SUPPLEMENTARY 3

THE EXECUTIVE

Tuesday, 16 February 2010

Agenda Item 10.	**Housing Revenue Account Estimates and Review of Rents and Other Charges 2010/11 (Pages 1 - 17)**
Agenda Item 11.	**The Capital Programme 2010/11- 2013/14 (Pages 19 - 44)**
Agenda Item 12.	**Council Tax 2010/11 (Pages 45 - 71)**

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THE EXECUTIVE

16 FEBRUARY 2010

JOINT REPORT OF THE CORPORATE DIRECTOR OF CUSTOMER SERVICES AND CORPORATE DIRECTOR OF FINANCE & COMMERCIAL SERVICES

This report is submitted under Agenda Item 10. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order to avoid any delay in the setting of the housing rents and other charges as part of the Council's overall budgetary framework for 2010/11.

Title: Housing Revenue Account (HRA) Estimates and Review of Rents and Other Charges 2010/11	**For Decision**

Summary:
The Council has a statutory responsibility through the Local Government and Housing Act 1989 to manage the HRA as a ring fenced landlord account providing housing services to the Council's tenants and leaseholders. This report makes recommendations on the setting of rents, tenants' service charges and other charges for 2010/2011, along with planned reductions in expenditure, to achieve a prudent working balance.

Wards Affected: ALL

Recommendation(s)

The Executive is recommended to agree:

(i) The HRA estimates for 2010/2011, as set out in Appendix 1;
(ii) A Council dwelling rent increase of 1.76%, calculated in accordance with the Government's rent restructuring policy, which represents an average weekly rent increase of £1.28 ;
(iii) An increases to tenant service charges of 2.98% (average of £0.21 per week);
(iv) An increase to communal heating and hot water charges of 13.68% (average of £1.22 per week);
(v) An increase to garage rents of 1.76% (average of £0.19 per week);
(vi) The above increases taking effect from 5 April 2010;
(vii) To note that rents for commercial properties will increase in line with lease agreements; and
(viii) The creation of a heating and hot water account to calculate charges over a three year cycle.

Reason(s)
To meet the Council's statutory duty to annually review rents and other charges, to produce a balanced Housing Revenue Account and assist in achieving the Community Priority of "Prosperous".

Implications

Financial
The financial recommendations in this report allow the HRA to set a balance budget in

2010/11. The HRA working balance retained an insufficient working balance of £977,000 at the end of 2008/09. In 2009/10 the working balance is projected to increase to £4.369m and along with the Medium Term Financial Strategy provides a prudent working balance to ensure the sustainability of the HRA over at least the next 5 years. Notwithstanding, with the ongoing subsidy pressures on the HRA, failure to set a balanced budget in 2010/11 will mean that balances will need to be used to bridge any budget shortfall in 2010/11 thus placing further strain on the long term sustainability of the HRA.

Legal
Through the Local Government & Housing Act 1989 the Council has a statutory responsibility to manage a ring fenced HRA and is responsible for ensuring that the HRA maintains prudent revenue balances.

Contractual
No specific implications

Risk Management
The recommendations set out in this report enable the Council to set a surplus budget for the HRA to ensure that the ongoing process of restoring the working balance to a prudent level is achieved.

Failure to approve recommendations in this report would mean the Council might not be able to move back into a position of maintaining a prudent working balance, leaving the HRA vulnerable to significant risk from unforeseen cost implications. This in turn could potentially require a reduction in frontline services to tenants.

Staffing
No specific implications.

Customer Impact
This report details officers recommendations on the annual rents and charges increase to tenants and leaseholders within the Borough.

Safeguarding Children
No specific implications.

Crime and Disorder
No specific implications.

Property/Assets
No specific implications.

Options appraisal
Central Government continues to review the possibility of Council HRA's exiting the current Housing Subsidy System by way of a debt settlement, LBBD as the biggest contributor to the subsidy system is continually monitoring these developments and is in ongoing discussions with Central Government about the prospects of being an early participant/pilot Authority for exiting the HRA.

At this point no clear guidance or detailed data on how this will work is available, however logical pre-emptive work is being carried out to ensure LBBD can maximise any possibilities.

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1 INTRODUCTION

1.1 This report sets out the 2010/11 HRA budget, together with proposed increases in rent and other charges, the outcome of the tenants consultation exercise, reviews the forecast position and options for achieving a surplus budget to restore a prudent working balance.

2 POLICY CONTEXT

2.1 The Council has a statutory responsibility through the Local Government and Housing Act 1989 to manage the HRA as a ring fenced landlord account providing housing services to the Council's tenants and leaseholders. This report makes recommendations on the setting of rents and other charges for 2010/11 in accordance with the Councils statutory responsibility.

2.2 The Local Government and Housing Act 1989 Section 74 Part V1 specifies the major items that must be included in the HRA. Section 66(4) of the Act specifies that the HRA must be produced in accordance with approved Accounting Code of Practice.

3 HRA OUTLOOK

3.1 LBBD is currently the biggest contributor to the National Housing Subsidy System and until the constraints of the current subsidy system can be removed the ability of the Authority to move forward on key tenant aspirations will be difficult. The CLG is currently reviewing the Housing Subsidy System with the view of allowing Councils out of the subsidy system and to manage their HRA under the proposed new terms. It is unclear exactly how this would impact on LBBD as the key issue appears to be the allocation of debt through a "Debt Redistribution" process. Until the CLG formally issue guidance on the "Debt Redistribution" methodology then LBBD cannot determine whether the new framework is sustainable. Notwithstanding LBBD continue to be involved in key discussions with the CLG and regularly participate in discussion forums that are exploring the technicalities and implications of "Debt Redistribution." The CLG has commissioned the development of a prescribed 30-year business plan for calculating a "Debt Redistribution" model and it is intended that John Healey the Minister for Housing will in mid February 2010 put forward an offer to exit the current Housing Subsidy System to all HRA Authorities. A future Executive will need to give consideration to this.

3.2 In 2008/09 a HRA technical support team was tasked with exploring opportunities to increase the HRA working balance. There were a number areas investigated and some initial successes were delivered however at the 31st March 2009 the working balance had fallen to £977,000. This reflected the ongoing difficulty in reversing previous decisions that while costing the HRA significant resources could only be reversed over the next 1-3 years. Section 3.4 explores some of these issues in further detail. In the December 2009 Resource Monitoring Pane (RMP) report the HRA projected a significant in year underspend of £3.392m thus increasing the working balance to £4.369m. Members should note that an appropriate HRA working balance should be at least £3.0m and it is recommended that the working balance is maintained between £3.0m - £5.0m.

3.3 Right to buy sales as a result of the economic downturn have slowed considerably and for the foreseeable future is anticipated to remain low, this is also contributing to the Councils low level of available capital resources.

3.4 Members should note that significant efforts have focused on improving the overall management of the HRA to ensure the account remains financially viable. This has included:

i. Completing the phased approach of depooling tenant service charges, this will generate £7.333m income in 2010/11. Completing this exercise was essential in preventing further exposure to the CLGs rent rebate subsidy limitation that was budgeted to cost £4.611m in 2008/09. The depooling resulted in this being reduced to a maximum of £500,000 in 2009/10 and this will reduced to nil for 2010/11.

ii. Tenancy services work continues to drive out efficiency savings including a reduction in the Enterprise Ltd Repairs & Maintenance contract of £500,000 from 2010/11. Discussions on future efficiency continue beyond 2010/11.

iii. A review of the water and sewerage contract with Essex Water Board (EWB) was undertaken to assess the processes in place for managing this contractual arrangement. Changes included renegotiating the administration charge, renegotiating the management of voids, in particular voids from decants subject to a demolition order, and also identified flaws in the management process whereby the HRA failed to maximise the financial benefits of empty properties. This work has resulted in the administration charge increasing from 4.5% to 11.5% worth £500,000 a year and recovered £1m in payments previously made to EWB.

iv. A review of the HRAs use of energy and energy billing processes has identified process improvements that have enabled the Authority to recoup over £400,000 from EON. This work is ongoing and further savings are expected from EON and the review will then be rolled out to the second main energy provider EDF.

v. A fundamental review of the subsidy impact on LBBD has taken place. This highlighted opportunities for the HRA to maximise payments from the CLG for rent loss through the Councils continued support of the rent restructuring policy. In 2008/09 the HRA successfully recovered £1.0m from the Rental

Constraint Allowance (RCA) and followed this process through into 2009/10 and 2010/11 by increasing the ‘caps & limits’ adjustment paid by the CLG from £130,000 to £980,000 in 2009/10 and £2.014m in 2010/11. Whilst this is technically not new income as the CLG is refunding the Council for lost income from tenants derived from the rent restructuring policy, it is also evidently clear that in previous years the Council had not attached the level of technical expertise needed to ensure that monies due to the Council were recovered. For example in 2007/08 the Council did not submit a claim for RCA when they were clearly entitled to do so.

vi. During the rent setting process in 2009/10 the Housing Minister issued a statement on the 6th March 2009 informing Councils and tenants that a late adjustment to the rent restructuring policy would see all tenants benefit from a reduced rent increase. Rent letters across the country had been sent to tenants and confirmation of this change was unlikely to occur before June 2009. In light of this LBBD implemented the change to reduce tenants rents from April 2009 in doing saved tenants £2.1m which has since been fully recouped through the subsidy system from the CLG.

4 MEDIUM TERM FINANCIAL STRATEGY (MTFS)

4.1 The HRA MTFS aims to secure the medium and long term financial viability of the HRA. This includes robust financial management in the short term to ensure a balanced HRA budget can be set each year and the medium to long term strategy aimed at ensuring a prudent HRA working balance is maintained to support the delivery of quality services to residents in line with all stakeholders expectations. The HRA MTFS is particularly relevant with the current demands of the Housing Subsidy system and the likelihood that any move away from this system could require primary legislation and as such has the potential to not come into effect until at least 2012-13.

4.2 A change in Government in the 2010 election has the potential to derail this process however the indication is that the process will continue regardless of who is in power, though some details and the timetable may alter.

4.3 The Authority is hopeful of an exit prior to 2012-13 and on consultation it can move forward meeting our objectives of investing in our existing stock.

5 FINANCIAL IMPLICATIONS

5.1 RENTAL INCOME

5.2 The Government, through the rent restructuring policy, determines annual increases in rent levels. The purpose of this policy is to charge tenants fair and affordable rents below private sector market rents. The rent restructuring policy originally required tenant rents to converge to formula rent by 2011/12. In each of the last 3 years’ the Government has amended the rental convergence timeframe. In the draft subsidy determination 2010/11 the Government specifically uses 3.07 years as the rent convergence factor, a significant change from 2009/10 were convergence was scheduled for 2015/16. The impact of this change will see tenants whose rents have not converged to date incurring a slightly higher rent increase than previously calculated. That being said, the

Government policy on calculating formula rents includes a driver for inflation, in 2010/11 this is -1.4%. With this deflationary factor embedded in the rent formula the proposed annual rent increase is £1.28 per week or 1.76%

5.3 As part of the annual subsidy determination, the Government will protect Council's where tenant's rents do not converge due to the rental income constraints of following the rent restructuring policy. This is applied through the 'caps and limits' constraints that ensure an individual tenant does not have a rent increase (including tenant service charges) that exceeds RPI + 1/2% + £2. The impact of the 'caps & limit' constraint in 2010/11 will be a loss of rental income of £1.46 per week per dwelling on average or £1.434m in total to the HRA. The protection offered within the subsidy determination will see the lost rental income paid annually in arrears.

5.4 The 2010/11 housing subsidy determination instructs Councils to increase rental income by RPI of -1.4% plus 0.5% (-0.9%) plus an element for rent convergence as directed through the rent restructuring policy. Appendix 3 summaries the year on year changes in rental income, tenant service charges and the impact on rent rebate subsidy limitation.

5.5 TENANT SERVICE CHARGES

5.6 Tenant service charges have been depooled for five services, these being caretaking, concierge, grounds maintenance, security charges and TV aerials. The proposed increase in the charge for these services is 2.97% or £0.21 per week.

5.7 In 2009/10 full depooling of tenant service charges was completed. This enable a full reconciliation of the Council's charging mechanisms which subsequently highlighted that 780 properties had been charged incorrectly, in most cases meaning that no charge has been applied. This accounts have now been set up and the charges will be made in line with the correct charging process. Those tenants impacted by this oversight will see a small reduction in their rent account to offset the full inclusion of the tenant service charge.

5.8 RENT REBATE SUBSIDY LIMITATION (RRSL)

5.9 The RRSL represents the charge to the HRA where the average rent charged to tenants is determined as exceeding the Government's guideline rent for the Council. In 2008/09, the rent setting process set aside a budget of £4.611m for this charge. In 2010/11, this charge has been managed down to nil as a result of the ongoing work to charge tenants service charges based on services they receive rather than pooling costs under a single rental charge.

6 HOUSING SUBSIDY DETERMINATION

6.1 The CLG has issued the draft subsidy determination for consultation and the information contained in this report is based on the draft determination.

6.2 The HRA contributes annually to the national notional HRA based on the Housing Subsidy Determination as issued by the Secretary of State through the CLG. The Councils HRA continues to be a net contributor to the national notional HRA with a payment of £19.428m in 2010/11. This represents a decrease of £459k or 2.3% from 2009/10. Appendix 6 summarises the movement in the draft subsidy determination. The key issues to be taken from this include:

6.3 The management allowance has increased by £708,000 to £14.851m based on an inflation factor increase of 3.05%.

6.4 The maintenance allowance has decreased by £124,000 to £25.352m. Historically the Council's maintenance allowance exceeded the level calculated within the subsidy determination thus meaning the Council's allowance is protected annually at the higher level. The decrease in 2010/11 is due to the lower dwellings retained by the HRA due to right to buy sales. Members should note that the protection is reviewed each year and so it is possible that this could be removed in 2011/12. The HRA will benefit by £143,000 in 2010/11.

6.5 The major works allowance has increased by 4.06% per dwelling in 2010/11 representing an increase of £480,000. These resources are earmarked to fund the Councils Decent Homes Programme (Housing Futures) through the Major Repairs Reserve and so will not directly benefit the HRA.

6.6 Subsidy capital financing requirement (payment of interest to the CLG) will decrease by £804,000 in 2010/11 this however does not represent a real increase in resources as there is a corresponding reduction in interest payments from the General Fund to the HRA.

6.7 Members should note that if the Major Repairs Allowance (MRA funds capital) and subsidy capital financing requirement are excluded from these figures then the subsidy payable to the Treasury increases from £32.144m to £33.000m. This is an increase of £856,000 or 2.66% and shows the real revenue impact of the draft subsidy determination on the Council's HRA.

7 OTHER INCOME

7.1 There are numerous other sources of income to the HRA other than rental income. The main sources of income include:

7.2 Commercial property rents are based on the contractual agreement in place at the start of the commercial let. The contract determines the annual increase in the rental charge. Where a contract comes up for renewal or is a new contract then these charges are determined based on market conditions. It is anticipated that the current economic situation will have minimal or no significant impact on this income.

7.3 Garage rental income will increase by 1.76% taking the average charge from £10.84 to £11.03 per week.

7.4 The heating & hot water charge is paid by over 3,300 tenants and formed part of the ongoing HRA technical review. Section 11 of this report provides further analysis on this area.

7.5 The HRA charges and collects water rates to tenants on behalf of the Essex Water Board (ESB). The ESB in return pay the HRA a fee for the management and collection of water rates. The ESB also determine the annual increase in charges and these increases are applied to tenants by the Council. The ESB's proposed increase in 2010/11 has still to be agreed and so the Council have not been notified of the proposed increase to date.

8 HOUSING INVESTMENT PROGRAMME

8.1 The Housing Investment programme (formerly Housing Futures) is funded mainly from the Councils capital receipts and the Major Repairs Allowance (MRA). The MRA is the redirection of the HRA's revenue resources to capital through the Housing Subsidy determination. In 2010/11 the MRA will be £13.971m, an increase of £481,000. Appendix 7 summarises the MRR financial position and details the drawdown from the account to support the Councils Housing Futures capital programme.

8.2 Whilst the main sources of funding of the Housing Investment Programme is covered earlier it is possible for the HRA to make a revenue contribute to the MRR to assist with the funding of the capital programme. Members should note that to do this would require the HRA to maintain significant working balances that protect the long-term viability of the HRA. It is officer's opinion that the HRA does not hold sufficient revenue balances to be in a position to support the Housing Investment Programme capital programme.

9 RECHARGES

9.1 Recharges to the HRA are for services provided to HRA tenants and leaseholders by internal Council services. These range from central service functions such as Payroll, Finance and IT to front line delivery services such as refuse collection, grounds maintenance and building cleaning. Recharges in 2009/10 of £13.129m were charged to the HRA and in 2010/11 this will increase to £14.069m. This represents an increase of £940,000 or 7.16%.

9.2 Members should note that the recharges above for support services are paid by the HRA to the Council's General Fund. The HRA continues to drive out efficiencies from services and contracts controlled by Housing in order to maintain balances that protect the HRA from the difficult subsidy position driven by Central Government. If the HRA is to leave the subsidy system in the near future then it would need to ensure that the HRA maintained reasonable balances that would provide some room for manoeuvre when the "Debt Redistribution" is agreed. It would seem likely that the Council may need to reassess the level of recharges from central services made to the HRA in order to deliver more efficiencies however it should be noted that the General Fund would need to deliver these savings before reducing its charges to the HRA.

10 DIRECT COSTS

10.1 The HRA provides a repairs and maintenance service to tenants as part of its duty as a social landlord. The HRA has set aside a budget of £24.231m to meet its landlord duty in 2010/11. The service will continue to be provided by Enterprise Ltd in accordance with the ten year repairs contract between both parties. In recent years the HRA has set aside £3.5m for the capitalisation of revenue repairs, this will e reduced to £2.5m in 2010/11 to reflect the pressure on resources available to the Capital Programme.

10.2 HRA supervision and management costs will increase by £1.439m from £27.996m to £29.435m representing an increase of 5.1%. The increase in supervision and management costs can be separated into the following categories:

a) Inflation on salaries set at 0% in line with the Corporate policy;

b) No net inflationary increases on central recharges to the HRA although some specific changes have occurred, notably refuse collection and grounds maintenance charges have increased by £610,000. This follows a review of the charging in these services in 2009/10 that highlighted that the HRA was being under charged for these services.

c) Energy costs are projected to increase in 2010/11 and along with a realignment of energy budgets these costs are expected to increase by £804,000.

11 HEATING AND HOT WATER CHARGES

11.1 In 2009/10 heating and hot water charges remained at 2008/09 prices based on the assumption that gas and electric prices would reduce during the year. In fact prices did not prices did not materially change and so a shortfall in heating and hot water income of £250,000 has been incurred in 2009/10. Heating and hot water charges will need to increase by 13.68% or £1.26 in 2010/11 to bring the base charge in line with expenditure incurred in delivering this service. This will correct the base position for 2010/11 although this will not recover the £250,000 deficit in 2009/10. To recover the 2009/10 deficit a further 15.53% will need to be added to the proposed increase for one year.

11.2 While it is recommended to Members that the deficit incurred in 2009/10 is not recovered this time, officers do propose that a heating account is set up and managed over a rolling three year period. This will enable the HRA to recover one year deficits by calculating an average charge spread over three years, thus also removing the risk of large one off increases when energy prices surge.

12 Consultees

12.1 The following were consulted in the preparation of this report:

- Councillor Philip Waker — Lead Member for Housing
- Stephen Clarke — Divisional Director of Housing
- David Woods — Corporate Director of Customer Services
- Tracie Evans — Corporate Director of Financial Services
- Bill Murphy — Corporate Director of Resources
- Yinka Owa — Legal Partner

13 Background Papers Used in the Preparation of the Report:

- Local Government Act 2003;
- Housing Revenue Account Manual;
- Department for Communities and Local government (CLG) 2009/10 and 2010/11 Subsidy Determinations;
- Office of the Deputy Prime Minister (ODPM) Consultation Papers on Resource Accounting and Rent Convergence;
- ODPM Consultation paper on the three year review of Rent Restructuring;
- Service Plan for Housing Services;
- Executive Report 2009-10 Housing Revenue Account (HRA) Estimates and Review of Rents and other Charges

14 List of appendices:

Appendix	Description
1	HRA Estimate 2010/11
2	HRA Working Balances
3	Rental Income Analysis
4	Average Rent Analysis
5	Rent Rebate Subsidy Limitation
6	Housing Subsidy Determination
7	Major Repairs Reserve
8	Rental Income Debtor Account
9	Analysis of Rent Change

APPENDIX 1

HRA ESTIMATE 2010/11	2009/10 £000	2010/11 £000	Change £000	% Increase
INCOME				
Rents of dwellings	(71,900)	(72,735)	(835)	1.2%
Non dwelling rents	(2,473)	(2,571)	(98)	4.0%
Charges for services and facilities	(10,575)	(11,807)	(1,232)	11.7%
Capitalisation of Revenue Repairs	(3,500)	(2,500)	1,000	-28.6%
TOTAL INCOME	(88,448)	(89,613)	(1,165)	1.3%
EXPENDITURE				
Repairs and maintenance	23,982	23,831	(151)	-0.6%
Supervision and management	27,996	29,435	1,439	5.1%
Rents, rates, taxes and other charges	524	577	53	10.1%
HRA Subsidy payable	19,889	18,385	(1,504)	-7.6%
Depreciation of fixed assets	13,689	14,170	481	3.5%
Increase in provision for bad debts	746	800	54	7.2%
Rent rebates subsidy limitation	504	0	(504)	-100.0%
TOTAL EXPENDITURE	87,330	87,198	(132)	-0.2%
NET COST OF HRA SERVICES	(1,118)	(2,415)	(1,297)	116.0%
Corporate and Democratic Core	811	811	0	0.0%
Revenue Contribution towards Capital	1,885	2,071	186	9.9%
NET COST OF HRA SERVICES	1,578	467	(1,111)	-70.4%
Interest and investment income	(1,364)	(467)	897	-65.8%
DEFICIT / (SURPLUS) FOR THE YEAR	214	0	(214)	

APPENDIX 2

HRA WORKING BALANCE	
	2009/10 **£000**
Working Balance 1st April 2009	(977)
Projected Surplus 2009/10	(3,392)
Working Balance 1st April 2009	(4,369)
Surplus Budget 2010/11	0
Working Balance 31st March 2011	(4,369)

APPENDIX 3

RENTAL INCOME ANALYSIS				
	2009/10 £000	**2010/11 £000**	**Change £000**	**% Increase**
INCOME				
Rents of dwellings	-71,900	-72,735	-835	1.16%
Tenant Service Charges	-6,765	-7,333	-568	8.40%
TOTAL INCOME (INCLUDING STOCK LOSS IMPACT)	**-78,665**	**-80,068**	**-1,403**	**1.78%**
Rent rebates subsidy limitation	504	0	-504	-100.00%
TOTAL INCOME	**-78,161**	**-80,068**	**-1,907**	2.44%

APPENDIX 4

AVERAGE RENT ANALYSIS				
	2009/10 £	**2010/11 £**	**Change £**	**% Increase**
AVERAGE RENT				
Average Rent	72.69	73.97	1.28	1.76%
Tenant Service Charges	7.06	7.27	0.21	2.97%
AVERAGE RENT	79.75	81.24	1.49	1.87%
Average Stock	19,495	19,279	-216	-1.11%

APPENDIX 5

RENT REBATE SUBSIDY LIMITATION	
	2010/11 **£000**
Rent Rebate Limitation 2008/09	**4,611**
Impact of Technical Review on Tenant Service Charges 2008/09	-1,169
Impact of Technical Review on Tenant Service Charges 2009/10	-175
Impact of Subsidy Determination and Asset Value Review	-1,067
Impact of Completion of Phased Depooling of Tenant Service Charges	-1,696
Rent Rebate Limitation 2009/10	**504**
Impact of Completion of Phased Depooling of Tenant Service Charges	-504
Rent Rebate Limitation 2010/11	**0**

APPENDIX 6

HOUSING SUBSIDY DETERMINATION

	2009/10 £000	2010/11 £000	Change £000	Movement %
SUBSIDY PAYABLE				
Management Allowance	-14,132	-14,852	-720	5.09%
Maintenance Allowance	-25,476	-25,352	124	-0.49%
Guideline Rent	71,754	72,160	406	0.57%
	32,146	31,956	-190	-0.59%
Major Repairs Allowance	-13,490	-13,969	-479	3.55%
Capital Financing	1,184	380	-804	-67.91%
Mortgage Interest	49	18	-31	-63.09%
TOTAL SUBSIDY PAYABLE	**19,889**	**18,385**	**-1,504**	-7.56%

APPENDIX 7

MAJOR REPAIRS RESERVE

	2009/10 £000	2010/11 £000
Opening Balance - 1st April	0	0
Major Repairs Allowance	-13,490	-13,971
Capital Spend on Housing Futures	13,490	13,971
Closing Balance - 31st March	**0**	**0**

APPENDIX 8

RENTAL INCOME DEBTOR ACCOUNT			
	Current Debtors **£000**	**Former Tenant Debtors** **£000**	**Total Debtors** **£000**
Debtor Balance - 1st April 2009	2,380	1,740	4,120
Projected Increase in 2009-10	155	225	380
Debtor Balance - 31st March 2010	**2,535**	**1,965**	**4,500**
Projected Increase in 2010-11	165	254	419
Debtor Balance - 31st March 2011	**2,700**	**2,219**	**4,919**
Annual Increase in Arrears	**6.51%**	**12.93%**	**9.31%**
Proportion of Annual Rent Debit	**3.71%**	**3.05%**	**6.76%**

APPENDIX 9

ANALYSIS OF RENT CHANGE BY %	
	No of Tenants
Change:	
up to 1%	1,134
Between 1 to 2%	10,971
Between 2 to 3%	7,145
Greater than 3%	29
	19,279

ANALYSIS OF RENT CHANGE BY £	
	No of Tenants
Change:	
up to £1	981
Between £1.00 & £1.50	17,197
Greater than £1.50	1,101
	19,279

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THE EXECUTIVE

16 FEBRUARY 2010

REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND COMMERCIAL SERVICES

This report is submitted under Agenda Item 11. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order to avoid any delay in the setting of the Capital Programme as part of the Council's overall budgetary framework for 2010/11.

Title: The Capital Programme 2010/11 to 2013/14	**For Decision**

Summary
This report deals with the formation of a proposed Capital Programme for consideration by the Executive and approval by the Assembly.

The attention of the Executive is drawn to two key changes in the programme proposed for 2010/11 onwards. Firstly, an exercise of re-prioritisation of capital schemes has been undertaken, with the resources identified as available for re-direction funding a programme of New Council House Building. This has been incorporated into the programme. Secondly, this report proposes that the balance of funding needed for the Skills Centre is included in the capital programme to ensure that this scheme progresses, although members are asked to note that external funding will continue to be sought for this scheme.

As a result of these changes, the resulting capital programme totals £394m for the financial years 2010/11 to 2013/14. Funding proposals for this programme have identified that £318m can be funded from external sources (£219m of this is in respect of Children's Services – Primary Schools Investment and Building Schools for the Future and £59m of this is in respect of the Major Repairs Allowance for Housing), and the balance of £76m is to be met from borrowing funded by the Council.

An allowance has been factored into the revenue budget model to enable the Council to borrow over the next four years to support capital expenditure. This allowance will enable borrowing of £60m to be funded corporately, with the balance being met from the relevant departmental budgets. It is the Chief Financial Officer's view that this level of borrowing is prudent, affordable and sustainable. These considerations form part of an assessment that must be carried out under the Prudential Code for Capital Investment. This corporate funding is designed to complement other sources of funding, such as external grants.

Throughout 2009/10, detailed discussions have taken place regarding the key priorities for capital investment by officers and Members. This provided a framework for to enable the production of the updated capital programme.

Alongside these discussions, detailed work has been undertaken to assess the impact of the economic downturn on the capital programme. The main effect has been on the land disposals programme. It is assumed in the production of this report that no additional capital receipts will become available to fund future capital investment.

The additional schemes proposed in this report have been subject to review by the Capital

Programme Monitoring Office (CPMO). However, these schemes will still need to achieve 5 green lights before expenditure can be incurred.

Wards Affected: All Wards

Recommendations

The Executive is asked to :

(i) Note the position of the 2009/10 Capital Programme as detailed in **Appendix A**;

(ii) Note the current capital accounting arrangements and prudential indicator capital guidelines as set out in section 3; and

(iii) Recommend the Assembly to approve:

a. The overall Council Capital Programme for 2010/11 to 2013/14 as detailed in **Appendix B**, which includes New Build Council Housing funding of £10.011m (£0.307m in 2009/10) and Skills Centre funding of £13.409m (£0.491m in 2009/10);

b. The Prudential Indicators for the Authority as set out in **Appendix C**.

Reason
To assist the Council to achieve all of its Community Priorities via a prudent and affordable Capital Programme.

Implications:

Financial:
The report proposes borrowing of £76m to fund a capital programme for the financial years 2010/11 to 2013/14. The proposed programme is considered to be both prudent and affordable to the Council and the revenue implications of this borrowing having been taken into account in setting the revenue budget and Medium Term Financial Strategy.

Legal:
The Executive is asked to recommend the capital programme for 2010/11 and the stated Prudential Indicators to the Assembly for adoption. The current regime of capital finance grants local authorities freedoms to make relevant decisions save that they must act in accordance with proper accounting practices. Proper practices which have been defined in Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as the accounting practices contained in “A Statement of Recommended Practice: Code of Practice on Local Authority Accounting in the United Kingdom” and the “Best value Accounting Code of Practice”. Local authorities are also required to have regard to the “Prudential Code for Capital Finance in Local Authorities” and “Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes”.

Members will note that the capital program for 2010-2011 is proposed to be funded from a combination of external funding such as grants and borrowing. In relation to borrowing section 3 Local Government Act 2003 requires local authorities to determine and review how much it can afford to borrow (the affordable borrowing limit). In the Treasury Management Strategy report also before the Executive on 16 February 2010 it is confirmed that the authorised borrowing limit is £200million for 2010/11. The proposed level of borrowing is within the authorised limit. In terms of governance arrangements members will note that the capital program is subject to ongoing review by the Capital Programme Management Office (CPMO).

Members will wish to consider the affordability of the programme and that the programme will assist the council to fulfil its objectives for residents.

Contractual:
No specific implications.

Risk Management:
The risk to the Council is that forecasted capital receipts will not be generated, final budgets for capital schemes may be higher that projected, during the course of delivering capital schemes there may overspends and external funding will not be forthcoming.
Specific procedures are in place through the Resource Monitoring Panels, Capital Programme Monitoring Office (CPMO), Corporate Management Team and the Executive to control these risks.

Customer Impact:
No specific implications.

Safeguarding Children:
No specific implications.

Crime and Disorder:
No specific implications.

Property/Assets:
The Capital Strategy is linked to the Property Asset Management Plan.

Options Appraisal:
A review of submissions was made in the light of the Council's capital strategy and the scheme proposals for the following four year capital programme are contained within this report.

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1. Introduction and Background

1.1. 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.

1.2. A variety of resources are available to local authorities to fund capital investment. The primary one is borrowing. The Medium Term Financial Strategy has set aside revenue funding to enable the Council to fund borrowing over the period from

2010/11 to 2013/14. The purpose of this funding is to complement other sources of funding, such as external grants, to enable the Council to deliver an ambitious capital programme that supports its objectives.

1.3. 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 generation of capital receipts is currently limited due to the economic downturn, so the capital programme does not rely on generation of capital receipts for its funding.

1.4. A third source of funding is capital grants, or external funding, issued by Government departments and agencies, which are often allocated on a competitive bidding basis for specified purposes. Many of these require local authorities to make a financial commitment to the running costs of the schemes.

1.5 The basis of the formulation of the revised programme for 2010/11 to 2013/14 needs to take account of:

- the approved programme agreed in the 2009/10 budget;
- any new approvals, deletions or re-profiling of schemes throughout 2009/10;
- identification of any capital requirements for 2010/11 and beyond.

1.6. The purpose of this report is to enable the Executive to propose a capital programme for approval by Assembly on 24th February 2010.

2. Capital Programme Planning

2.1. 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.

2.2 The authority's Capital Strategy is updated on an annual basis and is part of the Medium Term Financial Strategy which is subject to a separate report. The capital strategy is an over-arching policy document which relates to investment in services and describes how the deployment and redistribution of capital resources contributes to the achievement of corporate goals. The overarching objectives for the Capital Strategy are as follows:

- Successfully deliver a capital programme which is consistent with the Council's key priorities;

- Maximising external funding to support the delivery of the capital programme consistent with the Councils' key priorities, both from the private sector and through government grant funding; and

- Maximising the utilisation of the Council's assets by:
    - Ensuring that all investment properties are making sufficient returns;
    - Ensuring that non-profitable investment properties and assets surplus to requirements are disposed of as efficiently as possible; and
    - Monitoring the utilisation of assets on a regular basis.

In 2009/10 economic conditions were not favourable for asset disposals. Market conditions are starting to improve and land sales will be considered in 2010/11.

2.3 The Property and Asset Management Plan is integral to the Council's future capital investment planning process. It provides essential information in determining capital investment needs.

2.4 The formulation of the 2010/11 – 2013/14 capital programme has taken account of the Council's Property and Asset Management Plan and consequently capital schemes are assessed and approved on the basis of this strategy.

3. Capital Accounting Arrangements

Introduction

3.1 The enabling legislation for the current capital regime is set out in the Local Government Act 2003 which came into force on the 1st April 2004. Since this date, authorities have been empowered with greater freedoms to borrow than under the previous system, providing they can meet the revenue costs of the borrowing and the running costs of the resultant capital scheme. The capital system provides for an 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.

3.2 Prior to April 2004 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.

3.3 Instead of the use of credit approvals, the current 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 assist Council's in determining an appropriate level of borrowing and to provide benchmarks against which they can monitor their borrowing levels.

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

3.5 These prudential guidelines require the Council to set out various indicators on its capital plans, investments and projected Council Tax increases.

3.6 In addition local authorities are required to pool their housing capital receipts in the following way:

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

3.7 In the previous 5 years, this has had a significant impact on the Council's financial position. Prior to 2004, all capital receipts were kept and contributed to the Council's buoyant financial position and debt free status. Post-2004, the Council's capital balances have reduced as receipts have been pooled to central government.

3.8 From 2010/11 onwards, the impact of pooling for the Council will be limited – due to adverse economic conditions, land sales and right to buy receipts will be limited over the coming years. However, as the market starts to improve, this impact may increase again.

3.9 Capital expenditure plans proposed in this report, along with existing capital investment plans, require the Council to borrow £76m over the period 2010/11 – 2013/14.

Prudential Indicators

3.10 The prudential code for capital finance was introduced in April 2004 and is based upon a prudential system of borrowing. Under this framework, Councils have to set a series of indicators to assess whether capital investment is affordable, sustainable and prudent. In coming to this assessment, a series of "prudential indicators" need to be set. These compulsory prudential indicators are referred to in the Local Government Act 2003 and are embodied in the CIPFA Prudential Code.

3.11 The prudential 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 five key prudential indicator headings, they should not be looked at in isolation as they all have inter-relationships with one another. 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 form other long term liabilities;
- Actual external debt as at 31 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.

3.12 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.

3.13 Detailed work has been undertaken on the relevant Prudential Indicators required for the Authority in relation to the Capital programme and these are set out at **Appendix C**. These indicators are reported to the Executive as part of the budget monitoring report on a quarterly basis to reflect any changes to the programme throughout the year. Those indicators relating to treasury management are reported within the Council's Annual Treasury Management Statement.

3.14 In summary, it is the Chief Financial Officer's view that the 2010/11 to 2013/14 capital programme is prudent, sustainable and affordable.

4. Capital Appraisal System

4.1 The Council has in place a Capital Programme Monitoring Office (CPMO) whose purpose is to provide a programme management function for the capital programme. These functions include clear processes around programme management; project appraisal and programme assembly.

4.2 The whole process is Green Book compliant and has been recognised as good practice by both the I&DeA and the Audit Commission. As a result all proposed capital projects are appraised by the CPMO and scored in terms of:

- Strategic fit & business justifications;
- Options analysis & achievability;
- Management & delivery structure;
- Risk Analysis; and
- Financial implications.

4.3 These appraisals involve a challenging process to departmental programme managers and concentrate on issues such as risks to the authority, revenue implications, deliverable benefits and measured outcomes to the community.

4.4 The appraisal process has become a cornerstone to the construction, approval and delivery of the Council's Capital plans. To ensure continuous improvement in this area the whole appraisal process is currently undergoing a review to meet all best practice guidelines.

5. Capital Programme 2009/10 – latest position

5.1. The Capital Programme is being managed by the Capital Programme Monitoring Office (CPMO) alongside the scheme managers in the relevant Departments. Support from the Finance Department is also provided to assist with the financial monitoring of the overall Programme.

5.2 The revised Capital Programme for 2009/10 currently totals £117m following the re-profiling as set out in the December 2009 budget monitoring report, although this includes schemes subject to appraisal. The full breakdown of the revised Capital Programme scheme by scheme for 2009/10 is shown in **Appendix A**.

5.3 As at the end of December 2009 £54m of this year's programme has been spent. This revised programme reflects the re-profiling of a number of schemes throughout the year which have previously been reported to the Executive. In addition to this 'physical' spend there are a great number of schemes which have commitments to spend before the year end. It is quite usual for the majority of spending on capital schemes to occur in the latter part of the year as a result of tender exercises and consultation.

6. Proposed Capital Budget 2010/11 to 2013/14

New capital bids

6.1 During 2009/10 all service departments were asked to consider their potential new capital investment requirements from 2010/11 onwards in accordance with the Council's capital investment priorities, which could be funded either from external sources, or schemes that which were self-financing.

6.2 The current capital programme is already funding a significant number of schemes to enable the Council to deliver its priorities on behalf of local residents. Due to the current economic conditions, an affordability assessment was undertaken on potential additions to the capital programme. As such, only two amendments are proposed for the programme.

6.3 Firstly, an exercise of re-prioritisation of capital schemes was undertaken, with the resources identified as available for re-direction funding a programme of New Council House Building. A report setting out this programme in detail was taken to the Executive on 19 January 2010, and this report formalises the programme into capital budgets.

6.4 Secondly, this report confirms the Council's commitment to fund the Skill Centre. The total project costs are £13.9m. Of this, a grant of £5m has been secured from the Department for Children, Schools and Families. Other sources of funding, including Section 106 balances, have been identified which will fund a further £3m of this development. This leaves a residual balance of £5.9m. While the Council has set aside funding to cover this balance, officers will continue to seek external funding and contributions to close the gap on this development.

6.5 As a result of the inclusion of these additional schemes, the revised capital programme, and how it will be funded will be as follows:

	2010/11	2011/12	2012/13	2013/14	Total
	£'000	£'000	£'000	£'000	£'000
Total Budget	**160,032**	**103,182**	**117,528**	**13,500**	**394,242**

Funding	External	Department Borrowing	Corporate Borrowing	Total
	£'000	£'000	£'000	£'000
	318,179	**16,241**	**59,822**	**394,242**

6.6 Attached at **Appendix B** is a full list of both the existing capital programme and these new capital schemes, including details of their sources of funding.

7 Revenue Implications of the Capital Programme

7.1 The cost of funding a Capital Programme from 2010/11 to 20113/14 for this authority is twofold. Firstly, the revenue budget will have to bear the revenue costs of borrowing. Currently for each £1m borrowed, this will cost the Council around £80,000 per annum in financing costs. Secondly, the revenue budget must bear the ongoing revenue costs of running and maintaining the assets that are created. All of these types of revenue implications have been factored into the revenue budget and Medium Term Financial Strategy.

8 Consultees

8.1 The following were consulted in the preparation of this report:

All Cabinet Members
Corporate Management Team
Heads of Service and Capital Project Managers
Finance Group Managers
Winston Brown – Legal Partner

9 Background Papers

- RTB Projections - Working papers
- Land Disposal Projections – Working papers
- Approved Capital programme
- CIPFA - The Prudential Code for Capital Finance in Local Authorities
- CIPFA – Treasury Management in the Public Services
- The Council's Asset Management Plan
- Local Government Act 2003

10 List of Appendices

Appendix A – Capital Programme 2009/10
Appendix B - Capital Programme 2010/11 – 2013/14
Appendix C – Prudential Indicators

APPENDIX A

TOTAL PROGRAMME FROM 2009/10 ONWARDS (incl. proposed schemes)

Department	2009/10	External Funding	Departmental Borrowing	Corporate Borrowing	Total
	£000	£000	£000	£000	£000
ADULT & COMMUNITY	16,796	5,310	-	11,486	16,796
CHILDREN'S SERVICES	36,642	34,085	99	2,458	36,642
CUSTOMER SERVICES	40,775	16,066	4,469	20,240	40,775
RESOURCES	22,853	9,501	2,084	11,268	22,853
TOTAL	**117,066**	**64,962**	**6,652**	**45,452**	**117,066**

APPENDIX A

2009/10 CAPITAL PROGRAMME

(including schemes awaiting appraisal)

DETAIL	2009/10	Funding: External Sources	Funding: Departmental Borrowing	Funding: Corporate Borrowing	TOTAL
	£'000	£'000	£'000	£'000	£'000
ADULT & COMMUNITY SERVICES					
RIPPLE HALL	1,541	992		549	1,541
EASTBURY MANOR HOUSE	366	243		123	366
VALENCE HOUSE	5,225	1,321		3,904	5,225
DISABLED ADAPTATIONS	1,343			1,343	1,343
SSCF Capital Projects	80	80			80
SERVICE REFURBISHMENT	14			14	14
PARKS & GREEN SPACE STRATEGY	3,190	1,854		1,336	3,190
CIVIC CENTRE Artwork (Kestrel Project)	152			152	152
BARKING PARK ARTWORK	1	1			1
BARKING TOWN CENTRE ARTWORK	16	16			16
PLAYBUILDER	535	535			535
JOB DRAIN	150			150	150
ABBEY SPORTS CENTRE	268	268			268
BECONTREE HEATH LEISURE CENTRE	3,915			3,915	3,915
Total ADULT & COMMUNITY SERVICES	16,796	5,310	0	11,486	16,796

2009/10 CAPITAL PROGRAMME

DETAIL	2009/10	External Sources	Departmental Borrowing	Corporate Borrowing	TOTAL
CHILDRENS SERVICES	£'000	£'000	£'000	£'000	£'000
EASTBURY PRIMARY	4,970	4,970			4,970
NORTHBURY INFANTS & JUNIORS	243	243			243
CAMBELL INFANTS & JUNIORS	415	415			415
BEAM PRIMARY SCHOOL EXPANSION	450	450			450
RENEWAL SCHOOL KITCHENS	368			368	368
SCHOOL MODERNISATION FUND	3,926	3,926			3,926
MAYESBROOK CHILDRENS CENTRE	406	406			406
ALIBON CHILDRENS CENTRE	903	267		636	903
RODING - Halbutt Street Annexe	320	320			320
DEVOLVED CAPITAL FORMULA	3,578	3,578			3,578
SCHOOLS LEGIONELLA	309			309	309
SCHOOLS ASBESTOS	443			443	443
SCHOOLS REBOILER	587			587	587
EXTENDED SCHOOLS PROGRAMME - PHASE 4	405	405			405
ADDITIONAL SCHOOL PLACES	1,013	1,013			1,013
DAGENHAM PARK	75	34		41	75
BARKING ABBEY	20			20	20
SCHOOL'S KITCHEN EXTENSION/REFURBISHMENT 10/11	26	26			26
HOME ACCESS FOR TARGETED GROUPS	120	120			120
CROSS-GOVERNMENT CO-LOCATION FUND	254	254			254
GASCOIGNE COMMUNITY CENTRE	452	452			452
ADULT COLLEGE EXTENSION	808	709	99		808
DAGENHAM JOB SHOP	378	378			378
RIPPLE INFANTS AND JUNIORS	50	50			50
DAGENHAM PARK	39			39	39
Building Schools for the Future (indicative figures at this stage)					
Eastbury PFI variation area	541	541			541
Eastbury QJEU capital build	2,810	2,810			2,810
Primary Schools					
Barking Riverside first Primary School	2,000	2,000			2,000
Roding -Cannington Road Annexe	8,275	8,275			8,275
Former UEL Primary School - New Primary School	0	0			0
Lymington Primary School - New School	500	500			500
St Joseph's Primary - expansion	100	100			100
St Peter's Primary - expansion	100	100			100
St George's School Provision - refurbishment	0	0			0
Trinity School - conversion	200	200			200
YOUTH ACCESS SCHEME	1,067	1,052		15	1,067
SKILLS CENTRE	491	491			491
Total CHILDRENS SERVICES	36,642	34,085	99	2,458	36,642

2009/10 CAPITAL PROGRAMME

APPENDIX A

DETAIL	2009/10	Funding: External Sources	Departmental Borrowing	Corporate Borrowing	TOTAL
	£'000	£'000	£'000	£'000	£'000
CUSTOMER SERVICES					
HOUSING FUTURES	19,150	13,490		5,660	19,150
COUNCIL HOUSING - NEW BUILD	307	307			307
LAND DISPOSAL	111			111	111
HOUSING MODERNISATION PROGRAMME	2,758		2,758		2,758
PRIVATE SECTOR HOUSEHOLDS DFGs (NON-HRA)	957	480		477	957
PRIVATE SECTOR HOUSEHOLDS - Assistance Rendered	1,100			1,100	1,100
HIGHWAYS PRINCIPAL ROADS	257	340		- 83	257
HIGHWAYS STRUCTURAL REPAIRS - Non Principal Rds	10,892			10,892	10,892
CONTAINERISATION OF WASTE	1,711		1,711		1,711
STATION ACCESS	125	125			125
BRIDGE STRENGTHENING	95	95			95
20 MPH ZONES	370	370			370
TRAFFIC MANAGEMENT	59	59			59
ACCESSIBILITY	40	40			40
LAND QUALITY INSPECTION PROGRAMME	280	200		80	280
LOCAL SAFETY SCHEMES	560	560			560
FOUNDATION CONTACT CENTRE	286			286	286
OFFICE ACCOMODATION	12			12	12
ENVIRONMENTAL IMPROVEMENTS - WASTE RECEPTACLES	600			600	600
GROUNDS MAINTENANCE FLEET REPLACEMENT	60			60	60
STREET LIGHT REPLACEMENT	1,000			1,000	1,000
CHRISTMAS LIGHTING	45			45	45
TOTAL CUSTOMER SERVICES	40,775	16,066	4,469	20,240	40,775

2009/10 CAPITAL PROGRAMME

APPENDIX A

DETAIL	2009/10	Funding: External Sources	Funding: Departmental Borrowing	Funding: Corporate Borrowing	TOTAL
	£'000	£'000	£'000	£'000	£'000
RESOURCES					
DESKTOP MANAGEMENT PROGRAMME	159			159	159
VOICE AND DATA COMMUNICATION	317			317	317
MICROSOFT ENTERPRISE AGREEMENT	383		383		383
SERVER	51			51	51
RESPOND	9			9	9
MEMBERS	19			19	19
ONE BARKING & DAGENHAM Availability & Reliability	71			71	71
ONE BARKING & DAGENHAM Connectivity & Information	123			123	123
ONE BARKING & DAGENHAM ICT Main Schemes	3,958			3,958	3,958
INTRUDER ALARMS	121			121	121
CORPORATE ACCOMMODATION STRATEGY	2,409		1,524	885	2,409
BACKLOG MAINTENANCE	723			723	723
LEGIONELLA PUBLIC BUILDINGS	315			315	315
ASBESTOS PUBLIC BUILDINGS	256			256	256
CMRP - DDA FOR BUILDINGS	103			103	103
PTS GARAGE	-			-	-
L8 SURVEYS & RISK ASSESSMENT	19			19	19
L8 CONTROL OF LEGIONELLA WORKS	110			110	110
DEMOLITION OF THE LAWNS	153			153	153
DEMOLITION OF 16-18 CAMBRIDGE ROAD	15			15	15
WIND TURBINES	-			-	-
NEW DAGENHAM LIBRARY & CUSTOMER CONTACT CENTRE	1,050			1,050	1,050
DAGENHAM DOCK INFRASTRUCTURE	-	-			-
DAGENHAM HEATHWAY PUBLIC REALM PHASE 1	192	200		- 8	192
DAGENHAM HEATHWAY IMPROVEMENTS - PLANTERS	100			100	100
LONDON ROAD MARKET SQUARE	806	806			806
ENERGY EFFICIENCY PROGRAMME	49	12	37		49
LEGI BUSINESS CENTRES	698	698			698
LRL CORPORATE SIGNAGE	11	11			11
BARKING TOWN SQUARE - Phase 2	1,346	1,346			1,346
EAST END THAMES VIEW DEMOLITION	519	519			519
BARKING TOWN CENTRE	550	550			550
RETAIL PREMISE IMPROVEMENT GRANT	21	21			21
CREEKMOUTH	324	324			324

BARKING CHILD AND FAMILY HEALTH CENTRE	999	845		154	999
DAGENHAM & REDBRIDGE FOOTBALL CLUB	450			450	450
BARKING & DAGENHAM PROSPECT CENTRE	325	325			325
WILLIAM STREET QUARTER PHASE 1	282	282			282
AXE STREET HOUSING PUBLIC REALM	613	613			613
AREA BASED SCHEMES (SHOPPING PARADES)	850	204		646	850
THAMES VIEW TO BARKING RIVERSIDE CYCLE LINK	875	875			875
IMPROVEMENTS TO BUSINESS AREAS & INDUSTRIAL ESTATES	267	17		250	267
THAMES VIEW - DETAILED DESIGN	450	450			450
LONDON CYCLE NETWORK PLUS	333	333			333
NON LCN - CYCLE SCHEMES	382	405		- 23	382
LBPN	555	555			555
SHOP MOBILITY (TFL LIP)	10	10			10
LOCAL TRANSPORT FUND 2009/10 (TFL)	100	100			100
ICT INFRASTRUCTURE	1,142			1,142	1,142
AUTOMATIC METER READING	200		140	60	200
ENERGY EFFICIENCY - BUILDING MAINTENANCE	40			40	40
Total RESOURCES	22,853	9,501	2,084	11,268	22,853

ALL DEPARTMENTS

TOTAL PROGRAMME ALL DEPARTMENTS	117,066	64,962	6,652	45,452	117,066

APPENDIX B

TOTAL PROGRAMME FROM 2010/11 ONWARDS (incl. proposed schemes)

Department	2010/11	2011/12	2012/13	2013/14	Total	External Funding	Departmental Borrowing	Corporate Borrowing	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
ADULT & COMMUNITY	17,606	6,988	4,400	-	28,994	3,672	4,400	20,922	28,994
CHILDREN'S SERVICES	80,303	72,058	97,860	-	250,221	242,971	-	7,250	250,221
CUSTOMER SERVICES	40,573	20,715	15,268	13,500	90,056	63,581	6,438	20,037	90,056
RESOURCES	21,550	3,421	0	0	24,971	7,955	5,403	11,613	24,971
TOTAL	**160,032**	**103,182**	**117,528**	**13,500**	**394,242**	**318,179**	**16,241**	**59,822**	**394,242**

4 YEAR CAPITAL PROGRAMME - 2010/11 TO 2013/14

APPENDIX B

DETAIL	2010/11	2011/12	2012/13	2013/14	TOTAL	Funding: External Sources	Funding: Departmental Borrowing	Funding: Corporate Borrowing	Funding: TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ADULT & COMMUNITY SERVICES									
RIPPLE HALL	940				940	940			940
EASTBURY MANOR HOUSE	100				100	86		14	100
VALENCE HOUSE	1,061				1,061	241		820	1,061
DISABLED ADAPTATIONS	500	500			1,000			1,000	1,000
PARKS & GREEN SPACE STRATEGY	3,320	319			3,639	1,720		1,919	3,639
BARKING PARK ARTWORK	84				84	84			84
PLAYBUILDER	601	0			601	601			601
BECONTREE HEATH LEISURE CENTRE	11,000	6,169	4,400		21,569		4,400	17,169	21,569
Total ADULT & COMMUNITY SERVICES	17,606	6,988	4,400	0	28,994	3,672	4,400	20,922	28,994

4 YEAR CAPITAL PROGRAMME - 2010/11 TO 2013/14

APPENDIX B

DETAIL	2010/11	2011/12	2012/13	2013/14	TOTAL	External Sources	Departmental Borrowing	Corporate Borrowing	TOTAL
CHILDRENS SERVICES	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EASTBURY PRIMARY	2,995				2,995	2,995			2,995
RODING - Cannington Road Annexe	4,800	125			4,925	4,925			4,925
CAMBELL INFANTS & JUNIORS	1,550	35			1,585	1,585			1,585
BEAM PRIMARY SCHOOL EXPANSION	3,300	250			3,550	3,550			3,550
RENEWAL SCHOOL KITCHENS	300				300			300	300
ADDITIONAL SCHOOL PLACES	870				870	870			870
SCHOOL'S KITCHEN EXTENSION/REFURBISHMENT 10/11	858	25			883	883			883
CROSS-GOVERNMENT CO-LOCATION FUND	267	120			387	387			387
Schools Legionella	330				330			330	330
Schools Asbestos	220				220			220	220
Schools Re-boiler	500				500			500	500
Building Schools for the Future (indicative figures at this stage)									
Barking Abbey		32,141	16,070		48,211	48,211			48,211
Robert Clack			12,746		12,746	12,746			12,746
Trinity		273	3,281		3,554	3,554			3,554
Warren		4,590	13,768		18,358	18,358			18,358
All Saints			5,742		5,742	5,742			5,742
Eastbury PFI variation area	1,621				1,621	1,621			1,621
Eastbury QJEU capital build	8,431	5,620			14,051	14,051			14,051
Sydney Russell	18,807	9,404			28,211	28,211			28,211
Contingency			46,153		46,153	46,153			46,153
Primary Schools									
Barking Riverside first Primary School	8,000	500			8,500	8,500			8,500
Roding -Cannington Road Annexe	6,700	100			6,800	6,800			6,800
Former UEL Primary School - New Primary School	3,750	6,250			10,000	10,000			10,000
Lymington Primary School - New School	7,250	250			7,500	7,500			7,500
St Joseph's Primary - expansion	2,000	100			2,100	2,100			2,100
St Peter's Primary - expansion	1,400	75			1,475	1,475			1,475
St George's School Provision - refurbishment	100	3,300	100		3,500	3,500			3,500
Trinity School - conversion	50				50	50			50
MAYESBROOK CHILDRENS CENTRE	10				10	10			10
ALIBON CHILDRENS CENTRE	329				329	329			329
SCHOOLS MODERNISATION FUND	1,147				1,147	1,147			1,147
EXTENDED SCHOOLS	209				209	209			209
SKILLS CENTRE	4,509	8,900			13,409	7,509		5,900	13,409
Total CHILDRENS SERVICES	80,303	72,058	97,860	0	250,221	242,971	0	7,250	250,221

4 YEAR CAPITAL PROGRAMME - 2010/11 TO 2013/14

APPENDIX B

DETAIL	2010/11	2011/12	2012/13	2013/14	TOTAL	Funding: External Sources	Funding: Departmental Borrowing	Funding: Corporate Borrowing	Funding: TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CUSTOMER SERVICES									
HOUSING FUTURES	21,844	17,700	13,500	13,500	66,544	58,574	6,250	1,720	66,544
COUNCIL HOUSING - NEW BUILD	10,011				10,011	2,911		7,100	10,011
OFFICE ACCOMODATION	80				80			80	80
PRIVATE SECTOR HOUSEHOLDS - Assistance Rendered	1,200				1,200			1,200	1,200
HIGHWAYS PRINCIPAL ROADS	370	380			750	750			750
HIGHWAYS STRUCTURAL REPAIRS - Non Principal Rds	4,300	-			4,300			4,300	4,300
LAND QUALITY INSPECTION PROGRAMME	80	80			160			160	160
PRIVATE SECTOR HOUSEHOLDS - DFGs	800	800	643		2,243	1,346	0	897	2,243
ENVIRONMENTAL IMPROVEMENTS - WASTE RECEPTACLES	615	630			1,245			1,245	1,245
STREET LIGHT REPLACEMENT	1,040	1,080	1,125		3,245			3,245	3,245
PARKING SYSTEM	188				188		188		188
CHRISTMAS LIGHTING	45	45			90			90	90
TOTAL CUSTOMER SERVICES	40,573	20,715	15,268	13,500	90,056	63,581	6,438	20,037	90,056

4 YEAR CAPITAL PROGRAMME - 2010/11 TO 2013/14

APPENDIX B

DETAIL	2010/11	2011/12	2012/13	2013/14	TOTAL	Funding: External Sources	Funding: Departmental Borrowing	Funding: Corporate Borrowing	Funding: TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES									
MICROSOFT ENTERPRISE AGREEMENT	511				511		511		511
YOUTH ACCESS SCHEME	194	36			230	230			230
INTRUDER ALARMS	55				55			55	55
L8 SURVEYS & RISK ASSESSMENT	71	35			106			106	106
L8 CONTROL OF LEGIONELLA WORKS	120				120			120	120
NEW DAGENHAM LIBRARY & CUSTOMER CONTACT CENTRE	2,519				2,519			2,519	2,519
LEGIONELLA (PUBLIC BUILDINGS)	126				126			126	126
AREA BASED SCHEMES (SHOPPING PARADES)	315				315			315	315
BACKLOG MAINTENANCE	400				400			400	400
CORPORATE ACCOMODATION STRATEGY	2,672	2,200			4,872		4,872		4,872
PTS GARAGE	25				25			25	25
IMPROVEMENTS TO BUSINESS AREAS & INDUSTRIAL ESTATES	150				150			150	150
DEMOLITION OF 16-20 CAMBRIDGE ROAD	-				-				-
LEGI BUSINESS CENTRE	5,225				5,225	5,225			5,225
ICT INFRASTRUCTURE	6,380	1,150			7,530			7,530	7,530
CMRP DDA FOR BUILDINGS	50				50			50	50
LOCAL IMPLEMENTATION PLAN - TRANSPORT	2,500				2,500	2,500			2,500
WIND TURBINES, ST PAULS	197				197			197	197
AUTOMATIC METER READING	30				30		20	10	30
ENERGY EFFICIENCY - BUILDING MAINTENANCE	10				10			10	10
Total RESOURCES	21,550	3,421	-	-	24,971	7,955	5,403	11,613	24,971
ALL DEPARTMENTS									
TOTAL PROGRAMME ALL DEPARTMENTS	160,032	103,182	117,528	13,500	394,242	318,179	16,241	59,822	394,242

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APPENDIX C

The Prudential Code for Capital Investment in Local Authorities

Prudential Indicators – 2010/11 to 2012/13

1. Introduction

1.1. The Prudential Code for Capital Investment commenced on 1 April 2004. This system replaced the previously complex system of central Government control over council borrowing, although the Government has retained reserve powers of control which it may use in exceptional circumstances. The Code offers significantly greater freedom to authorities to make their own capital investment plans, whereas the previous system restricted authorities to credit approvals controlled by central government.

1.2. Within the regime, authorities must have regard to the *Chartered Institute of Public Finance and Accountancy's* (CIPFA) *Prudential Code for Capital Finance in Local Authorities*. The principles behind this code are that capital investment plans made by the Council are prudent, affordable and sustainable. The code identifies a range of indicators which must be considered by the Council when it makes its decisions about future capital programme and sets its budget.

2. The Prudential Indicators

2.1. The Prudential Code sets out the information that each Council must consider when making its decisions about future borrowing and investment. This takes the form of a series of "Prudential Indicators".

2.2. The Code is a formal statement of good practice that has been developed to apply to all authorities regardless of their local circumstances. Capital expenditure plans for 2010/11 to 2012/13 as proposed in this report, give arise to a net borrowing requirement for the Council. This has an impact on affordability on the revenue budget, both in terms of loss of investment income from reducing capital receipts, and also due to the costs associated with financing borrowing.

2.3 This appendix sets out the prudential indicators for the London Borough of Barking and Dagenham, based on the revised capital programme for 2010/11 to 2012/13 as detailed in this report.

3. Capital Expenditure

3.1 The first prudential indicator sets out **capital expenditure** both for the General Fund, and Housing Revenue Account Expenditure. Table 1 shows the capital programme as set out in the appendices to this report:

Table 1: Capital Expenditure (**current** capital programme):

	2010/11	**2011/12**	**2012/13**
	£'000	**£'000**	**£'000**
HRA	31,855	17,700	13,500
General Fund	128,177	85,482	104,028
Total	**160,032**	**103,182**	**117,528**

3.3 The capital programme for future years has been subject to a fundamental review. The elements here relate to the funding of Housing Futures, significant regeneration projects, investment in highways maintenance, investment in schools and the Becontree Heath Leisure Centre. For 2010/11 onwards, major schemes in respect of schools will continue, Building Schools for the Future for secondary schools, and a significant programme of primary school expansion to meet requirements for additional school places. New schemes will take place in respect of Council House Building and the construction of a Skills Centre.

3.4 A full list of the capital programme projects are detailed in **Appendix B** this report.

4. Financing Costs

4.1 The prudential code requires Councils to have regard to the financing costs associated with its capital programme.

4.2 The prudential indicator for its financing costs calculated based on the interest and repayment of principle on borrowing, less interest received from investments.

Table 2 shows the following for the period from 2010/11 to 2012/13, as detailed in **Appendix B** to this report:

- The Council's Net Revenue Streams for both the General Fund and the Housing Revenue Account;
- Financing Costs for these two funds; and
- The ratio of Net Revenue Streams to Financing Costs, based on capital expenditure shown in Table 1.

Table 2: Financing Costs (**Prudential Indicator**)

	2010/11	**2011/12**	**2012/13**
	£'000	**£'000**	**£'000**
Net Revenue Stream			
HRA	89,613	89,613	89,613
General Fund	154,766	154,766	154,766
Financing Costs			
HRA	13,500	13,500	13,500
General Fund	7,008	8,848	10,308
Ratio			
HRA	15.06%	15.06%	15.06%
General Fund	4.53%	5.72%	6.67%

4.3 This shows the impact of falling interest receipts and borrowing costs as a result of spending on the capital programme.

4.4 Financing costs in the HRA relate to the Major Repairs Allowance, which is a government subsidy from the Department for Communities and Local Government (DCLG). This is an estimated figure for future years; these figures are confirmed by the DCLG during the year. Proposals to finance the cost of housing capital works over the longer term are currently being considered and are subject to a separate Executive report. Once the implications of these proposals are finalised, the prudential indicators will be updated to take this into account.

4.5 Financing costs can also be shown with reference to their impact on Council Tax and Housing Rents. This shows the additional Council Tax burden for Band D from financing ***based on the inclusion of new schemes.*** This is set out in Table 3.

Table 3: The Impact of Capital Programme on the Council Tax and Housing Rents (**Prudential Indicators**)

	2009/10	**2010/11**	**2011/12**
	£	**£**	**£**
For Band D Council Tax	136	171	199
For average Housing Rents	0	0	0

4.6 The table shows that the impact of new schemes based on Appendix B to this report. The impact on Council Tax represents the cost of financing the capital programme in relation to the tax-base.

4.7 As a consequence of the absence of debt and the Government's policy on rent restructuring the capital programme has a minimal impact on future rents. There are no borrowing costs and the revenue contribution to capital expenditure is set according to the rent levels that are established by the rent restructuring regulations.

5. Capital Financing Requirement

5.1 The Prudential Code requires the Council to measure its underlying need to borrow for capital investment by calculating its **Capital Financing Requirement**.

5.2 The capital financing requirement identifies the level of capital assets on an authority's balance sheet, and compares this to the capital reserves to see how much of these assets have been "funded". The difference is the level of debt that the authority has to repay in the future, or the "capital financing requirement". ***This prudential indicator is based on the inclusion of the proposed new schemes:***

Table 4: Capital Financing Requirement (**Prudential Indicator**)

	2010/11	**2011/12**	**2012/13**
	£'000	**£'000**	**£'000**
Housing Revenue Account (HRA)	(21,355)	(21,355)	(21,355)
General Fund	126,576	148,076	156,576
Capital Financing Requirement	**105,221**	**126,721**	**135,221**

5.3 Capital expenditure is planned either to be funded from capital receipts, through external funding, or through borrowing. This therefore gives rise to an **underlying borrowing requirement of £105m** by March 2011, as shown above, **£126m** by the March 2012, and **£135m** by the end of 2012/13.

6. Summary Assessment

6.1 The Prudential Indicators as laid out in this report show the impact of capital investment decisions for the period from 2010/11 to 2012/13.

6.2 These figures demonstrate that, while proposed changes to the capital programme have had financial implications on the Council, they have been made having taken into account the key principles of the CIPFA Prudential Code of **prudence, affordability** and **sustainability**.

6.3 This position will be reported on throughout 2010/11 to account for any changes to decisions on capital investment.

THE EXECUTIVE

16 FEBRUARY 2010

REPORT OF THE CORPORATE DIRECTOR OF FINANCE AND COMMERCIAL SERVICES

This report is submitted under Agenda Item 12. The Chair will be asked to decide if it can be considered at the meeting under the provisions of Section 100B(4)(b) of the Local Government Act 1972 as a matter of urgency in order to avoid any delay in the setting of Council Tax as part of the Council's overall budgetary framework for 2010/11.

BUDGET AND COUNCIL TAX 2010/11	**For Decision**

Summary

This report advises on the proposed revenue estimates for 2010/11 and the level of the Council Tax for 2010/11.

In putting together the proposed budget, there has been a need to balance the pressures on the budget, the need to replenish reserves and investment in key services in accordance with the Council's priorities against the resources available and set a budget which is both deliverable and sustainable.

The budget needs to be seen within the context of a three-year financial plan and the implications of the current proposal for the Council's service planning over the next three financial years. It is clear that the Council will continue to face very difficult choices when setting budgets in future years.

To support the decisions that will need to be made a three-year medium term financial strategy covering the years 2010/11 to 2012/13 is included with the Council Plan as a concurrent report on this agenda.

Wards Affected: All wards

Recommendations

The Executive is asked to:

(i) Recommended the Assembly to approve:-

a. A Council Tax increase of 0% for 2010/11, representing a freeze in Council Tax levels for the 2nd year in succession, as set out at Appendices A and B, subject to the final precept announcement for the Greater London Authority.
b. The budget options and budget as set out at Appendices C, D and E.
c. The position on reserves as set out in paragraph 2.6.

(ii) Note the continuing need to identify relevant efficiency gains throughout the organisation (paragraph 9).

(iii) Delegate to the Corporate Director of Finance and Commercial Services the responsibility to allocate initial savings targets across all services for the 2011/2012 budget process to commence in April 2010.

Reason
To assist the Council to achieve all of its Community priorities through the setting of a prudent budget and Council Tax level.

Implications:

Financial:
The setting of a robust budget and Council Tax for 2010/11 will enable the Council to provide and deliver required Council Services within its overall service and financial planning framework.

Legal:
For each financial year the Secretary of State is required to lay before Parliament a local government report which contains the funding for local authorities in the forthcoming year (s. 78A Local Government Finance Act 1988). That report consists of the total amount of revenue support grant and the proposed basis of distribution and the total amount and proposed distribution of the pooled non-domestic rate (business rates). Details of the formulae and amounts awarded to Barking and Dagenham appear in paragraph 2 of the report.

Budget Setting
Local authorities are required by law to set a balanced budget for each financial year. In particular section 32 Local Government Finance Act 1992 the local authority must calculate the aggregate of—

(a) the expenditure which the authority estimates it will incur in the year in performing its functions and will charge to a revenue account for the year;

(b) such allowance as the authority estimates will be appropriate for contingencies in relation to expenditure to be charged to a revenue account for the year;

(c) the financial reserves which the authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure;

(d) such financial reserves as are sufficient to meet so much of the amount estimated by the authority to be a revenue account deficit for any earlier financial year as has not already been provided for; and

(e) any amounts which it estimates will be transferred from its general fund to its collection fund pursuant to a direction under subsection (5) of section 98 of the Local Government Finance Act 1988 Act and charged to a revenue account for the year, other than (in the case of an authority in England) any amounts which it estimates will be so transferred pursuant to a direction under that subsection relating to the difference between amounts in respect of community charges credited and charged to a revenue account for any earlier financial year

There are detailed rules in relation to how various headings are calculated.

Members will also wish to note efforts being made to deliver value for money and to realise efficiencies in service delivery as well as the feedback from consultation with relevant stakeholders which informed the budget setting exercise.

Council Tax
The report also sets out proposed council tax for 2010/11. Section 30 Local Government Finance Act 1992 obliges local authorities to set the council tax for the forthcoming year. The amount of council tax is to be calculated by taking the aggregate of:

(a) the amount which has been calculated for each category of dwelling by the authority as necessary for its own purposes (including any precept by a minor precepting authority) and
(b) the amount which has been calculated for each category of dwelling by the major precepting authority as necessary for its own purposes, which has been issued to the billing authority

The council tax must be set before 11 March in the year preceding the one it relates to. Details of the council tax calculation are set out in the report.

Members will note that officers are recommending a council tax freeze for 2010/11 subject to the final precept announcement for the Greater London Authority (GLA). The GLA is a major precepting authority entitling it to levy a council tax to be collected by councils in London (s. 82 Greater London Authority Act 1999) in relation to services discharged by its 'functional bodies' namely the Metropolitan Police Authority (MPA), London Fire and Emergency Planning Authority (LFEPA), Transport for London (TfL) and the London Development Agency (LDA). The GLA is required to issue a precept to local authorities before 1st March of the preceding financial year by virtue of section 40 Local Government Finance Act 1992. The GLA goes through an extensive consultation process in first announcing, consulting and then determining its budget including the precept for a given financial year. At paragraph 1.4 officers confirm that the Mayor of London has proposed a freeze in the GLA precept at 2009/10 levels. If this proposal is accepted by the GLA then there will be no required adjustment to the council tax set for Barking and Dagenham council.

If the GLA changes its precept a verbal update and tabled relevant documents will be made at the Executive and Assembly meetings.

Contractual:
There are no direct contractual implications arising from this report. Budget options recommended as part of this report may involve new or amended contracts. Further reports will be submitted to the Executive where changes require their approval.

Risk Management:
In setting the overall budget consideration has been given to all Council services and corporate budgets and reserves. The process of identifying and validating budget options has involved the identification and mitigation of relevant risks.

Staffing:
There are no direct staffing implications arising from this report. Budget options recommended as part of this report may involve staffing changes. The Council will follow the appropriate agreed HR protocols and processes in implementing these changes.

Customer Impact:
The proposed budget and budget options have been considered with customers and residents in mind. The freezing of the council tax at last years level is designed to

minimise our financial impact on our residents. All budget options have been subject to an equality and diversity impact assessment to ensure that any adverse impacts on all customers and in particular on equality groups is minimised. **Safeguarding Children:** There are no direct safeguarding children implications arising from this report.		
Crime and Disorder: There are no direct crime and disorder implications arising from this report.		
Property/Assets: There are no direct property/asset implications arising from this report. Implementation of budget options may require changes to asset holdings or use of assets. Where required further reports will be brought to the Executive for approval.		
Options Appraisal: The budget process has considered various options around savings, pressures and invest to save and the final proposed options are included within this report.		
Head of Service: Jonathan Bunt	**Title:** Corporate Financial Controller	**Contact Details:** Tel: 020 8724 8427 E-mail: jonathan.bunt@lbbd.gov.uk
Report Author: Alex Anderson	**Title:** Group Manager, Systems & Control	**Contact Details:** Tel: 020 8227 3648 E-mail: alex.anderson@lbbd.gov.uk

1. Introduction and Background

1.1 The purpose of this report is to propose a revenue budget and Council Tax for 2010/11, which will be referred to Assembly for consideration on 24 February 2010. This is a legal requirement.

1.2 The proposed budget has been set against the background of the Council Plan including the Medium Term Financial Strategy, and the Council's Community Priorities as set out in the Barking & Dagenham Community Strategy approved by Executive on 24 March 2009 and Assembly on 1 April 2009. The updated Council Plan and Medium Term Financial Strategy are also on this agenda for approval. The Community Priorities are:

- **Safe** - 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;
- **Clean** - 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;
- **Fair and respectful** - a stronger and more cohesive borough so that it is a place where all people get along, and of which residents feel proud;
- **Healthy** - a healthy borough, where health inequalities are reduced with greater knowledge of lifestyle impacts on health;
- **Prosperous** - 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;

- **Inspired and successful** - a borough of opportunity for all young people so that they can play an active economic role for the good of all.

1.3 In setting the proposed budget, officers have assessed the budget, including the unavoidable pressures facing the Authority and the costs of continuing with existing policies and practices.

1.4 The proposal put to the London Assembly by the Mayor was for a freeze in the Greater London Authority precept at 2009/10 levels. The Mayor's proposal is to be considered by the London Assembly on 10 February 2010. A verbal update on the final precept agreed will be made at the meeting.

2. Budget Considerations

2.1 Overall Financial Context

2.1.1 The Council is operating in a very tight financial position. Reserves are at a low level, there are significant demand pressures on the councils existing budget and the recession is reducing national resources. Future settlements (2011/12 and onwards) are anticipated to be much tighter than in previous years. Therefore, the Council needs to position itself now to be able to continue to provide and improve its services, and improve value for money in an era of reducing resources. The medium term financial strategy indicates that average savings of approximately £14m p.a. will be required in the next 3 years. This comes on top of savings already included in the 2010/11 budget being proposed.

2.2 National Position and 2010/11 LBBD Settlement

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

The four block model grant allocations comprise the following components:

- A relative **needs** amount (e.g. to reflect differences in deprivation or other factors such as density and commuters) using Relative Needs Formulae (RNF);
- A reduction based on relative **resources** (the relative ability of authorities to raise council tax);
- A **central allocation** (basic amount) based on a per capita amount;
- An allocation to ensure a minimum increase in grant i.e. the damping amount required to fund the floor which is positive for floor authorities and negative for those above the floor. The floor is set at 1.5% for 2009/10 (2.0% for 2008/09).

In November 2009, the Department for Communities and Local Government issued their provisional formula grant allocations for the 2010/11. No indications of 2011/12 onwards have been provided. Nationally the 2010/11 Formula Grant for Local Authorities increased by 2.6% over 2009/10.

2.2.2 The component parts of this calculation for Barking and Dagenham is set out below. These have not changed from those first proposed by DCLG in January 2008 and were in the LBBD 2009/10 MTFS.

	2009/10 £m	2010/11 £m	Change £m	Change %age
Relative Needs Amount	83.05	85.60	2.55	3.1
Relative Resource Amount	(9.99)	(10.36)	(0.37)	(3.7)
Central Allocation	32.03	32.92	0.89	2.8
Floor Damping	(5.89)	(5.38)	0.51	8.7
Total Formula Grant	**99.20**	**102.78**	**3.58**	**3.6**

2.2.3 Within the formula grant system the Government operates a system of floors to ensure that all authorities receive a minimum increase in funding. LBBD contributes £5.38m in 2010/11 to the cost of the floor grant as its funding is above the floor.

2.2.4 Overall the council will receive a £3.58m increase (3.6% increase) on last years formula grant. For comparison purposes the average Outer London year on year increase in Formula Grant is 2.1% and for Inner London Boroughs 1.6%.

2.2.5 The Government has stated *"…the average band D council tax increase this year (2009/10) was 3.0% - the Government expects to see it fall further next year while authorities protect and improve front line services. We expect the average Band D council tax increase in England to fall to a 16 year low in 2010-11. We remain prepared to take capping action against excessive increases set by individual authorities and requiring them to rebill for a lower council tax if necessary."*

2.2.6 Area Based Grant (ABG) is a pool of previously specific grants which are now non-ring-fenced and available for the Council to direct to its local priorities without condition. However for future years ABG could be reduced as it is not within the formula grant arrangements and so not subject to a floor. The 2010/11 ABG allocation from Central Government is £21.967m – the increase from 2009/10 of £5.9m is mainly due to the inclusion of Supporting People Grant in ABG this year. ABG is currently incorporated within the department's gross expenditure budgets.

2.2.7 Dedicated Schools Grant (DSG) has been included in the gross expenditure and income analysis for the purposes of calculating the Council Tax. The current estimated value of this ring-fenced grant is £195.225m. Subject to later notifications by DCSF/DCLG this may change but will not affect the Council Tax. Executive will be informed of any changes through the monthly budget monitoring process.

2.3 Budget Setting Process

2.3.1 This report forms the final stage of the 2010/11 budget setting process. In Spring 2009 the indicative financial model was agreed including nil inflation on the 2009/10 base budget, and savings targets allocated to all departments. During the Summer 2009 budget options were worked up by departments to identify pressures, invest to save options and savings. These were subject to robust scrutiny through an officer Star Chamber process and by Members. Information on budget options includes a risk analysis and impact assessment from relevant services. For 2010/11, all budget options have been subject to an equalities and diversity impact assessment.

2.3.2 The existing capital programme has been subject to review. The proposals for investment are set out in a concurrent report on this agenda. The revenue effects of these investment proposals (borrowing costs, additional and reduced operating costs, etc.) are fully included in the proposed 2010/11 budget, and the 2010/11-12/13 Medium Term Financial Strategy.

2.3.3 As a result of changes in financial reporting (International Financial Reporting Standards - IFRS) with effect from 2010/11 there is potential for an impact on the council's budget. Draft regulations issued by Department for Communities and Local Government indicate that these effects may be mitigated resulting in no effect on the Council Tax. However, at this stage it is not possible to confirm or quantify the potential effect. The contingency will be used to manage any effects which do impact on the council's budget.

2.3.4 The Council Tax Base was approved by the Executive on 22/12/09. Following the identification of a typographical error the Chief Executive approved a amendment to the Council Tax Base on 27 January 2010 to ensure statutory requirements were met. This urgent action is reported on this agenda.

2.3.5 As part of the process of ensuring that the Council's base budget is as robust as possible the Corporate Director of Finance and Commercial Services has begun a more fundamental review of the Council's higher risk budgets. The initial findings of this work is included in the proposals now being recommended. A sum has been included in the Council's contingency to address any further potential issues which may arise from this fundamental review.

2.4 Inflation

2.4.1 Given the prevailing price environment at the time of setting the budget strategy no general inflation has been added to the 2009/10 base budget. The 2009/10 base budget included 2.5% inflation for employee costs. The agreed pay award for 2009/10 was 1%. Therefore, in the rolled forward budget for 2010/11 there is a built in provision for an employee pay award of 1.5%. Once the pay award is settled the Corporate Director of Finance and Commercial Services will review this position.

If the fees and charges report on this agenda is approved the additional income is estimated to be £220,000. This additional anticipated income is included in departmental budgeted net expenditure figures.

In addition, as part of the Dedicated Schools Grant of £195.225m for schools the necessary inflation provision is provided within that sum.

2.5 Contingency

2.5.1 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. children's placements, transport for SEN children, homelessness, care packages,);
- Costs of new responsibilities, where estimates have been prepared with limited experience;
- Potential above inflationary price increases e.g. energy costs
- Unconfirmed grant funding regimes;

- Unexpected events;
- Variable interest rates;
- Budget risks.

2.5.2 The current level of contingency is £1.5m. Given the additional risks which the council is facing in respect of the recession, the delivery of future savings, and continued increases in demand for the services that the organisation provides the level of contingency is proposed to increase by £3.3m to £4.8m

2.5.3 A sensitivity analysis for a range of higher risk areas has been carried out. See paragraph 12.6 of the MTFS for the detail.

2.6 Reserves

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

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

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

2.6.4 It is the responsibility of the section 151 officer to determine an appropriate and prudent level of reserves for the organisation. The target level of general reserves will be £10m. Provision has been made in the budget model to replenish reserves by an additional £2m in 2010/11 to ensure that this level is realised in 2010/11.

2.6.5 The current level of reserves is below the targeted level. This is due in the main to one-off adjustments required to be made during the closure of the 2008/09 accounts. This reduced the level of general reserves to £3.7m. Actions to ensure that such a situation does not recur include improved reconciliation processes and more regular in-year monitoring of balance sheet items.

2.6.6 The strict control of spend during 2009/10, a planned review of other ear-marked and specific reserves with a view to transfer their balances to the general reserve and the additional £2m referred to in paragraph 2.6.4 is anticipated to replenish the general reserve to the £10m target.

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

2.6.8 The advice of the Director of Financial and Commercial Services is that the above figure (£10m) is the recommended level for working (general) reserves. Whilst this does not preclude the use of reserves in the short term for items Members regard as essential growth or vital projects, it is important that an adequate level is held.

2.7 Robustness of Budget

2.7.1 Under the provisions of the Local Government Act 2003 the Chief Finance Officer is also expected to state formally whether the budget is a "robust" one. It is the Director of Finance and Commercial Service's view that the Council's process for setting the 2010/11 budget has, so far, been robust. Further advice will be offered to the Council Assembly should this assessment change.

3. Levies

3.1 Levies

3.1.1 Certain bodies have the power to levy on the Council to meet their funding requirements and these levies count as Council spending for the purpose of the Council Tax. The proposed final levies for 2010/11 are as follows:

	2009/10	2010/11	Change	Change
	£000s	**£000s**	**£000s**	**%age**
East London Waste Authority	7,128	7,458	330	4.6
Environment Agency – Flood Defences	104	104	0	0.0
London Pension Fund Authority	254	259	5	2.0
Lee Valley Regional Park Authority	160	163	3	2.0
Total Levies	**7,646**	**7,984**	**338**	**4.4**

3.1.2 In respect of the East London Waste Authority the increase of £330k which is 4.6%, relates to the apportionment between the four constituent boroughs based on the number of Council properties at Band D and the Council tonnage figures for collected household general refuse. The key reasons for the increase relates to the rising costs of waste disposal including the impact of landfill tax, reduced commercial waste income and increases in tonnage.

3.1.3 The increase in the London Pension Fund Authority and Lee Valley Regional Park levies has been assumed to be 2% and is subject to final confirmation from these bodies. Initial indication from the Environment Agency is that there will be no change in their levy.

4. Executive Budget Proposals

4.1 Appendix A shows the calculation of the 2010/11 Council Tax in total and for a band D property. The first section explains the movements either already agreed as part of the budget process (inflation and changes to payback of Invest to Save sums) or which are required as part of annual reviews e.g. capital charges and support costs. This provides the 2010/11 Base Budget.

4.2 The next section sets out the various budget options which are

- Member approved decisions e.g. corporate additional borrowing costs of capital investment, operating costs of Dagenham Library and One Stop Shop, temporary accommodation, etc. – see appendix C for detail of departmental items.

- Corporate pressures, e.g. increased employer pension contribution as part of the triennial review of the pension fund, increases in levies, reduction in interest earnings, provision for redundancy costs, replenishment of reserves, etc.

- Savings - departmental and corporate planned savings for 2010/11 – see Appendix C for details.

- Invest to save - £1m contribution to corporate pot to support future invest to save options.

5. Council Tax

5.1 Collection Fund

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

5.1.2 The latest estimate for 2009/10 is that a deficit will be made on the Collection Fund and that Barking and Dagenham's share will be £335,000. The main reason for this deficit is a result of increased exemptions. In addition, the final figures for 2008/09 need to be factored into this year's budget and this identified a final deficit of £156,000. Both sums have been accounted for in the proposed budget for 2010/11.

5.2. Greater London Authority Precept

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

5.2.2 The Mayor's proposals submitted for consultation to authorities in December 2009 proposed a freeze in the precept at Band D for 2010/11 at the same level as for 2008/09 and 2009/10. This would result in a Band D precept for 2010/11 of £309.82, the same as in 2009/10.

5.2.3 The Mayor's budget can be amended by a two-thirds majority of the London Assembly, which is due to meet on the 10 February 2010. At this meeting the London Assembly will decide upon the Mayor's proposals of a freeze in the precept for 2010/11. A verbal update on the final decision will be made at the meeting.

5.3. Capping of Council Tax

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

5.3.2 The capping criteria applied in 2009/10 were as follows: (as announced by the Local Government Minister, John Healey).

- a budget requirement increase of more than 4 per cent for 2009-10;
- and also a Band D council tax increase of more than 5 per cent.

The capping criteria to be applied in 2010/11 has not been announced yet, and will not be until after authorities set their budgets. However, an indication was given in the settlement documentation which stated “the government expects to see the average council tax increase – which this year was 3.0% - fall to a 16 year low next year while authorities protect and improve front line services. Ministers have confirmed that they are prepared to cap ‘excessive increases’, including requiring rebilling, as happened with two police authorities this year.”

5.3.3 The proposed budget requirement for 2010/11 is £154.8 million. The budget requirement, after adjustment for fundamental changes, shows a 2.4% increase on 2009/10 compared to a proposed freeze in the Council tax.

5.4 Council Tax 2010/11

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

6 Legal Implications

6.1 The issue of the council’s reserve funds has been raised in previous reports to the Executive owing to the reserves being depleted beneath the targeted reserves of £7.5 m set in last year’s budget. In these circumstances the Chief Finance Officer is obliged both at the time such projections arise and when the following year’s budget it set to explain the reasons and any action considered necessary to prevent a repetition (section 27 Local Government Act 2003). This is covered at paragraph 2.6 of this report.

6.2 It is also the duty of the Chief Finance Officer under section 25 Local Government Act 2003 when (among other things) the budget is being set to report on the ‘robustness’ of the estimates made for the purposes of the budgetary calculations and the adequacy of the proposed financial reserves. In this regard the Chief Finance Officer confirms at paragraph 2.7 of this report that the budget for the council is indeed robust.

6.3 The Secretary of State has power under the 2003 Act to specify a minimum level of reserves but has not done so. Instead guidance issued by CIPFA (‘Local Authority Reserves and Balances 2003) indicates that councils should set a minimum level having regard to risk. Members will note that the Chief Finance Officer has indicated a target level of £10m as appropriate for Barking and Dagenham council.

6.4 The overall budget for 2010/11 is detailed in the report. Further, the budget has been set in the wider context of the Medium Term Financial Strategy and members will wish to read the budget in that context and satisfy themselves that the criteria referred to have been addressed in setting the budget.

7. Medium Term Financial Strategy (MTFS)

7.1 The Council agreed a three-year medium term financial strategy when setting last year's budget and Council Tax. This has now been fully updated to reflect a detailed view up to the financial year 2012/13, and with indicative figures through to 2019/20. To enable a fully linked process to the service planning of the organisation the MTFS proposed has been included within the new Council Plan. The Council Plan and MTFS is also a report on this agenda. The purpose of the three-year and longer strategy is to enable the budget to be set in a more strategic context and to pursue budget options over a longer time frame.

7.2 The decisions proposed in this report will have implications later in the three-year budget cycle and these are fully set out in the MTFS papers. Members should bear in mind the ongoing implications of proposals included in the 2010/11 budget, although these will not finally be approved until later budget years.

7.4 It will also be necessary to consider the use of capital resources, as capital expenditure plans over the next three years now require the Council to fund part of these through borrowing. Pressures to earmark Government funding for specific purposes, particularly in relation to Schools, are likely to be maintained.

7.5 In addition, the ongoing effect of Government changes to the local government finance system and the impact of Census data on grant allocations will have an impact on the Authority which cannot currently be assessed. Budget pressures exist as expected as a result of ongoing increased pension costs arising from the latest triennial valuation of the Pension Fund and additional statutory requirements.

7.6 It is therefore anticipated that pressure on the Authority's budget will remain unabated over the 3 years of the plan, and a further £18 million of potential budget pressures is currently forecast for 2011/12.

7.7 In order to plan for these ongoing pressures, it is important that the budget process for 2011/12, as with the 2010/11 process, starts early in the new financial year, and a strategic approach is adopted so that budget proposals are considered in terms of outcomes linked to priorities. This approach will also enable budget proposals (pressures & savings) with longer lead in times to be considered.

7.8 Reductions at the projected level of around £18 million for 2011/12 will need to be made across all Services apart from the Schools budget, which is funded by the ring fenced dedicated schools grant. Targets are to be set to allow the process for identifying savings to commence in April 2010. It is recommended that the Corporate Director of Finance and Commercial Services should provide the initial targets for savings across all services to enable this to happen.

8. Community priorities

8.1 It is vital for the quality of services across the organisation that resources are aligned to key priorities, and that service and financial planning has been undertaken with relevant consideration of key priorities alongside available resources.

8.2 The Council's financial planning process is linked to the Council and service planning process, which enables us to take a high-level view in translating local and national priorities, into deliverable actions and positive outcomes for local people.

8.3 The Council's corporate priorities help to add focus to what we are trying to achieve and enable us to deliver against our wider objectives in the community. The budget process has identified a total of £14 million of savings for 2010/11, of which a substantial sum are efficiency savings, which can be re-directed. Some of these resources are directed to fund current cost pressures and re-establish reserves. Other resources are directed to fund developments in services across the organisation. The Council is also allocating £1 million from reserves to fund invest to save projects.

9. **Efficiency**

9.1 Realising efficiency gains is fundamental for the organisation in terms of it's longer term financial sustainability and ability to continue to deliver services that are important to residents. Where efficiency gains are not realised (for example providing the same service for less cost, providing a better service for the same cost), the alternative is to cut back on services. It is therefore important that an efficiency programme delivers as much benefit as possible.

9.2 For 2010/11 and future years an efficiency programme will encompass the following:

- Better procurement;
- Asset rationalisation;
- Strategic Partnership - lean back office and transactional services;
- Service reviews; and
- 3% efficiency targets for all service heads for each of next 5 years.

9.3 The specific budget options at appendix C include a number which demonstrate the implementation of improved efficiencies.

9.4 The council operates a 'invest to save' fund. In 2010/11 an additional £1m is being ear-marked to provide support to services to implement efficiency measures or preventative work which will save costs in future years.

10 Value for Money

10.1 Achieving Value for Money (VFM) is an integral part of the Council's approach to delivering the Medium Term Financial Strategy (MTFS). The Council has developed a **VFM Strategy** to strengthen our strategic approach to improving VfM.

10.2 To deliver this strategy *a* ***VFM Action Plan*** has been developed to provide more detail on the work programme that will be undertaken to achieve better VFM and the key milestones. The key themes of the work programme are:

- **Understanding VFM** - Ensuring a shared understanding of the VFM provided by the Council and developing a culture of cost-consciousness

- **Embedding VFM** - Ensuring that Value for Money remains a clear and sustained focus for the Council and its key decision making and management processes

- **Delivering VFM** - Transforming the way services are commissioned and delivered to release savings to invest in the agreed priority areas

10.3 The 2010/11 budget includes £14m of savings to balance the budget as set out in **Appendix C**. These savings are risk assessed by Departments, and an impact assessment is done to ensure that the effect on frontline services is low. Savings (disinvestment) is targeted at areas where our benchmarked information on value for money suggests that improvements in cost effectiveness can be made. Examples of this are as follows (each of these services were identified as high cost services based on benchmarking data):

- Leisure £0.3m
- Passenger transport £0.25m
- Care placements £0.5m
- Quality and schools improvement £1.2m
- Revenues and benefits service £1.8m
- Human Resources £0.5m
- ICT £0.5m
- Finance £0.3m

11. Consultation

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

11.2 The budget process is informed by consultation with residents on what services or issues are important to them and what services they feel are most in need of improving. IPSOS MORI conducts a bi-annual place survey that enables this data to be compiled, compared with previous data, and also compared across London. Data is available from 2003/04, 2006/07 and 2008/09. In 2009/10 the Council commissioned an interim place survey to inform decisions in respect of service and financial planning.

For 2009/10, the top issues that local residents felt were most important in making somewhere a good place to live were as follows:
- The level of crime;
- Clean streets;
- Health Services;
- Public transport;
- Affordable decent housing; and
- Education provision.

Our residents have consistently identified these areas as important. The Council and its partners have consistently therefore allocated our available resources to these priorities.

11.3 The survey also asks what things are most in need of improving, and they were as follows:

- The level of crime;
- Activities for teenagers;
- Clean streets;
- Road and pavement repairs;
- Job prospects;
- The level of traffic congestion; and
- Affordable decent housing.

11.4 As an organisation, we have ensured that investment has been targeted to these areas, with key examples as follows:

- We have invested in our partnership with the police to increase the number of officers on the streets;
- We have set up the Street Warden Service in the borough to stamp out environmental crime and work with the community to promote pride and respect for our streets and public spaces;
- We have set up the Street base initiative, which has been developed to promote activities for young people in the borough.
- £1m investment in apprenticeships per annum to improve job prospects and activities for young people;
- A major programme of £20m investment in road and pavement repairs across the 4 years from 2007/08 to 2010/11;
- We are building a Skills Centre in Barking to deliver against our overall aim of raising household incomes; and
- The re-prioritisation of £7m from the capital programme to fund a programme of new Council House building to increase the supply of affordable decent housing.

11.5 Consultation with the business sector took place on 8 February 2010. A verbal update on the relevant discussions will be available as necessary for this Executive meeting.

11.6 Public Accounts and Audit Select Committee (PAASC) met on 12 February 2010 to consider the proposed MTFS and budget options included in this report. A verbal update on the relevant discussions will be available as necessary for this Executive meeting.

12 Consultees

The following have been consulted in the preparation of this report:

All Cabinet Members
Corporate Management Team
Departmental Management Teams
Corporate Financial Controller
Strategic Financial Controller
Group Managers – Corporate Finance

13 Background Papers Used in the Preparation of the Report:

Information from Department of Communities and Local Government
Budget working papers

Reports to Member bodies
2010/11 Medium Term Financial Strategy
Oracle reports
Working Papers
Local Government Act 2003
Benchmarking Information

14 Appendices

Appendix A – Calculation of Proposed Council Tax 2010/11
Appendix B – Statutory budgetary determination 2010/11
Appendix C – Detailed savings and pressures options
Appendix D – Summary of Revenue Budget by Department 2009/10 and 2010/11
Appendix E – Summary of Revenue Budget - Analysis of Gross Expenditure and Income

Calculation of Proposed Council Tax 2010/11

Appendix A

		2010/11 Budget £'000	2010/11 Budget £'000	Increase %
Original 2009/10 Budget		151,163		
Removal of ABG		21,534		
Revised 2009/10 Budget			172,697	
Net effect of one-off and recharge/support cost changes		(133)		
Changes in Capital Charges		122		
			(11)	
2010/11 Base Budget			**172,686**	
	Member Approved Decisions	7,218		
	Corporate Pressures	9,857		
	Savings	(14,023)		
	Invest to Save	1,000		
			4,052	
Less:				
	Formula Grant	(102,785)		
	ABG	(21,967)		
Add:	Collection Fund Loss	491		
			(124,261)	
Council Tax Requirement			**52,477**	
Council Tax Base (Equivalent Band D Requirement)			51,630.50	
Overall Council Tax - Band D equivalent				
London Borough of Barking & Dagenham			1,016.40	0.00%
Greater London Authority (subject to confirmation)			309.82	0.00%
			1,326.22	**0.00%**

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Appendix B

EXECUTIVE 16 FEBRUARY 2010 – FOR REFERRAL TO ASSEMBLY MEETING 24 FEBRUARY 2010

STATUTORY BUDGET DETERMINATIONS

SETTING THE AMOUNT OF COUNCIL TAX FOR THE LONDON BOROUGH OF BARKING AND DAGENHAM

1. That it be noted that at its meeting on 22 December 2009 the Executive calculated the amount of 53,227.4 as its Council Tax Base for the year 2010/2011 in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992. This was subsequently amended to 51,630.5 through Urgent Action procedure and reported to Executive on 16 February 2010.

2. That the following amounts be now calculated by the Council for the year 2010/2011 in accordance with Sections 32 to 36 of the Local Government and Finance Act 1992:-

(a)	**£584,452,557**	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2) (a) to (e) of the Act
(b)	**£429,681,588**	being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act
(c)	**£154,770,969**	being the amount by which the aggregate at 2(a) above exceeds the aggregate at 2(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year
(d)	**£102,293,853**	being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rates, revenue support grant reduced by the amount of the sums which the Council estimates will be transferred in the year from its General Fund to its Collection Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 and further increased by the amount of any sum which the Council estimates will be transferred from its Collection Fund to its General Fund pursuant to the directions under Section 98(4) of the Local Government Finance Act 1988 made on the 7th February 1994
(e)	**£52,477,116**	being the amount at 2(c) above less the amount at 2(d) above, all divided by the amount at 1 above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year
(f)		Valuation Bands

A	B	C	D	E	F	G	H
£677.60	**£790.53**	**£903.47**	**£1,016.40**	**£1,242.27**	**£1,468.13**	**£1,694.00**	**£2,032.80**

being the amounts given by multiplying the amount at 2(e) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band 'D' calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

3. That it be noted that for the year 2010/2011 the Greater London Authority has stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992 for each of the categories of dwellings shown below:-
Precepting Authority: Greater London Authority
Valuation Bands

A	B	C	D	E	F	G	H
£206.55	**£240.97**	**£275.40**	**£309.82**	**£378.67**	**£447.52**	**£516.37**	**£619.64**

4. That, having calculated the aggregate in each case of the amounts at 2(f) and 3 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year 2010/2011 for each of the categories of dwellings shown below:-
Valuation Bands

A	B	C	D	E	F	G	H
£884.15	**£1,031.50**	**£1,178.87**	**£1,326.22**	**£1,620.94**	**£1,915.65**	**£2,210.37**	**£2,652.44**

SUMMARY OF INVEST TO SAVE BIDS

Adult & Community Services

Ref Number	Bid Description		2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 onwards £'000	Payback Period (Years)
I2S/ACS/01	Leisure Centre Management	Investment	150	-	-	-	1.60
		Savings	-	250	350	350	
		Net Investment	150				

Children's Services

Ref Number	Bid Description		2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 onwards £'000	Payback Period (Years)
I2S/CHS/01	Pitstop Project - C Treatment Foster Care Programme - 12 Month Post Pilot Extension	Investment	338	-	-	-	2.82
		Savings	120	120	120	120	
I2S/CHS/02	Social Workers - Foster Carer Assessments	Investment	61	61	61	-	0.85
		Savings	215	215	215	215	
		Net Investment	-				

Customer Services

No Bids Submitted

Resources

Ref Number	Bid Description		2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 onwards £'000	Payback Period (Years)
I2S/RES/07	M&E Maintenance - Install Power Perfectors	Investment	116	116	116	-	2.55
		Savings	75	150	224	224	
		Net Investment	41				
I2S/RES/12	Asset Management - Energy Management Capacity	Investment	100	100	100	-	2.13
		Savings	141	141	141	141	
		Net Investment	-				
I2S/RES/13	Accommodation - implement and speed up consolidation of assets	Investment	98	98	-	-	2.90
		Savings	-	-	218	468	
		Net Investment	98				

Pressures and Risks to be factored into the model

Ref Number	Bid Description		2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
Adult & Community Services						
BP/ACS/03	Dagenham Library/One Stop Shop		600	1,200	1,200	1,200
BP/ACS/04	Becontree Heath Leisure Centre		400	600	600	600
BP/ACS/05	Valence House Museum Education Programme		168	168	168	168
BP/ACS/06	Domestic Violence Advocacy Services		100	100	100	100
BP/ACS/07	Dementia Services - Residential Care		250	250	250	250
			1,518	2,318	2,318	2,318
Children's Services						
BP/CHS/05	Youth Access Card		-	278	278	278
			-	278	278	278
Customer Services						
BP/CS/07	Temporary Accommodation		1,025	1,310	1,310	1,310
			1,025	1,310	1,310	1,310
Resources						
BP/RES/01	Local Elections 2010		220	20	20	20
			220	20	20	20
			-	-	-	-
	TOTAL ALL PRESSURES		**2,763**	**3,926**	**3,926**	**3,926**

APPENDIX C

SUMMARY OF SAVINGS

Ref Number	Bid Description	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 onwards £'000
Adults & Community Services					
S-ACS-01	Support Services - Non Staffing Supplies & Services Budgets	250	250	250	250
S-ACS-02	Neighbourhood Management	750	750	750	750
S-ACS-03	Parks Police	200	566	566	566
S-ACS-04	Increase in Vacancy Factor	250	250	250	250
S-ACS-05	Contracted/Commissioned Services	1550	1550	1550	1550
S-ACS-06	Community Development & Halls	90	150	200	200
S-ACS-07	Residential & Day Care - Income Charging from Other Local Authorities	110	110	110	110
S-ACS-08	5% Reduction in Staffing	900	900	900	900
S-ACS-09	Passenger Transport	250	250	250	250
S-ACS-10	Leisure & Arts Service Reductions	300	300	300	300
Total Adults & Community Services		**4,650**	**5,076**	**5,126**	**5,126**
Childrens Services					
S-CHS-01	Integrated Family Services - Employee Costs	33	33	33	33
S-CHS-02	Head of Integrated Family Services - Employee Costs	48	48	48	48
S-CHS-03	Head of Integrated Family Services - Parenting Support - Employee Costs	32	32	32	32
S-CHS-04	Head of Integrated Family Services - Portage - Employee Costs, Premises and Supplies	20	20	20	20
S-CHS-05	Head of Integrated Family Services - Community Educational Psychology service - Employee Costs	50	50	50	50
S-CHS-06	Safeguarding & Rights - Care Placements Efficiency review	500	550	600	600
S-CHS-07	Safeguarding & Rights - Educational Psychology - Re-alignment of Children's Centre budgets	50	50	50	50
S-CHS-08	SLE - Trident Work Experience	22	22	22	22
S-CHS-09	SLE - Adult College - External Funding	145	145	145	145
S-CHS-10	SLE - Vacant Admin Post	25	25	25	25
S-CHS-11	SLE - Adult College	80	80	80	80
S-CHS-12	CP&TC - Schools Data Packs	50	50	50	50
S-CHS-13	CP&TC - Joint Commissioning Unit	40	40	40	40
S-CHS-14	CP&TC - Policy & Performance - DSG Contribution to GM & HoS costs	80	80	80	80
S-CHS-15	Increase Income Generation at the Vibe	38	38	38	38
S-CHS-16	Q&SI - Community Music Service & Trewern	300	300	400	400
S-CHS-17	Q&SI - Advisory Teachers	300	300	300	300
S-CHS-18	Q&SI - Reduction in 2 Snr Advisor Posts	150	150	150	150
S-CHS-19	Q&SI - Westbury Centre & Admin - Reduction in Costs	50	50	50	50
S-CHS-20	Q&SI - School Improvement/Education Inclusion	300	300	300	300
S-CHS-21	Q&SI - Attendance - Realignment of under 5 services	30	30	30	30
S-CHS-22	Q&SI - Family Learning - Realignment of Services to support under 5's	50	50	50	50
S-CHS-23	Cross Division Savings - Travel & Accommodation	30	500	500	500
Total Childrens Services		**2,423**	**2,943**	**3,093**	**3,093**
Customer Services					
S-CUS-01	Fleet Department Contract Changes	810	810	810	810
S-CUS-02	Reduction of staff-costs during off-peak season	156	156	156	156
S-CUS-03	Staff restructure to achieve Target Operating Model	781	781	781	781
S-CUS-04	Deletion of managerial posts & reduction in support/admin.	1,053	1,053	1,053	1,053
S-CUS-05	Staff restructure in OSS/Contact Centre to achieve Target Operating Model	200	200	200	200
S-CUS-06	Efficiency savings in general housing	150	250	350	350
Total Customer Services		**3,150**	**3,250**	**3,350**	**3,350**

Resources

SUMMARY OF SAVINGS

Ref Number	Bid Description		2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 onwards £'000
S-RES-01	Town Twinning		31	31	31	31
S-RES-02	Civic Reception		8	8	8	8
S-RES-03	Electoral Services - Supplies & Services		6	6	6	6
S-RES-04	Strategy & Performance - Employee Costs		50	50	50	50
S-RES-05	Strategy & Performance - Marketing & Comms		75	75	75	75
S-RES-06	Corporate Finance		250	250	250	250
S-RES-07	Human Resources - Realignment of Supplies & Services Budgets		40	40	40	40
S-RES-08	HR Management Information & Performance Reduction in Posts		35	35	35	35
S-RES-09	Occupational Health - Reduction in Posts		80	80	80	80
S-RES-10	Schools HR		20	20	20	20
S-RES-11	ICT market testing		100	100	100	100
S-RES-12	Health & Safety - Reduction in Posts		40	40	40	40
S-RES-13	Learning & Development - Reduction in Posts		80	80	80	80
S-RES-14	HR Recruitment - Reduction in Posts		50	50	50	50
S-RES-15	Various ICT Savings		400	400	400	400
S-RES-16	Regeneration & Economic Development - Reduction in Posts		200	200	200	200
S-RES-17	Accommodation Strategy		220	275	748	748
S-RES-18	Asset Strategy - Charge Staff to Capital		35	35	-	-
S-RES-19	Skill Mix Capital Delivery		50	50	50	50
S-RES-20	Printer Rationalisation		5	5	5	5
S-RES-21	Reduction in Use of Consultants		25	50	100	100
S-RES-22	Corporate Client Restructure		38	38	38	38
S-RES-23	Rationalisation of Term Contracts		6	6	6	6
S-RES-24	Vehicle Hire - Cleaning Service		3	3	3	3
S-RES-25	Grounds Maintenance		5	5	5	5
S-RES-26	Energy Management Capacity		19	19	19	19
S-RES-27	Water Dispensers		6	6	6	6
S-RES-28	Impact of 2% Vacancy factor Increase		618	618	618	618
S-RES-29	Reduction in Supplies & Services spend		305	305	305	305
Total Resources			**2,800**	**2,880**	**3,368**	**3,368**

Corporate

S-CRP-1	Review of PA's across council Directors & HoS		70	70	70	70
S-CRP-2	Review of PPP teams		500	500	500	500
S-CRP-3	Reduction in Consultancy spend		370	370	370	370
S-CRP-4	Reduction in Mobile Phones & Blackberry's		60	60	60	60
Total Corporate			**1,000**	**1,000**	**1,000**	**1,000**

TOTAL ALL SAVINGS PROPOSALS

TOTAL SAVINGS	**14,023**	**15,149**	**15,937**	**15,937**

	2008/09 OUTTURN £'000	2009/10 ORIGINAL BUDGET £'000	2009/10 REVISED BUDGET £'000	2010/11 BASE BUDGET £'000
Adults & Community Services	70,703	66,978	67,289	73,056
Children's Services	49,626	52,016	62,770	59,564
Customer Services	26,386	24,381	24,837	21,667
Finance & Commercial Services	448	84	715	(292)
Resources	11,536	9,539	9,397	14,121
General Finance	(16,765)	(10,980)	(22,392)	(26,101)
Contingency	0	1,500	900	4,773
Levies & Precepts	7,182	7,646	7,646	7,983
Dedicated Schools Grant	0	0	0	0
TOTAL	149,117	151,163	151,163	154,771

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APPENDIX E

2010-11	GROSS BUDGET £'000	RECHARGES £'000	INCOME £'000	NET BUDGET £'000
Adults & Community Services	**109,457**	**(17,529)**	**(18,872)**	**73,056**
Children's Services	**96,294**	**(9,380)**	**(27,350)**	**59,564**
Customer Services	**205,569**	**(25,125)**	**(158,777)**	**21,667**
Finance & Commercial Services	**7,578**	**(7,775)**	**(95)**	**(292)**
Resources	**50,778**	**(32,485)**	**(4,172)**	**14,121**
General Finance	**(910)**	**0**	**(25,191)**	**(26,101)**
Contingency	**4,773**	**0**	**0**	**4,773**
Levies & Precepts	**7,983**	**0**	**0**	**7,983**
Dedicated Schools Grant	**195,225**	**0**	**(195,225)**	**0**
TOTAL	**676,747**	**(92,294)**	**(429,682)**	**154,771**

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