£19.74p
E	£12.06p	£24.12p
F	£14.25p	£28.50p
G	£16.45p	£32.90p
H	£19.74p	£39.48p

Capital

Asset disposals may exceed the £43m target in the council tax strategy, and hence the capital programme has been set to reflect this. Further, the Authority has identified over 100 additional capital schemes that are not in the capital programme which have been reviewed by the Capital Programme Management Office.

Similarly, it is recognised that the existing programme would need revisiting should the assumed receipts not materialise within the year.

Prudential Capital Guidelines

1. In April 2004 the financial capital financing system was introduced based upon a prudential system of borrowing. Authorities are now given greater freedom to borrow providing that they can meet the necessary capital and interest repayments from revenue accounts. Even though the Council is currently not projected to lose its debt free position until 2008/09 the requirements of the code will fall within the three year horizon for capital and revenue forecasting. This will mean that the Council will need to implement the code in full even though those elements relating to borrowing limits and affordability will only apply in the final of the three years.

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

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

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

The previous capital control system used in the main, the issue of annual Credit approvals by Central Government. These approvals allowed local authorities to either borrow or enter into other long-term credit arrangements up to an approved level. The use of this system effectively allowed the Government to control Council's borrowing and prevent local government from generating unsustainable levels of debt.

Instead of the use of Credit approvals, the new system places reliance on a series of prudential indicators that must be determined by each local authority for the forthcoming year and the following two years. These indicators will assist Council's in determining an appropriate level of borrowing and to provide benchmarks against which they can monitor their borrowing levels.

In simple terms the Council is now able to borrow at whatever levels it feels are necessary so long as any borrowing is affordable, prudent and sustainable

2. These compulsory prudential indicators are referred to in the Local Government Act 2003 and are embodied in the CIPFA Prudential Code. The requirements of the new prudential system are based around some clear fundamental principles including:
- A three year rolling capital programme and revenue forecast is to be prepared and maintained with estimates of the council tax and/or average housing rent for each year.
 - Capital spending decisions must be both affordable and within sustainable limits in relation to the levels of Council Tax and HRA rent required to support these plans over the medium term
 - When considering the affordability of capital decisions the Council will need to take into account all the available resources, both in terms of its capital payments and receipts, and its revenue income and expenditure
 - All authorities must adopt the treasury management code.
 - Authorities should not borrow for revenue purposes (except in the short-term)

3. The new system places reliance on a series of prudential indicators that must be determined by each local authority for the forthcoming year and the two following financial years.

These indicators can be grouped into the following categories:

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

Although there are 5 key prudential indicator headings, they should not be looked at in isolation as they all have inter-relationships with one another.

These compulsory prudential indicators are referred to in the Local Government Act 2003 and are embodied in the CIPFA Prudential Code.

4. The prudential indicators can be summarised as follows:

Affordability

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

The indicators for affordability are:

- Estimated/actual ratio of financing costs to net revenue stream for HRA and general fund.

- Estimates of the incremental impact of capital investment decisions on both the Council Tax and housing rents

Prudence

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

- Net borrowing and Capital Financing requirement

Capital Expenditure

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

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

External Debt

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

The indicators for external debt are:

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

Treasury Management

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

- Adoption of CIPFA Code of Practice for Treasury Management in the Public Services
 - Upper limit on fixed interest rate exposure
 - Upper limit on variable interest rate exposure
 - Upper and lower limits for the maturity structure of borrowing
 - Prudential limits for principal sums invested for longer than 364 days
5. The code also places specific responsibilities on the Chief Finance Officer to ensure that matters required to be considered when setting and revising prudential limits are reported to the decision making body and to ensure that appropriate monitoring and reporting arrangements are put in place to assess performance against all the forward-looking indicators.

6. It is possible that a failure to secure funding for parts of the capital programme could generate a need to borrow even earlier. Given the size of the capital programme and its dependence on external funding for success, failures to secure funding at an early stage could result in an earlier loss of debt-free status and a need to borrow within the prudential guidelines.

7. From 2004/05 debt free authorities will be required to pay a proportion of their housing revenue account capital receipts into a national pool as follows:

- Right to buy receipts including proceeds from sales to existing tenants or occupiers and mortgage payments by past tenants to the authority will be subject to a pooling rate of 75%. This will be phased in over a three year period with a pooling rate of 25% in 2004/05, 50% in 2005/06 and 75% in 2006/07 - subject to the difference between this and the 75% pooling amount in 2004/05 and 2005/06 being used for affordable housing.
- Large and small scale voluntary transfer will not be pooled and may be used for any capital purpose.
- All other housing capital receipts will be subject to pooling at a rate of 75% for dwellings and 50% for land, commercial and other HRA property – unless they are used for affordable housing or regeneration where the poolable part of the receipt may be reduced to zero in accordance with the ‘in and out’ rules. Poolable receipts include the disposal of mortgage portfolios and payments made to redeem landlords share.

8. In summary, over the next 3 years the amount that can be retained by the authority for both its allowable element and its transitional relief is likely to be:

	<u>£m</u>
• 2005/2006	12.6
• 2006/2007	9.1
• 2007/2008	4.2

This has been factored into the capital programme projections.

Summary of Capital Programme 2005/06 to 2009/10

<u>Department</u>	<u>2005/06</u> <u>£'000</u>	<u>2006/07</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>	<u>2008/09</u> <u>£'000</u>	<u>2009/10</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Education, Arts & Libraries	18,154	11,682	5,874	1,379	42	37,131
Housing	41,088	31,424	34,809	30,811	30,811	168,943
Regeneration & Environment	36,086	18,116	9,051	925	0	64,178
Social Services	4,057	0	0	0	0	4,057
Finance	4,857	1,393	0	0	0	6,250
Corporate Strategy	1,841	3,352	2,175	0	0	7,368
	106,083	65,967	51,909	33,115	30,853	287,927
Accountable Bodies	1,960	0	0	0	0	1,960
Total Programme	108,043	65,967	51,909	33,115	30,853	289,887
<u>Funding:</u>						
Capital Receipts	59,988	41,220	27,671	19,097	18,325	166,301
External Sources	48,055	24,747	24,238	14,018	12,528	123,586
Total Funding	108,043	65,967	51,909	33,115	30,853	289,887

**Summary of Additional Schemes to be added to Capital Programme 2006/07 to
2009/10**

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

<u>Department</u>	<u>2006/07 £'000</u>	<u>2007/08 £'000</u>	<u>2008/09 £'000</u>	<u>2009/10 £'000</u>	<u>Total £'000</u>
Education, Arts & Libraries	1,960	1,500	500	0	3,960
Housing Regeneration & Environment	400	1,750	550	0	2,700
Social Services	6,620	7,972	4,700	0	19,292
Finance	150	0	0	0	150
Corporate Strategy	2,350	118	0	0	2,468
	2,070	66	5	0	2,141
Total Programme	13,550	11,406	5,755	0	30,711
<u>Funding:</u>					
Capital Receipts	10,090	4,034	1,055	0	15,179
External Sources	3,460	7,372	4,700	0	15,532
Total Funding	13,550	11,406	5,755	0	30,711

Contacts

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The Council's Commitment to Data Quality

For us to ensure that we provide outstanding services for our customers, we believe it is essential for us to have the ability to plan services effectively. This requires complete, accurate and timely data to inform both our strategic and operation decision making processes and business objectives.

Therefore, the Council's commitment to maintaining the highest standards of data quality, ensuring that performance information is right first time, underpins our aim of achieving excellence. This commitment is outlined in the Council's Data Quality Policy.

To ensure these high standards of data quality are met, we annually review the systems and controls we have in place with regard to the collection and calculation of all performance data.

The Council also produces a Data Quality Action Plan which is updated annually to ensure that any issues are rectified. The Action Plan is monitored throughout the year and is available to all staff.

Contracts Statement

Barking and Dagenham certifies that all individual contracts awarded during 2007/08 which involved a transfer of staff complied, where applicable, with the requirements in the Code of Practice on Workforce Matters in Local Authority Service Contracts.

